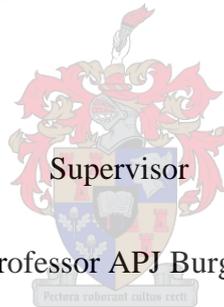


**Stakeholder Relationship Management as a Tool for Municipal Public Value  
Generation: A Case Study of Five Municipalities in the Western Cape**

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Faculty Economic Management Science of Stellenbosch University



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# DECLARATION

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# ABSTRACT

Municipalities is the sphere of government that works closely with communities and thereby directly interacts with and serves citizens. Enhancing public trust in government, improving public services and achieving social outcomes have been identified as potential and significant areas where public value can be formed that is truly perceivable by citizens.

This dissertation reports on an evaluative study of stakeholder relationship management between municipalities and their stakeholders, using five municipalities as case studies to empirically measure this relationship. The dissertation attempts to determine how municipalities in the Western Cape manage their stakeholders and how this management assists in creating public value. The dissertation draws from the strategic triangle of Moore (1995), which entails that leaders can create strategic visions and goals that are clear and socially valuable. The triangle also indicates that if the political and legal support is in place it can help to accomplish the goals of the organisation.

The research methodology entails an analysis of relevant literature, policies, legislation, questionnaires and municipal documentation. In addition, the field work utilises a semi-structured mixed questionnaire for conducting interviews with municipal managers (MMs), communication officers and municipal officials.

In this dissertation, the researcher opted for stakeholder theory to support public value theory. The dissertation fills a gap in the current literature on local government, providing practical research to municipalities on how to use stakeholder relationship management as a tool to create public value and on how stakeholders can become partners and co-producers within public value structures, networks and/or linkages. The dissertation posits that a new way of dealing with stakeholder relationship management is required. The results show that stakeholder relations management, “through the development of mutually beneficial relationships with external stakeholders, can result in the creation of public value and societal legitimacy”. The dissertation emphasises that responsive local governance is dependent on public trust in those who are leading municipalities: the elected councillors and appointed officials. The dissertation identify principles for effective stakeholder identification and these principles are built in to a stakeholder management model.

The results of the dissertation show that engagement with stakeholders is helpful as it develops a better understanding of issues and also bring alternative views to the forefront. The cases provide a clear illustration of how the concept of public value can be used practically when looking at the success of municipalities. A new framework is proposed, based on the critical public values identified, consisting of three main areas. The empirical research findings and case studies provide the basis for the stakeholder relationship management framework.

The information gathering occurred through a variety of methods, including focus group meetings, steering committee meetings, interviews, document analysis and workshops. All the stakeholders in the dissertation, with the exception of local suppliers, were consulted. The dissertation also draws on literature on relationship management within the organisational context.

A stakeholder relationship management framework is proposed that can be used by individual municipalities in pursuit of an improved relationship with stakeholders. This suggested framework can lead to an improved relationship with municipal stakeholders, as suggested in the literature on stakeholder management. Enhanced stakeholder relationship management will help municipalities to improve capability and execution. This framework is by no means a blueprint to address the problems in municipalities but can contribute towards better service delivery and governance outcomes and the creation of public value. This dissertation also makes a valuable contribution to the current body of stakeholder management research within the local government context.

## OPSOMMING

Die primêre doel van hierdie proefskrif is om ondersoek in te stel hoe munisipaliteite in die Wes-Kaap hulle belangegroep bestuur om beter dienslewering te verseker. Dit fokus op die verhouding tussen munisipaliteite en hulle belangegroep, die ontwikkeling en instandhouding van die verhouding en die impak van die verhouding op Munisipale strategieë wanneer daar met belangegroep gedeel word. Die studie kyk spesifiek na drie belangegroep binne die munisipale landskap naamlik legitieme, strategiese en reflektoriese belangegroep. Die redenasie is dat beter belangegroep bestuur kan lei tot verbeterde dienslewering en die daarstelling van munisipale openbare waarde.

Alle belangegroep in die studie, met die uitsondering van plaaslike voorsieners in die verskillende Munisipale areas is gekonsulteer. Die proefskrif kyk ook na verhoudingsbestuur binne n organisatoriese konteks. Die navorser het die belangegroep teorie en die openbare waarde teorie gebruik as basis vir die studie. Die keuse is gemaak deur te kyk na die kwessies wat die belangegroep deel. Die studie beoog om te kyk na die essensie van belangegroep bestuur binne n korporatiewe konteks en hoe dit kan lei tot verbeterde dienslewering en die daarstelling van openbare waarde.

Die studie vul 'n gaping in die huidige literatuur van plaaslike regering en voorsien praktiese navorsing aan munisipaliteite oor hoe om belangegroep te gebruik as 'n hulpmiddel om dienslewering te verbeter en sodoende openbare waarde te skep en hoe professionele belangegroep deel kan vorm van die proses van verbeterde dienslewering.

Die studie veronderstel dat 'n paradigmaskuif nodig is oor belangegroep bestuur. Die analise van die vyf munisipaliteite in die Wes-Kaap voorsien die basis vir die bevindinge. Die resultate toon dat belangegroep bestuur gerugsteun deur die ontwikkeling van 'n voordelige verhouding vir albei partye kan lei tot verbeterde dienslewering en die skepping van openbare waarde. Dit bevind verder dat effektiewe plaaslike regering is afhanklik van publieke vertroue in die wat lei: gekose raadslede en aangestelde amptenare.

Die resultate toon dat die belangegroep bestuur praktyke in die vyf munisipaliteite besig is om te versterk en dat daar n groter fokus is op die bestuur van belangegroep veral gesien in die

lig van die feit dat munisipaliteite in Suid Afrika worstel met volhoubaarheid kwessies. Huidige praktyke toon dat iets daadwerklik aan die situasie gedoen moet word ten einde die resultate te verbeter. Verder word belangegroep verhouding bestuur beïnvloed deur die interaksie tussen organisasiestrukture en ander prosesse. Die studie toon ook dat belangegroep bestuur 'n langtermyn doelwit is wat geïntegreer moet word op verskillende vlakke binne n munisipaliteit in die verskillende departemente. Die dinamika binne verskillende munisipaliteite moet ook in aanmerking geneem word omdat plaaslike toestande verskil. Oplossings word ook voorgestel om uitdagings wat deur munisipaliteite ondervind word, aan te spreek. Daar is 'n groot behoefte aan vaardighede binne munisipale verband en die nodige kapasiteit moet geskep word om te verseker dat munisipaliteite die nodige aandag skenk aan belangegroep verhoudingsbestuur.

'n Belangegroep verhoudings bestuursraamwerk word voorgestel wat gebruik kan word deur munisipaliteite in hul soeke om die verhouding met belangegroep te verbeter. Hierdie voorgestelde raamwerk kan lei tot verbeterde verhoudingsbestuur met Munisipale belangegroep soos voorgehou in die belangegroep verhoudingsbestuur. Beter bestuur van belangegroep sal munisipaliteite help om kapasiteit en implementering te verbeter. Die raamwerk is geensins n bloudruk om probleme binne munisipaliteite aan te spreek nie maar dit kan lei tot verbeterde dienslewering, regeerkunde uitkomst en die skepping van openbare waarde.

Die studie dra by tot die belangegroep literatuur deur die belangegroep verhoudings te omskryf en die dimensies binne n munisipale konteks. Die studie het bevind dat belangegroep verhoudings bestuur in n munisipaliteit dra by tot die agenda wat in die organisasie gedryf word.

# PREFACE

While working in the local government sector since 2004, the researcher often saw how municipalities lack knowledgeable ways to provide public goods and services. It was noted how municipalities manage their stakeholders and that the relationship between municipalities and stakeholders has at times being very hostile. Municipalities are acting independently to provide services to citizens and there is sometimes a reluctance to collaborate with other organisations and to act together as a strong united front to address the many challenges experienced by citizens in a collaborative way. This has led to poor provision of basic services to the poor.

“Due to a lack of efficient stakeholder relationship management, municipalities have not realised that stakeholder relations as a whole has an effect on the attractiveness, value and distinction dimensions of reputation. In order for an organisation to establish positive relationships with stakeholders, it needs to understand how these stakeholders operate and that stakeholder relationships not only bring economic benefit to a company but also other social benefits”.

It was always the researcher’s dream to become a civil servant and to serve the people of South Africa. The researcher’s exposure to the public sector started in 1988 as a high school teacher in the Cape Flats<sup>1</sup>. The researcher worked in the education sector until 2003, when he moved to the Western Cape Provincial Treasury to work in the Infrastructure Directorate, the public-private partnerships (PPP directorate), and the Local Government Budget Office. Part of the researcher’s duties was to monitor the construction of hospitals, schools and other infrastructure projects in the Western Cape and also act as a conduit between municipalities and institutions like the Auditor-General of South Africa (AGSA), The South African Local Government Association (SALGA), the Municipal Demarcation Board (MDB) and other institutions. This afforded the researcher the opportunity to engage with municipalities, communities, civic organisations, national government departments, provincial government

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<sup>1</sup> An area predominantly populated with black people.

departments and other government entities. An important observation that resulted from engagements with these groups was the lack of trust between municipalities and stakeholders, such as provincial government, national government, citizens and business, civic organisations and other forums.

What interests the researcher is the increasing view of municipalities that national and local government do not understand their business. In addition, the view of municipalities is that government is strangling municipalities through regulations and thus municipalities need to focus more on compliance and less on performance. These new regulations require extra human resources to ensure compliance, which comes at a cost. The result is that municipalities are non-compliant and the picture that is painted of municipalities by institutions like the Auditor General of South Africa (AGSA), the Human Rights Commission and the Public Protector is one of corruption, incompetence and poor governance.

“The King Reports on Corporate Governance for South Africa are internationally valued for proposing unified reporting for business concerned with the triple bottom-line business context to improve corporate governance. The most recent King III Report (2009) views stakeholder relationship management as a key principle of corporate governance in South Africa.”

Municipalities in South Africa are facing many challenges relating to, amongst others, the provision of basic services, financial sustainability, corporate governance and strained relationships with stakeholders. Moreover, constant and formalised communication and negotiation with stakeholders is essential for effective service delivery. Municipalities should therefore consult with different stakeholders so that they can better understand and support decisions around trade-offs and prioritisation that municipalities must make. Consequently, the relationship between municipalities and their stakeholders should be mutually beneficial; hence there should be dialogue, negotiation and collaboration with stakeholders. Interacting with stakeholders is unavoidable if a municipality is to achieve the objectives in their integrated development plans.

The publication of King III (2009) changed the municipal landscape in South Africa. It transformed the way municipalities conduct business and created new opportunities and challenges. Municipalities ready to embrace the King III principles as part of their corporate

culture will thrive, while those who do not will arguably perish. Corporate governance revolves around new ways in which municipalities should work together with stakeholders.

Working in the local government space is absolutely fascinating, it has contributed towards the researcher's development as a person and shaped his thoughts in many ways. Local government is at the forefront of service delivery and is close to citizens. Growing up in rural South Africa also taught the researcher that people in these areas do not always have the privileges and opportunities of those in major cities. Rural inhabitants should, however, still be afforded the same opportunities as all other citizens. The imprint that apartheid has left on black people is profound and the social separation left people in South Africa with permanent scars. The researcher has always believed that it is incumbent upon government to address poverty and service backlogs in historically disadvantage areas and, as a public manager, the researcher came to realise that he can make a contribution towards the transformation of the lives of people in South Africa.

This dissertation argues that municipalities cannot operate in a void. Running a municipality involves interacting with a wide range of interested parties. "A municipality consist of an internal system of networks and happens within a framework of interrelated systems of relationships with stakeholders".

The degree to which municipalities understand their stakeholders influences the success of a municipality. Municipalities need to understand the perceptions, needs and attitudes of their stakeholder base or risk their chances of success.

The first general local government elections in December 2000 was a turning point in the history of South Africa and, after twenty five years of democracy, it is only appropriate to assess the progress that South Africa has made. The researcher's involvement in the local government sector has helped to understand the intricacies and complexity of local government in South Africa. A very important observation in the local government landscape is that municipalities cannot achieve the objectives of local government, as spelt out in the Constitution, alone. What is needed is a concerted effort from different role players. The doctrine of developmental local government can only be accomplished through networking and partnering. Seemingly, local government has made a valuable contribution by extending

service delivery to poor communities in South Africa. However, there are still many challenges ahead and public observations of local government are negative.

This dissertation aspires to enrich local government literature so that municipalities, businesses and government at large can improve stakeholder management. Visiting different municipalities in the Western Cape, the researcher has also come to the realisation that the stakeholder management landscape is very complex. Engaging with stakeholders can be daunting. Central to meaningful stakeholder engagement is effective planning and preparation to ensure desired outcomes. However, municipalities do not fully comprehend the importance of stakeholder relationship management. Municipalities do not understand what information stakeholders want or need, what motivates them and how they want to receive information. Stakeholder buy-in is also crucial if municipalities want to achieve objectives and for various other purposes. Stakeholder management at municipal level can be very complex due to the presence of politicians who represent the electorate and make strategic decisions.

Finally, it must be asked if the stakeholders believe that their voice and participation in the decision-making process makes a difference or has an impact. The researcher hopes to answer this and other questions utilising a qualitative research method.

# LIST OF ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
ANC	African National Congress
APP	Annual Performance Plan
BPP	Batho Pele Principles
BSC	Balance Scorecard
CAPs	Community Action Plans
CFO	Chief Financial Officer
CoGTA	Department of Co-operative Governance and Traditional Affairs
DLG	Department of Local Government
DPME	Department of Monitoring and Evaluation
EPWP	Extended Public Works Programme
Eskom	Electricity Supply Commission
FBS	Free Basic Services
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
IMATU	Independent Municipal and Allied Trade Union
JPI	Joint Planning Initiative

KRA	Key Result Area
LED	Local Economic Development
LGMTEC	Local Government Medium-Term Expenditure Committee
LGTAS	Local Government Turnaround Strategy
M&E	Monitoring and Evaluation
MD	Municipal Demarcation Board
MFMA	Municipal Finance Management Act
MGRO	Municipal Governance Review and Outlook
MIG	Municipal Infrastructure Grant
MinMay	Ministerial Mayor Forum
MinMayTech	Ministerial Mayoral Technical Forum
MISA	Municipal Infrastructure Support Agency
MPAT	Management Performance Assessment Tool
MPRA	Municipal Property Rates Act
MSA	Local Government Municipal Systems Act
MSP	Municipal Service Partnership
NDP	National Development Plan
NPC	National Planning Commission
NPM	New Public Management

NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
PBB	Priority Based Budgeting
PCF	Premier's Co-ordinating Forum
PFMA	Public Financial Management Act
PMS	Performance Management System
PT	Provincial Treasury
RDP	Reconstruction & Development Plan
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
UN	United Nations
VPUU	Violence Prevention through Urban Upgrading
WCG	Western Cape Government

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# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

The first chapter provides the context of the study, the problem statement, the research question and the basis of the research. It concludes with the limitations of the study and an outline of the chapters.

South Africa will celebrate 25 years of democracy in 2019, and local government celebrated 15 years of democratic and developmental local government in December of 2015. Despite the progress that South Africa has made in addressing basic services to the previously marginalised and poor people, a lot of challenges still exist especially in rural communities. Local Government is under pressure to improve service delivery and the situation is not getting better because municipalities are struggling with citizens that don't pay for services and the lack of qualified officials, especially in rural municipalities.

The Constitution of the Republic of South African (1996) gives local government the role to mobilise economic resources towards the improvement of the lives of all citizens. Basic services are the central building blocks for improved quality of life, and acceptable supplies of safe water and adequate sanitation are necessary for life, well-being and human dignity (Stats SA, 2016:12). Increased expectations and demands from citizens have resulted in more pressure on local government and it is clear that the process of building capacity for good local governance is very complex, since it includes different actors. Government, the private sector and civil society all play a pivotal role in ensuring sustainable service delivery. The persistence of various challenges in the local government system and an increase in the amount of service delivery protests in South Africa has raised more questions in terms of the service delivery and developmental role of local government.

“The formation of a constitutional democracy in South Africa in 1994 created the prospect for the new government to reorganise the relationships between the state, economy and society. The developmental needs of the population were high on the agenda of the new regime. People had high expectations of a better life, based on the normative postulation that the government should strive to meet the needs and wants of the population”.

Tremendous advancement has been made in the delivery of basic services to South Africans over the past few decades. “The Stats SA’s Community Survey found that 89,8% of households used piped water, 63,4% used flush toilets connected to either the public sewerage or to a local septic system, 63,9% of households received refuse removal services, and, finally, that 87,6% of households had access to electricity.”(Stats SA,2016:xiii).

However, twenty- five years down the road, some people are still without access to water and sanitation. Even though major strides have been made in several aspects, such as governance, accountability, capacity development, and financial and administrative management, but there is still a deficit of trust because of fraud and corruption. In this regard, legislation has provided for anti-corruption mechanisms and regulations dealing with misconduct.

“While dealing with challenges with regard to municipal performance, municipalities are required to establish a democratic system of governance. This often characterised by stern resistance from communities and other groups” (White Paper on Local Government, 1998:19).

To this end, and led by the Constitution, the White Paper on Local Government (WLPG) was published in 1998. It introduced a series of laws, policies and support programmes to direct the establishment of local government as a distinctive, interrelated and interdependent sphere of government. “The thrust of the WLPG is that local government should be realising developmental outcomes, such as the provision of household infrastructure and services; the creation of liveable, integrated cities, towns and rural areas; and the promotion of local economic development and community empowerment and redistribution” (White Paper on Local Government, 1998:10).

“The White Paper on Local Government (1998:10) also provides three approaches that can assist municipalities to become more developmental, namely integrated development planning and budgeting, performance management, and working together with local citizens and partners to create public value. It emphasises the potential of integrated development planning as a mechanism to enable prioritisation and integration in municipal planning processes. It proposes a process for the development of a performance management system for local government and suggests ways in which municipalities can engage citizens and community groups in the affairs of the municipalities in these citizens’ and community groups’ capacities

as voters, citizens affected by municipal policy, consumer and end-users of municipal services and partners in resource mobilisation for the development of the municipal area.”

“The National Development Plan (National Planning Commission, 2011:365-366) provides direction for addressing challenges of local government through the identification of four areas of action that need attention: (1) stabilising the political/administrative interface; (2) making the public service and local government careers of choice; (3) developing practical and specialist professional skills; and (4) cultivating the relationship between the three spheres of government.”

Based on the discussion thus far, it can be seen that South Africa has undergone major changes at a political, social and economic level which has transformed the country. “This transformation led to a number of new prospects for, and threats to, businesses and their stakeholders alike.” Denton & Vloeberghs (2003:86) is of the view that both stakeholders and business would profit if they change their approach to the international environment and should they adopt professional business principles. “Business should also be mindful that communication management can play a critical role in the adaptation process between the environment and business (Meintjes, Niemann-Struweg & De Wet, 2009:59), and it can be done through better management of stakeholders”. The key thrust of “Stakeholder management is about the management of relationships with all stakeholders, serving their interests efficiently and thus profitably in order to sustain and improve the contributions (resources) they provide for the organisation’s value creation” (Scharioth & Huber, 2003:2). Government will therefore also have to adapt and manage stakeholders differently.

“South African municipalities are facing an enormous task due to a range of social, economic, political and technological factors, all of which require public sector organisation to work together to address the legacy of inequitable distribution of resources and to address the corrupt and inefficient practices of the past. To cope with the political turbulence and uncertainty facing many municipalities, municipal councils must effectively manage their stakeholders. Since the inception of the King III principles on corporate governance in 2009, municipalities in South Africa are under immense pressure to enhance their relationships with stakeholders. The King III principles postulate that a stakeholder-inclusive corporate governance approach distinguishes that a company has many contributors that can affect it in the achievement of its strategy and long-term sustained growth.”

Municipal councils in South Africa are now required to ensure that stakeholder relationship management is high on their strategic agendas in the context of corporate governance. However, the reality in South Africa is that the relationship between municipalities and stakeholders is strained and municipalities are faced with a predicament when attempting to balance the divergent interests of various stakeholders within local government. Municipalities are therefore required to cultivate a culture of viewing stakeholders as partners in service delivery and public value creation.

The need to manage key stakeholders is not restricted to the private sector, in fact the need to manage stakeholders is even more relevant when referring to the public sector. “The King III Report which was published in March 2010, was a result of the financial crises in the world, the crises on corporate governance and low trust in business. The introduction of the new Companies Act (No. 71 of 2008) emphasises the management of relationships with stakeholders and proposes that the board of directors of a business take cognisance of the legitimate interests of stakeholders in all decisions. At the time of writing, the King IV Report was about to be released. However, the King III Report will form the basis for this study” (Rensburg & De Beer, 2012:1).

“The King III Report on Corporate Governance for South Africa (with a separate chapter on governing stakeholder relationships) emphasise the notion that stakeholder management is critical within the corporate governance context. In this report, the broad approach to stakeholder relationship management is explained in detail for the first time and principles on how stakeholder relationships can be managed in a corporate governance context are provided. These principals have consequences for corporate communication strategies in all institutions”. “The inclusion of all stakeholders in corporate issues has taken centre stage in corporate governance. In any given communication situation, a stakeholder can play many roles in both an internal or external organisational environment. On the other hand, total stakeholder involvement (engagement) is crucial and will have implications for organisational practices, reputation and corporate sustainability” (Rensburg & De Beer, 2012:1). “The King III Report on Governance consists of eight chapters, with Chapter 8 entitled ‘Governing Stakeholder Relationships’. This chapter contains six principles, all aimed at creating a foundation for stakeholder relationship management in South Africa. These principles revolve around stakeholders and their link with reputation, proactive stakeholder relationship management,

stakeholder engagement, the treatment of stakeholders, transparent and effective communication with stakeholders, as well as dispute and conflict resolution with stakeholders.”

“The breach between stakeholder perceptions and the performance of the municipality should be managed and measured to enhance corporate reputation and to avoid damage or destruction by municipal actions. What the municipality does, and not only what it communicates, ultimately shapes stakeholders’ perceptions. Communication also assists in bridging actual and perceived gaps that can occur and facilitates a balanced assessment of the company” (King III, 2009:1).

“Overall, Municipal councils are expected to provide municipal services in a way that is sustainable, equitable, efficient, effective and affordable, and consistent with the principles of service delivery in the constitution. Much of this includes creating public value in a broad sense – equivalent to public interest or ‘the common good’. Stakeholder engagement is also an important consideration in public value theory, recognising the shift from voice and market to civil society”.

“The increasing power of stakeholders and the complex interrelationships between them are driven by a number of factors which include:

- Globalisation and the 4<sup>th</sup> industrial revolution processes;
- The rise of professional investors;
- The intensification of more sophisticated customers;
- The upsurge of the empowered employee;
- The information revolution;
- A rising consciousness of the influence of business on society;
- An organisation’s own wish to influence society; and
- Government support” (Scholes & Clutterbuck, 1998:227-228).

## **1.2 Contextualising the Concepts of Public Value, Stakeholder Relationship Management and Service Delivery**

The following sub sections provide a context for the concepts of public value, stakeholder relationship management and service delivery for public value generation.

### **1.2.1 Public value**

“The objective of public value management is to realise public value that is effective in tackling problems that the public most cares about, from provision of services to systems maintenance (Stoker, 2006:44). The public value management approach recognises that a more realistic approach towards selecting actors to deliver services creates more opportunities for public maximisation” (O’Flynn, 2007:360). The preferred system for delivery in a network in the public value management approach is a “menu of alternatives selected pragmatically and a reflexive approach to intervention mechanisms to achieve outputs”. Fundamental to this process is a consistent and continuous independent exchange (Stoker, 2006:44).

“Within public value management there is a strong sense that the public dominion is different from the commercial sector (Stoker, 2006:46). Accountability is achieved through negotiated goal setting and oversight. It is multifaceted and not a linear relationship between a principal and agent as in traditional and New Public Management (NPM) “(Stoker, 2006:52). Bryson, Ackerman and Eden (2015:1) argue that “collaboration and cross-sector collaboration have therefore emerged as hallmarks of the new approach in which public managers frequently must work jointly with non-profit organisation, business, the media, and citizens to accomplish public purposes”.

“Organisations offer to the many relationships between the individual and collective (society, community). A public lens reveals how an organisation links to its wider community and where the gaps or potentials are for enhancements” (Meynhard, 2015:148). “The public value construct is a way of looking at organisational influences on people’s experience of the public, as well as of considering the reflexive, value-laden nature of organisational performance. It also helps conceptualise value construction as a deeply interactive process in which different players contribute and share both benefits and risks. It constitutes a way of combining and

integrating one-sided approaches that favour one perspective over the other – for instance shareholder value, citizen value and customer value but also stakeholder value, corporate social responsibility and sustainability” (Meynhard, 2015:148).

## **1.2.2 Stakeholder Relationship Management**

Municipalities deal with a number of stakeholders, such as organised community groups, individuals, business entities and other organisations. However, the focus of this study will only be on professional stakeholders and will exclude community organisations. The reason for this delimitation is in terms of the strategic triangle to establish an authorising environment. The objective is to engage with participants from different sectors whose backing and support is required to withstand the strategic action. This is the big challenge. There will be probably little, if any, objection to establishing a network of stakeholders to create public value but getting all stakeholders to align resources with the identified shared public value could require convincing and authoritative engagement.

“One of the pillars of good governance is effective stakeholder engagement which is highlighted in the King reports. The King report states that certain bodies and organisations, as well as individuals have a key role to play because of their economic, social, political or moral position within the area. This is fundamental to the process of annual reporting and King III provides guidance and recommendations on how to deal with stakeholder relationships” (PWC, 2009:3).

“Stakeholder interface has been researched from the viewpoints that it is (i) an action (Davidoff, 1965; Arnstein, 1969), (ii) a process (Loh, 2012), or (iii) a network or system (Booher & Innes, 2002; Chettiparamb, 2007). However, a more recent addition to global literature on stakeholder interaction is the likelihood that it can actually be a rather complex system, to be understood from the perspective of complexity theory” (Woodhill, 2009).

“It is important to note that the local governance regulatory framework of South Africa encompasses not only national, regional and local government, but also relations with the diversity of civil society, business, labour, civics and other local constituted groups” (Orkin, 1995; Putnam, 1993). The question that could be asked is why municipalities should consult and negotiate with stakeholders. There are three main reasons. The first reason is that

consultation should help municipalities to make better decisions. A second reason is that consultation assists the different stakeholders to improve understanding and support decisions around trade-offs and prioritisation that municipalities must make and, thirdly, consultation can help improve the inter-departmental and intergovernmental co-operation that is essential for effective service delivery.

“There is a quite broad consensus in public management research that because of the number of stakeholders involved in the process of service delivery, that it can be more complexed than the private sector where the focus is more on stakeholders who have a focus on the bottom line (Ring & Perry, 1985; Davenport & Leitch, 2005; McAdam, Hazlet & Casey, 2005). Thus, even though public sector organisations do not have a profit motive, there is pressure to operate in an environment where government budgets are continually being tightened while still having to meet growing demand. Therefore, not only do public sector organisations have the onerous role of achieving national goals and creating public value, they must also operate within the financial constraints of tighter government budgets due to shrinking revenue while constantly balancing the complexity of conflicting interests from multiple stakeholder groups who have varying degrees of influence that are constantly changing” (Proctor, 2011:3).

Helmer (2013:3) asserts that stakeholder management is focused on identifying, communicating and managing relationships with stakeholders. Having stakeholder relationships can support the organisation and stakeholders can offer crisis-mitigating resources. Therefore, the aim of stakeholder management is to motivate stakeholders to act in the best interest of the institution and its associates.

In the daily operations of municipalities, municipalities must deal with a great number of stakeholders. The range of services provided by municipalities is broad and includes the provision of electricity, refuse removal, water supply, storm water drainage, sanitation, parks and recreation services, development planning and building control. It is therefore important that the municipality consults as widely and broadly as possible.

Furthermore, Muzi-Falconi (2009) “view stakeholder relationship governance from another perspective. This view focus on the organisation and the relations considering the societal viewpoint and integrating this with the value network society model of the organisation. This imply that the stakeholder agrees to have a stake in the institution”. “However, it is up to the

organisation to ignore, include (allow access and input) or involve (actively attempt to include in its decision-making processes) some or all of its stakeholders. According to Muzi-Falconi (2009) the principal contributions of communication management to organisational value rely on (1) the ability to collect, understand and interpret stakeholder and societal expectations to organisational leadership with the result of improving the quality of management decisions; (2) the ability to introduce organisational processes to successfully govern stakeholder relationships; and (3) the ability to facilitate and allow other organisational functions to govern stakeholder relationship systems”.

“There is a great deal of the literature on stakeholder theory and stakeholder management that prioritises stakeholders based on their attributes. Harrison and St. John (1994) sort stakeholders according to Freeman’s (1984) original classification of stake in the organisation and impact on behaviour. Stake is broken down into three parts: those stakeholders who have proprietorship in the organisation, those who are economically dependent on the organisation, and those who are not linked directly to the organisation but are interested in seeing that the organisation acts socially responsibly”. “Most scholars studying stakeholder management (Karlsen, 2002; Olander, 2006; Walker, et al. 2008; Jepsen & Eskerod 2008) “point out the significant importance of identifying stakeholders. Though the project stakeholders can be divided into different types according to several criteria (Pinto 1998), the question of who stakeholders are should be answered before classifying and managing them (Frooman, 1999).”

“The aim of New Public Management (NPM) theory was to introduce entrepreneurial ways of organising and managing the public sector but it has lost much of its appeal, both in practice and academia. However, the past two decades saw an impressive growth in literature on governance and governance networks. Network governance theory assumes that organisations need resources from other organisations for their survival and therefore interact with these organisations, resulting in networks. Networks (in this study municipalities and their external stakeholders) are regarded as vehicles for service delivery and implementation” (Klijn & Koppenjan, 2012:3).

“O’Toole’s seminal paper in 1997 called for treating networks seriously in public administration. He stated”:

*“Networks are increasingly becoming important context for public administration and that networked settings are different in respects that matter of the conduct of administration. Public administration should attend to several types of network-focused research efforts. Some suggestions are:*

- 1. Undertake systematic research to explore the descriptive questions on the network agenda; How much of manager’s time, effort and contingencies lie in or are devoted to network contexts?*
- 2. Shifts units and/or levels of analysis to the network,*
- 3. Address both conceptual and theoretical agendas by identifying dimensions of network structure that may help to explain and mediate program and service delivery results.” (O’Toole, 1997:50)*

“O’Toole (1997) is of the view that networks have not been ignored so much but it has rather not been prioritised within the public administration domain. Moreover, O’Toole (1997) adds that both administrators and researchers have begun to devote efforts to understand and study this theme. His work has stimulated further work in this area” (Hwang, 2008:2).

“The benefits of network coordination are substantial, including enhanced learning, more efficient use of resources, increased capacity to plan for and address complex problems, greater competitiveness, and better services for clients and customers (see Brass, et al., 2004, for a review). However, despite much progress by researchers studying networks over the past 15 years, there is still a considerable inconsistency between the acclamation and attention networks receive and knowledge about the overall functioning of networks” (Provan, 2005:2).

“Stakeholder relationships are necessary to manage stakeholders’ interests in a way that benefits the organisation and ensures long-term and sustainable success. Stakeholder relationships can enhance mutual understanding, trust and commitment that are pre-requisites for collaboration between the organisation and its stakeholders” (Svendsen & Laberge, 2005).

Alexander, Miesing & Parsons (2008:2) assert “that there are different magnitudes of stakeholder organisation interactions that could play a role in deciding when relationship strategies are important or fitting. It is therefore important for municipalities to understand who

their stakeholders are and what their needs are. The municipality must be stakeholder-centric in terms of how it operates and interacts with stakeholders. Stakeholder fulfilment should be the ultimate goal – this is as important as the financial success of the municipality.”

Bourne and Walker (2005:4) point out “that any action an institution undertakes, whether strategic, operational or tactical, can only be effective if stakeholders are supportive and consensus is reached on the broad objectives. To ensure the backing and commitment of stakeholders requires a continuous way of engaging the right stakeholders at the right time and understanding and managing their expectations.”

“Consequently, according to Chapter 8 of the King III Report on Governance, “a need exists for clear articulation of how municipalities should be managing stakeholder relationship management. However, the problem is that in municipalities, stakeholder relationships are not clear. A redefined business model, the knowledge of stakeholder relationship management with communication professionals, as well as a well-developed communication management strategy aimed at improving stakeholder relationships are needed to address this problem.” (Rensburg & de Beer, 2012, 151).

### **1.2.3 Service delivery for public value generation**

Local government has a defined scope in terms of constitutional duties. “Municipal services are the menu of services that the municipality is responsible for, in terms of Schedules 4 and 5 of the Constitution and other services which national or provincial government can delegate. Section 73 of the Local Government: Municipal Systems Act (MSA) (No. 32 of 2000) defines a ‘basic municipal service’ as “a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health, safety, or the environment”. This is still rather open-ended and an exact determination of what should be regarded as a basic municipal service will have to be determined on a case-to-case basis” (Bekink, 2006). This study will only look at four basic services: water, sanitation, refuse disposal and electricity.

The White Paper on Local Government (1998), states that municipalities should conform to certain basic principles in terms of the services they deliver. These principles are:

- All residents should receive a lifeline amount of basic services;
- Services must be delivered in a way that is environmentally sustainable;
- Cross-subsidise to allow for an affordable service; and
- Service standards must be established and monitored.

The above criteria are used by municipalities to determine the most suitable service delivery options and to select appropriate delivery mechanisms. A municipality's capacity to provide basic services is determined by factors such as the size, growth and distribution of households, as well as attributes such as relative poverty that influence the ability of citizens to pay for services.

Grove (2013:21) "asserts that there is standing consensus that public service exists to create public value, as coined by Moore (1995) and refined by Newman and Clark (2009), which is indicated by improving the quality of life of all citizens and achieved by providing public services." A recurrent theme in local government reform in South Africa has been the issue of local government performance. South African citizens are complaining about the poor performance of municipalities but what is lacking is a review of the success of local government in meeting its constitutional obligations to citizens". "A municipality's performance is primarily assessed in terms of its development priorities and the objectives cited in its integrated development plans (IDPs). Much of the failure to deliver has been blamed on, amongst other things, the lack of capacity to implement projects. This is due to insufficient skills in local government in disciplines such as engineering and finance, financial resources (other municipalities depend only on grants from provincial and national departments), co-ordination within municipal departments and between municipalities and provincial government, incompetence and corruption" (City Press, 2007:21). Constitutional democracy in South Africa presents government with the role of building democracy and ensuring the equitable production and delivery of public services to citizens, including ensuring their involvement in the decisions affecting their lives.

"Over the last decade, the public value theory has developed as the dominant paradigm in the public management studies. Public administration experts and scholars are paying considerable energy to the creation of public value, to public values more generally, and to the health of the public sphere within which public value is formed" (Williams & Shearer, 2011; Van der Wal, Nabatchi & De Graaf, 2013). Moore (1995) "argues that in order to create public value

effectively three challenges must be addressed. First, the strategy must focus on the realisation of publicly valuable purposes. Second, it must induce adequate legitimacy and support from the organisation's authorising environment. This authorisation comes from recognised political stakeholders and institutions, as well as other stakeholders with due recognition of their differential legitimacy and power. Third, it must be operationally feasible, that is achievable with available and organisational and external capabilities" (Bryson, Crosby & Bloomberg, 2015:27). "Some of the key people in the authorising environment have formal authority over the manager – they are empowered by legislation or an organisation chart to direct the manager"(Bryson, Crosby & Bloomberg, 2015:27). Other stakeholders amplified by the media, such as lobby groups, businesses, other public organisations, and communities, have no formal authority over the manager. The crucial aspect of this theory is the relationship that exists between public value and stakeholder management. The shift to a stakeholder focus completely changes the way in which municipalities conduct their business and the new approach to engage stakeholders has culminated in solving some societal problems in the world. Stakeholder theory thus provides grounding for this research. "Trust and commitment amongst stakeholders can be built and maintained through efficient relationships management" (Pinto, 1998; Bourne & Walker, 2005; Karlsen, 2008).

"The Constitution defines a municipality as having three arms, namely the Council, the administrative arm and the community. The public value paradigm emphasises local control and co-production. It therefore assumes that government become more responsive to grassroots needs and more effective in service delivery. Under this paradigm, municipalities are open to scrutiny and impacted by the task environment".

Public value in South African municipalities is created through the exercise of value creating imagination in the use of municipal finances. The strategic triangle is therefore at the heart of public value creation and public managers operate within this triangle. Moore (1995) "refers to the first point of the triangle as the value circle or the task environment. The objective is to "define ultimate public value outcomes to which the organisation should contribute" and then build operational capacity. The key objective is to harness and mobilise operational resources, i.e. finance, staff, skills, technology, both inside one's own organisation and also monitor whether these are being harnessed and mobilised in the stakeholder organisations as well. This

has to do with the objectives of public/programmes against which effect and performance should be measured”.

“The second point of the triangle relates to the environment in which municipalities operate, since the pursuit of public value requires the support of a range of stakeholders. The third point relates to resources dealing with how the municipality will be organised and operated to achieve its strategic objectives”.

However, it should be noted that the specific circumstances of an organisation determine what is valuable for a public organisation to create. The success of a local government depends on whether it contributes to the creation of specific values desired by its environments. “The core message of the public value management approach recognises that a more practical approach to selecting actors to deliver services creates more opportunities for public value maximisation” (O’Flynn, 2007:360).

Stakeholders in the authorising environment of the triangle include a diverse set of actors. “The people who become the focus of political management vary greatly, depending on managers’ specific purposes at particular times. Sometimes managers concentrate on retaining the support of their immediate superiors; other times they aim to mobilize the productive capacity of millions of citizens” (Moore, 1995:118). This total environment includes formal principals, such as political representatives, elected executives, or national ministries but also informal partners, such as citizens, local business and the media (Moore, 2013). It is the standing of the policy amongst all of these key constituents that determines whether a specific initiative can be deemed successful.

However, a key characteristic of a complete authorising environment is that it contains actors with differing interests, be these different political parties or employers versus employee associations. In an ideal situation, public managers achieve optimal satisfaction and support from all parties for the local definition and delivery of public value. Realistically, actors will remain divided over what is desirable and the success of the policy. At the minimum, public managers should therefore achieve continuous engagement of the different actors that must be involved for legitimate and effective value creation. Negotiating their different contributions and viewpoints is a key hallmark of success, meaning that strong relationships are a priority in themselves (O’Flynn, 2007:362).

It is important to understand that organisations cannot function in isolation. “They are a nexus of both societal and economic agreements and they vary in size and objectives. These contracts epitomise the connection between the institution and its stakeholders. The nexus of contracts consists of both explicit and implicit claims from stakeholders “(Parmar, Freeman, Harrison, Wicks, de Colle & Purnell, 2010). “Since stakeholders with implicit or explicit claims can affect the organisation’s successes, the claims in themselves can determine the value of the firms. Thus, the key driver for a company’s long-term survival is value creation for stakeholders (Minoja, 2012; Hillman & Keim, 2001; Coombs & Gilley, 2005). According to Hansson and Sylvander (2013:9), stakeholder management can be seen as a tactic for the organisation that can ensure value creation for stakeholders. Hence, public value is determined by discussions between stakeholders. The main focus of stakeholder management is to construct strategic methods to manage the abundance of stakeholders (Parmar, et al., 2010). Ulrich (2014:14) asserts that “corporations are pluralistic value-creating organisations, which are right in the middle of multifarious conflicts of interest involving who gets a seat at the table and who gets a piece of the pie”.

An important question to answer in this study is what factors determine service delivery and how to measure service delivery successes or failures. The literature on local government service delivery advocate that the following aspects be considered when it comes to service delivery:

(a) Equality of treatment

Public services should be similar for all citizens. This is very complex but in South Africa certain groups of people are receiving better services than others. People become despondent and this can lead to resentment.

(b) Technical skills and expertise

The lack of engineers in municipalities is creating severe problems and this leads to municipal maintenance backlogs and service delivery failures. During the LGMTEC visits to municipalities, some municipalities indicated that they do not perform maintenance as planned because of insufficient budgets. Their course of action is to wait until something breaks and then to spend available money to repair it. According to them, it is better to operate in that

fashion than to perform planned maintenance on some item(s). The problem is that when other repairs are needed no money is available.

(c) Supply chain legislation

The current supply chain regulation requires that any expenditure above R200 000 needs to go through a tender process, which is an involved and time-consuming process and, for municipalities with budgets exceeding billions of rand, this requirement has proved an obstacle to the pace of service delivery. The supply chain regulations are sometimes cumbersome and time consuming and need to be reviewed.

(d) Setting of performance targets and performance standards

One of the key methods to address service delivery failures is the setting and monitoring of targets. Reasons for failures to meet targets or any other deficiencies in performance should be identified and discussed. Officials who do not perform should be fired. This will ensure accountability. The setting of performance standards that are specific and measurable is key in delivering quality services to communities.

(e) Service delivery models

Municipalities do not have the capacity to deliver all services, hence they should seek partnerships with the private sector to deliver some municipal services. Municipalities should determine what it would cost them to provide a service and whether they have the capacity to deliver the service. The determination should form the basis for deciding the most suitable level of service and the mechanism to deliver it. The models used by municipalities will have a bearing on service delivery outcomes.

### **1.3 Background/Rationale for the Study**

Local government is at the forefront of service delivery and any failure in the sphere is vital, not only in shaping public opinion about the entire government system but also, more importantly, has the potential to undermine the overall socio-economic development of the country. Municipalities in South Africa continue to face challenges related to service delivery and fiscal stress. These challenges have been attributed to poor financial management,

inadequate human and institutional capacity, overstretched infrastructure and generally weak governance systems in some municipalities. Performance gaps have manifested in high incidence of poor audit reports, under-spending/overspending, poorly maintained infrastructure, large and growing consumer debt problems and billing challenges (FFC, 2014/15:128). To compound the problem, poor stakeholder relations with citizens and other stakeholder groups has led to further pressure on municipalities. In particular, the cost of compliance has been raised as one of the biggest challenges by municipalities.

According to Llewellyn (2009), “the significance of stakeholder relationship management is to support an organisation in achieving its strategic objectives by interpreting and influencing both external and internal environments and by creating positive relationships with stakeholders. Management of stakeholder expectations and agreed objectives is crucial to overall project success. Some of the common processes in stakeholder relationship management include stakeholder identification, stakeholder analysis, stakeholder matrix, stakeholder engagement and communication information. The problems faced by society are quite complex, requiring participation and knowledge from diverse aspects of society, including different disciplines (academia), communities, civil society and government.”

Public value is presented by Moore (1995) “as a means of focusing public service delivery ends that are endorsed and supported by service users and their communities. The role of public service leaders is to make the most of the amount of public value created within their given responsibility”. Despite a rich literature on citizen participation in municipal affairs, in particular in planning and budgeting, very little research has been done on how municipalities establish and manage effective relations with stakeholders. “While extensive research has been conducted to understand the role of citizens as stakeholders, the role of professional stakeholders and public value creation has not. However, little research exists that focuses on stakeholder public value creation. To fill this gap, the present study investigates the efficiency of professional stakeholders in public value creation. Therefore, the purpose of this dissertation is to determine the efficiency of stakeholder relationship management in public value creation in South Africa”.

The absence of a framework for stakeholder relationship management in municipalities in South Africa to produce better outcomes further legitimises the development of such a framework. The framework proposed in this study revolves around stakeholder management

being strategic and encircling both stakeholder engagement and the governing of stakeholder relationships.

## 1.4 Problem Statement

Stakeholder relationship management is a powerful assignment that management have to perform to keep their organisations profitable (Clarkson, 1995). However, it is not an easy task to manage stakeholders as they have complex relationships with organisations due to their different prospects and interests (Freeman, 1984).

“In order to build and maintain stakeholder relationships, there should be a focus on the creation of economically, socially and environmentally sustainable and high-performance organisations in modern society” (Sloan, 2009:26), which are often regarded as an indiscernible asset of successful organisations (Malmelin, 2007:298). Maak, (2007:329) states that “the formation of common value for the organisation and strategic stakeholders is reliant on hands-on organisation-stakeholder relationship (OSR) building and recognising stakeholders’ shared responsibility in addressing organisational problems.” (Meintjes & Grobler (2014:162) is of the view that “the success of the organisation has a direct relation to the organisation’s capability to manage and address various stakeholder needs and demands, which underlines the increasing need for organisations to establish stakeholder partnerships”(Valackiene, 2010:101).

Municipal relationships refer to the interactions between municipalities and ways in which municipalities may cooperate with various groups, such as neighbouring municipalities, business, industry and the public. Municipalities in South Africa therefore face different challenges from differing people and groups. These challenges often have a critical impact on the operations of municipalities. Many of the challenges are due to casual and ad-hoc actions, as well as the non-institutionalisation of stakeholder management by municipalities.

This dissertation is built on the presumption that relationships between municipalities and professional stakeholders are flawed by difficulties and negatively affect the local government landscape in South Africa. Municipalities are often in dispute with stakeholders, such as the Auditor-General of South Africa, national government, provincial government, the Public Protector, Eskom, the Department of Water Affairs, trade unions and several other institutions.

These stakeholders can influence the views of investors or government and they can withdraw their consent and resources from particular proposals, making implementation more or less difficult. An example is that poor audit reviews from the Auditor-General can influence a municipality's credit rating or could scare investors from projects. The reputation of municipalities is therefore at stake.

Disputes between municipalities and their stakeholders entail differences in audit opinions, financial matters, labour issues and interpretation of constitutional issues. These disputes are then addressed through a variety of means, e.g. negotiations, courts, appeals, mediation and intergovernmental disputes. These mechanisms work well in situations where municipal relationships are strong. However, in instances where relationships are strained, these mechanisms do not work. This requires a strategic change in the ways things are currently done and there is a need to design new models that aim to enhance stakeholder management to improve service delivery, which results in the creation of public value.

“Freeman is of the view that a strategic stakeholder management approach is based on the following two critical steps (Freeman & Moutchnik, 2013). Firstly, it is important that the organisation acknowledge that its actions have effects on others, as well as potential effects on the firm. Secondly, to be able to account for the effects of the organisation's actions, managers should have an understanding of stakeholders' behaviours, contexts and beliefs”.

A challenge in South Africa at local government level is that stakeholder relationship management is not prioritised as a key element of the organisational strategy that could damage or benefit the reputation of the municipality, one way or another. The other challenge in South Africa is the mind-set of municipalities, in that they have not created a culture of engagement with stakeholders at all levels and the level of participation is thus very low. The traditional engagement process is no longer yielding the necessary results and has led to frustrations. In addressing the problem, a new concerted approach is needed whereby stakeholder feedback is sought through consultation and engagement.

Bourne (2010:3) postulates “that success in managing stakeholder relationships is achieved through long-term commitment to a structured process consisting of the following five actions:

1. Correctly categorise stakeholders;

2. Understand the needs of stakeholders;
3. Manage the expectations of stakeholders accordingly;
4. Monitor and evaluate the effectiveness of activities regarding stakeholder engagement;  
and
5. Assess the stakeholder community throughout the process.”

## 1.5 Research Question

There is a need for municipalities to improve stakeholder governance to effectively address service delivery and public goods challenges and to effectively deal with the multiple and complex problems of stakeholder relationship management. This research probe to find answers from the research literature as to why municipalities experience crises that prevent them from delivering services and public value.

The intent of this research is to answer the following question:

*How can municipalities engage with stakeholders for improved service delivery contributing to substantive public value?*

Given the above research question the following sub-questions are probed:

- How is stakeholder relationship management and public value defined in the literature?
- What is the status quo of public value in South Africa?
- What is the context of service delivery in Western Cape municipalities?
- What is the context of stakeholder relationship management in municipalities in South Africa and how can we identify this stakeholder management?
- What can municipalities do better to improve stakeholder management?
- What exactly is missing in South African municipalities that continuously results in there being inefficiencies and ineffectiveness in so far as service delivery is concerned?

## 1.6 Research Limitations

Stakeholder relations are becoming increasingly important, with various scholars in agreement that proper management of stakeholders in municipal processes adds value.

Even though the relationship between a municipality and its citizens is very important, this dissertation will only focus on the relationship between professional stakeholders and municipalities. Therefore, it is important that the results of this dissertation cannot be generalised outside of the studied population. Another limitation is the choice of research design. A qualitative observational study design could have generated a deeper understanding of stakeholder management in a specific industry. However, these parameters were set due to monetary and time constraints.

## **1.7 Objectives of the Study and its Significance**

Local government has a pivotal role to play in delivering services to communities, addressing inequalities of the past and alleviating poverty.

In view of the previously stated problems, the main objective of this dissertation is to examine how South African municipalities manage their stakeholders?

## **1.8 General Objectives**

The general objectives of this dissertation are as follows:

- To provide a background of the study and a problem definition;
- To examine stakeholder relationship management by means of a literature review by describing stakeholder relationship management, service delivery and public value;
- To provide a synopsis of the process involved, from the formulation of the research question to answering the research question;
- To analyse how service delivery and stakeholders are managed in five Western Cape municipalities;
- To develop a stakeholder management framework for municipalities in South Africa; and
- To provide recommendations as to how municipalities can enhance stakeholder relationship management.

## 1.9 Significance of the Study

The study is particularly relevant as municipalities are receiving criticism for their inability to engage meaningfully with their stakeholders, who play an important part in service delivery.

The study seeks to develop a framework for municipalities for how to manage stakeholders and improve the relationship between stakeholders and municipalities as the features of their relationships are discussed and analysed. The results of the current research are interesting to the key stakeholders of municipalities. Moreover, municipalities in South Africa can also gain much from this study. This study outlines the complex nature of stakeholders and the relationships of the different stakeholders with municipalities. Such a relationship is considered to be crucial for determining stakeholder salience and addressing the demands and complexities of managing stakeholder relationships that sometimes cause these relationships to be compelling in nature. The study makes a substantial contribution to the current body of knowledge, especially in relation to the development of the stakeholder deliberation and theory. This study will provide analytical knowledge of how professional stakeholder management can contribute to better governance and the creation of public value in municipalities.

This study will also be of importance to, and stand to benefit, national, provincial and local government because it will focus on the importance of evaluating the implementation of policy and procedures with regard to stakeholder management and its creation of public value. The researcher believes that this study can also benefit municipalities in South Africa by aiding them to manage their stakeholders better and provide them with tools and techniques that they can apply in the stakeholder dialogue. The study aims to fill a gap in theoretical academic discourse regarding compatibility between public value and stakeholder management. The relationship between stakeholder management and public value has not been widely discussed in academic circles and so the existence of a link or a dependency will be discussed in the theoretical chapter.

The Public value theory focuses strongly on three areas namely values and goals, capacity building in cooperation and stakeholder environment. The Public value theory has in many ways transformed the understanding of local government and is the starting point of more development of a theory on stakeholder management. Fundamentally, the objective of this study is to discover the characteristics of stakeholder interaction in selected municipalities in

South Africa to encourage academic discussion around current methods to stakeholder interaction in the local government landscape.

## **1.10 Research Design and Methodology**

The research design of the dissertation can be considered as qualitative, explanatory and takes the form of a case study. The preliminary study entails the identification of all stakeholders, role players and key figures, both nationally and in the Western Cape province, who provided the necessary guidelines and sources of information.

### **1.10.1 Research design**

“Collins (1999:42) and Yin (1984:28-29) “uphold that a research design is the action plan that carefully deliberates on the research question, the relevant data, and the collection and analysis of the data.” Denzin and Lincoln (2005:24-26) “explain that a research design positions the researcher in the practical world and connects the researcher to specific sites, persons, groups, institutions and bodies of pertinent informative material.”

The examination of stakeholder relationship management practices in five municipalities in the Western Cape is a very important endeavour in the local government sphere of South Africa. Therefore, it is important to use designs and methodologies that meet the requirements of dependability and validity in order to improve the trustworthiness of the study. To achieve this goal, a main research question was formulated. Answering the main research question requires sub-questions be broken down, the main research question explained and the key elements highlighted. Burns and Grove (2003:195) asserts that a research design is “a blueprint for conducting a study with maximum control over factors that may affect the validity of the findings”. Von Bertalanffy (1973:4-5) “confirms that the systems theory is a comprehensive, multidisciplinary approach to information based on the systems concept, where it is designed to capture the ways several phenomena can be viewed broadly as a set of interacting forces.”

The main focus of the data collection was documentation analysis and interviews. “Conducive to develop an in-depth and holistic understanding of public value, stakeholder management and network governance principles, both primary and secondary information were used, as suggested by Welman and Kruger” (2001).

This dissertation followed a design theory that employed case study methodology in which qualitative methods of data collection were utilised. Mouton (2001:49) postulates that the research design focusses on the fundamental question of what kind of study will be undertaken in order to provide acceptable answers to the research problem or question. Due to the investigative nature of the work, specific emphasis is placed on pointing out the unit of analysis, the formulation of the research problem, the operationalisation of the project and the nature of the study.

### **1.10.2 Research methods**

This dissertation is a qualitative case study of municipalities in the Western Cape. Its objective is to study the stakeholders of municipalities; furthermore, the dissertation aims to identify how stakeholder relationship management can be an instrument for municipal public value generation.

An appraisal of senior municipal officials was conducted in Breede Valley, Laingsburg, Drakenstein, Theewaterskloof and Saldanha Bay municipalities to identify their challenges when managing their external stakeholders. The appraisal took the form of self-administered questionnaires, which consisted of semantic differentiated questions.

## **1.11 Composition of the Dissertation**

Chapter One: This chapter set the stage for the research by providing a general background of stakeholder management and public value. It highlighted the context of the study, the research problem, research questions and provided the significance of the study, as well as the research gaps it intends to fill.

Chapter Two: This chapter is concerned with academic discourse and literature related to the subject of stakeholder relationship management and public value, and provides a discussion on the various ways stakeholder management and public value is used and the relationship between stakeholder management and public value. It gives an up-to-date review of the main research done on, and expert opinion relating to, the topic and it provides an intellectual framework and context for the research project.

Chapter Three: This chapter outlines the systematic approach and methods that the researcher adopted to commence the research. It provides the foundation for the selection of the research approach, research design and methods, and the data analysis.

Chapter Four: This chapter focusses on the context of service delivery in South African municipalities. It takes a look at how South Africa manages public value and how public value is operationalised.

Chapter Five: This chapter deals with the current context within which stakeholder management in South Africa takes place and how it is identified within municipalities.

Chapter Six: This chapter focuses on the case study of five municipalities in the Western Cape and describes the cases using a stakeholder matrix. It also cumulates the outcomes from the field observation and questionnaires to develop a stakeholder management framework that can be used to manage stakeholders in municipalities.

Chapter Seven: This chapter deals with the findings and recommendations.

## **1.12 Summary and Deductions**

This chapter provided an introduction to the dissertation. It gave a background to the research and provided a brief description of the research problem, as well as what is known about this problem. In addition, the chapter provided a historical background of local government in South Africa, including its challenges. The chapter also introduced the concepts of ‘public value’, ‘stakeholder relationship management’ and focused on service delivery in a South African context.

The research limitations and the objectives of the study were further articulated in this section, along with the contribution of the dissertation to the current body of knowledge. The chapter concluded with a description of the research design and methodology, and an outline of the composition of the dissertation.

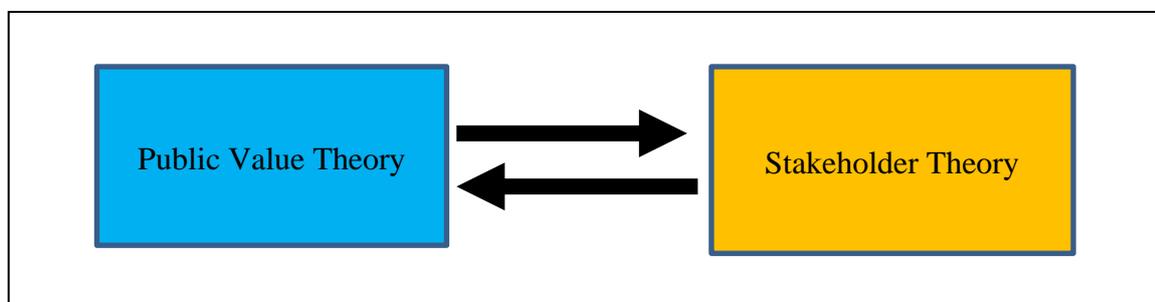
# CHAPTER 2: LITERATURE REVIEW ON PUBLIC VALUE AND STAKEHOLDER RELATIONSHIP MANAGEMENT

## 2.1 Introduction

The aim of this chapter is to conceptualise the concepts of public value (PV) and stakeholder theory, and to provide a library of relevant publications on the theories. The first section describes and gives a summary of the history of the theory. Following this, a description is given of the main authors and critiques. The central elements are introduced through a discussion of central terms and their meanings, followed by a discussion of the meanings of the central elements of the theory, as well as their added value to the theory and academic life. Thereafter, the study deals with what is new, why it is new and how these elements relate to other theories. The chapter concludes with the consequences of this deepening of the theory, discussion and elements for the study, what choices are to be made and how the topic fits with the use and development of the discussion about the theory.

The dissertation focusses on the following theories: public value theory and stakeholder theory, as depicted in Figure 2.1. This is done to understand how municipalities build and maintain relationships with stakeholders.

**Figure 2.1: Theories underlying the study**



**Source:** Researcher's own.

The study falls within the public value paradigm, coupled with the stakeholder inclusive approach. Public value theory reformulates central aspects of traditional public management and new public management, two sharply conflicting approaches within public administration scholarship. The public value theory promotes a theory of public administration that is neither strictly bureaucratic or market based, but rather collaborative, democratic, as well as focused on governance.

“The stakeholder perspective holds that the effectiveness of an organisation is influenced by the degree to which an organisation is able meet the expectations of its stakeholders. This suggests that the organisation has a number of constituencies (also referred to as stakeholders), with diverse degrees of power attempting to satisfy their demands”(Love & Skitmore, 1996:7). Quinn and Rohrbaugh (1983:364) state “that by implementing this method the effect of strategic stakeholders may be minimised. This minimisation is possible through the strategic constituency perspective, as organisations are able to categorise and understand stakeholders better, with the willingness and capability to consider and satisfy their demands.”

## **2.2 Defining Public Value**

The reason for the following subsections is to provide an understanding of the key concepts in the study. This dissertation uses public value theory as the underpinning construct to assist searching the literature for stakeholder engagement and service delivery insights relevant to the quest to deliver better services to the public. This section provides a definition of the key concepts of public value, stakeholders and service delivery.

### **2.2.1 Public value**

“The public value approach is based on the notion that public services, like the private sector, create value but, unlike the private sector, this value cannot be simply condensed to financial profit and loss. The core understanding of this approach is that the public sector produces a wide range of beneficial results, including wider commercial value; social and educational value; justice and equity, particularly with reference to vulnerable consumers; political and democratic value by encouraging debate, involvement and engagement amongst citizens; and long-term sustainability of social and economic systems” (Stanhope, 2005:5).

### **2.2.2 Public value theory**

The first concept in the theory diagram is public value. Many of the concepts underpinning public value relate to answerability, authorisation and value for money. However, the environment in which South African municipalities operate today is vastly removed from the former days. These days, municipalities operate in an environment of scrutiny, parliamentary oversight and direct public accountability. People have access to increased information, greater willingness to litigate and is less receptive to the ‘expert’ authority of municipalities. For this reason, individuals are more likely to question decisions made by municipalities, particularly when they touch directly on their lives. Municipalities also perform their functions in partnership with other public, non-profit and private-sector entities.

“The public value paradigm focuses on the needs of stakeholders and creation of value. In this paradigm the focus is on the creation of public value, and not only by taking the needs of one person in account but by collectively coming to the ideal situation that maximises value for all stakeholders. Public value is subjective to measure. Eventually, the selected and appointed government officials and key stakeholders collectively define public value” (Moore, 1994).

### **2.2.3 Definition of public value**

“Scholars have developed a wide range of definitions of public value over time as part of the public sector restructuring (Benington & Moore, 2011). Notwithstanding many definitions of public value, the concept remains vague and multidimensional” (Williams & Shearer, 2011). “Reviews and advancement of the public value theory are captured across multi-disciplinary literature associated to public management and administration, political science and philosophy. In developing a framework for the analysis of the literature, a range of literature was reviewed”, including Ahmad and Abidin (2010); Benington and Moore (2011); Kearns (2004); Meynhardt (2009); Moore (1995); O’Flynn (2007); Stoker (2006) and Bryson, Crosby and Bloomberg (2015).

The original concept of public value was developed by Mark Moore in 1995. Moore (1995) describes public value as:

*“A framework that helps us connect what we believe is valuable ... and requires public resources, with improved ways of understanding what our public values are and how we connect to them.”*

Moore (1995) “presents the public value concept as a means of focusing public service on delivering ends that are sanctioned and supported by service users and their communities. He introduces the concept as a way of reorienting public managers away from the narrow responsibility of perfecting their organisation’s operation in traditional roles (downward outcomes) and toward more assertive goals”. Moore (1995) argues that to create public value, one must have insight into people’s desires and needs. However, it is a very complex undertaking to identify these needs and desires. Therefore, it is important for municipalities to collaborate with their stakeholders to identify their needs. This is linked to the stakeholder management principle of consultation. Furthermore, the behaviour of human beings should also be borne in mind in the public value debate, especially within the South African context. “An important component in facilitating high performance in local government is the participation of various stakeholders in both the decision-making and implementation processes. It is considered that such involvement can assist in stimulating available resources, experiences, and energies of a varied number of local partners and stakeholders. Such partnerships can facilitate the participation of local communities, including the side-lined in a given locality, in service provision” (Mkhonta, 2007:65). “Therefore, in order to develop strong strategic relationships, public sector organisations have to incorporate stakeholder thinking at a strategic level”.

“Public value forms a critical part of the discourse of public sector reform (Benington & Moore, 2011). Public value incorporates issues, such as cultivating a culture of efficiency and stimulating innovation in government service delivery; improving relationships and trust between government, citizens and other stakeholders; and providing a legitimate environment within which government and citizens can interact” (Kearns, 2004; Meynhardt, 2009).

“The concept of public value as a system of networked governance is not without overlays with the other categories, but it does deserve special consideration as it lays the foundation for understanding managers transformed role in public value management (PVM)”. The networked governance (Gains & Stoker, 2009: 440) method “sees the involvement of diverse actors as a legitimate way of decision making. Networked governance depends on discussion,

exchange and a bottom-up approaches to decision making” (Stoker, 2006:441). “Actors to be involved may include politicians, business, other public sector organisations, users, third sector organisations and the public” (Gains & Stoker, 2009:443; Horner, et al., 2006:6-7; Stoker, 2006:47-56).

#### **2.2.4 Values**

In the public sector discourse, two interpretations of values are widely used and it is essential to draw a difference between them. Bannister (2011:2) states that one way to make this distinction is to put the words ‘the’ and ‘a’ before ‘value’. The worth of something is, broadly speaking, its value. Economists in general terms talk about value in exchange, while government talks about ‘value for money’ for the taxpayer. In principle, value in this sense can be measured, although this may often be problematic in practice.

The second meaning is ‘a value’. Values are held by individuals (and can be held collectively by organisations). The particular meaning can also be difficult to define with precision. Value can thus be defined as a method of behaviour, a way of undertaking things or a characteristic of a way of doing things that is held to be right.

Various researchers postulate that there should be a better conceptualisation of public sector values and that it should be grouped, instead of individualised (MacCarthaigh, 2008:17). Therefore, Kernaghan (2003:716)” reasons that public sector values can be categorised into four distinct areas, namely ethical values, democratic values, professional values and human values.” Likewise, an earlier study of Van Wart (1998:25) identifies sources for public sector values: individual values, organisational values, authorised values and civic interest values.

#### **2.2.5 The core values in public value**

The process of deciding the key values in a public value process is not an easy one. The question of which values are critical are likely to vary over time and according to which sector or policy area is being considered. Some of the values in different sectors will overlap or blend into one another. For example, the NPM values of efficiency, effectiveness, cost effectiveness, as well as broader values, such as democracy (involving the public), transparency,

accountability, responsiveness, authorisation (negotiation between different stakeholders), trust, and quality and responsibility.

According to Hills and Sullivan (2006:13), “there are also bands of values linking to the outcomes of public services that go beyond the delivery of exact service outcomes to include notions of enhancing:

- The quality of life, comfort and happiness;
- Social capital, social cohesion and social enclosure;
- Safety and security involving the individual experience of safety on the part of the public, as well as actual freedom from crime and attack;
- Equality, tackling deficiency and social exclusion; and
- Promoting openness, democracy and civic assignation.”

“Municipalities across South Africa are continually engaged in public value creation. Although the exact definition of what public value is will vary from context to context and how it is measured, it is a very powerful tool for telling the ‘good story’ about local government – the story that is so often not told “(Grant, et al., 2014:1). This implies that municipalities have an opportunity to enhance the quality of life of their residents by improving their economic, socio-cultural, as well as spatial development circumstances.

“Public value failure occurs when neither the market nor public sector delivers the goods and services needed to achieve public values” (Bozeman, 2007:144) “ The possibility for public value failure increases to the degree that there is insufficient means of confirming articulation and effective communication of core values or, if processes, for accumulating values leading to distortions (Bozeman, 2007:145). Thus, a key issue of public policy and management is identifying and gauging the best means of moving from disparate individual public values to the society’s public values” (deLeon, 1995).

## 2.2.6 What are public values?

While the performance of private sector organisations can be assessed in terms of profit, public value in this research is positioned as the ultimate standard for public sector performance. The study adopts the public value management framework as developed by Moore (1995) to capture this multidimensional nature of public sector performance. This framework jointly assesses the legitimacy, efficiency and public value proposition of public agencies and has been eagerly picked up by scholars and practitioners alike for its nuanced perspective on performance (Moore, 2013). To create public value, public organisations have to constantly inform and guide their stakeholders. Public managers are seen to be the champions “orchestrating the processes of public policy development, often in collaboration with other players and stakeholders, in manners which try to ensure that good choices are made in the interest of the public” (Benington & Moore, 2010).

According to Kluckhohn (1962:395), “value can be described as a conception, explicit or implicit, peculiar of an individual or characteristic of a group, of the desirables that effect the selection from accessible modes, means and ends of action. The core of his description is the word ‘desirable’. Kluckhohn (1962) argues that a value is not just something that an individual can desire but is rather something considered to be personally or humanly acceptable. Bozeman (2007:117) is of the view that values are tough to change and a change can be brought about only after careful discussion. In sum, values are presumed to have considerable significance for individual and collective actors alike”.

Bozeman (2007:13) “defines public values as specifying:

- The privileges, benefits and rights to which citizens should (and should not) be entitled;
- The responsibilities of citizens to society, the state and one another; and
- The philosophies on which governments and policies should be based”.

In as much as there are market failures, public value failures are also possible. Public value failure “occurs when neither the market nor the public sector delivers goods and services required to accomplish core public values” (Bozeman 2002:150; 2007:144). “Bozeman (2002;2007) proposes eight criteria for identifying public value failure: 1) mechanisms for

value articulation and aggregation; 2) valid monopolies; 3) deficient public information; 4) spreading of benefits; 5) provider availability; 6) time horizon; 7) substitutability vs. conservation of resources; and 8) ensures subsistence and human dignity. These criteria can be used to discuss on and diagnose policy decisions and help to ensure such decisions are geared toward upholding public values. The criteria in part mirror market failure criteria and combine input, process, output and outcome measures. Public value creation can thus be accepted as the extent to which public value criteria are met. Public values for Bozeman (2002) are quantifiable, although clearly there can be disagreement about how values are conceptualised and considered”.

“The public value approach is now a recognised method to evaluate the success of public services and institutions in, amongst other places, Canada, New Zealand, the United Kingdom (UK) and Australia. A wide variety of organisations in the UK, like the British Broadcasting Corporation (BBC) and the Scottish Government (including the police force, local authorities, public sports and art organisations), have espoused some variant of the public value approach”.

Moore (1995) “see public value fundamentally as a concept that focuses on management, while in the Bozeman (2007) perspective public values are essentially oriented toward wider improved social outcomes. Consequently, public value can be viewed as an appraisal of executive actions and these activities can be conducted by government agents and officials, and public values as social standards, principles and ideals to be pursued and upheld by government agents and officials.” Alfred and Flynn (2009:4) “state that crafting and executing a strategy requires the manager to pursue to maximise the degrees of alignment amongst these three elements. Each is strategically important. They are rarely in alignment in their natural state and public managers work continuously to fashion workable trade-offs between them. Thus, the most valued thing to do is out of alignment with what the authorising environment will find acceptable – the manager can either seek to persuade key actors to move their position; revise the value-proposition so it is more in line with their wishes, or an amalgamation of the two”.

### 2.2.7 Explanation by others

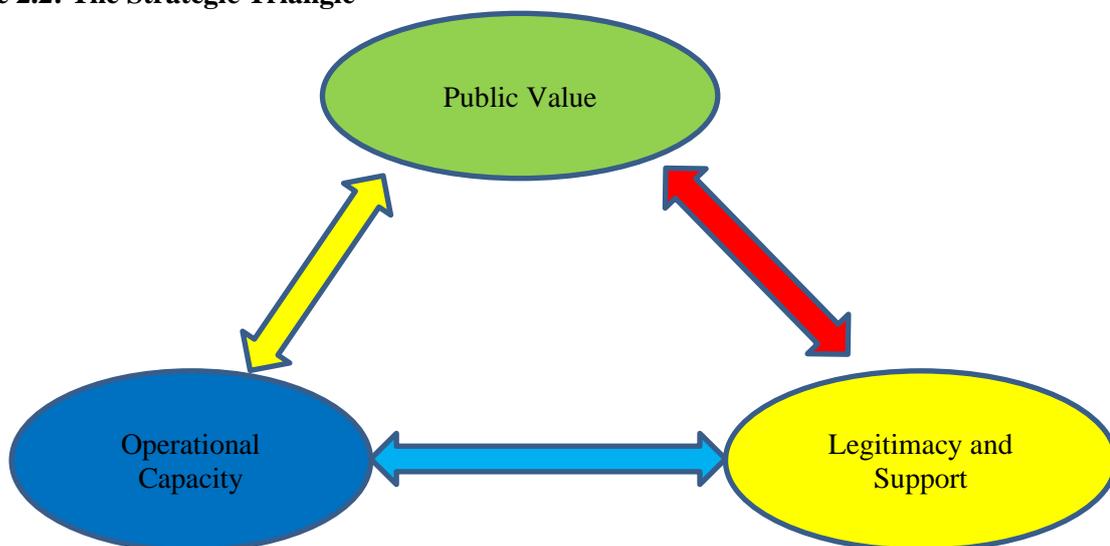
Several scholars have done research on the public value paradigm. The increasing school of thought is that public value is more focused on the role that the public manager plays in the delivery of the public good. The PV theory recommends that the intention of public sector leaders should be to “use their resources to maximise their contribution to the public realm and to the accomplishment of outcomes valued by the public. To attain this objective, they need to engage with their citizens and direct customers to reach agreement on what constitutes public value in those particular public services and in that specific setting.” Although, since the end of the nineties, there is agreement amongst researchers on public value as a new paradigm in public administration, there are still some differences in opinion with regard to the public value theory.

The impetus for the fresh focus on public value is Moore’s book ‘Creating Public Value: Strategic Management in Government’ (1995). Moore’s initial intention in 1995 was “to build a conceptual framework to help public sector managers make sense of the strategic challenges and difficult choices they faced, in a similar way as to how notions of private value provided strategic purpose for private sector managers. Moore developed this framework through years of consultation with public managers from the USA and worldwide, who took part in executive programmes at Harvard’s John F. Kennedy School of Government. One of his goals was to establish a conceptual framework that would be useful to public managers in their jobs and to stimulate strategic thinking and entrepreneurial action to tackle complex problems in the community”(Benington & Moore, 2011:1).

Moore (1995:20) “postulates that public value contains looking to the value that is created and the effectiveness and decorum with which it is created. It also incorporates engaging in the politics surrounding managers’ organisations to help define public value, as well as engineering how their organisations operate.” Figure 2.2 depicts the strategic triangle and encourages public sector organisations to declare the overall goal or purpose of the organisation in terms of public value, offer an account detailing the sources of support and legitimacy that will be employed to sustain society’s commitment and explain how the organisation will be structured and operated to achieve declared objectives”.

The strategic triangle suggest that a public organisation must meet up with three broad tests. It should: “(1) be aimed at creating something practically valuable (i.e. constitute public value); (2) be authentic and politically sustainable (i.e. attract sufficient on-going support and concomitant resources from the authorising environment, that is, from political and other stakeholders taken as a whole, with due acknowledgement of their differential power); and (3) be operationally and administratively feasible (i.e. doable with the available organisational and external capabilities needed to produce it) (Moore, 1995:17).”

**Figure 2.2: The Strategic Triangle**



**Source:** Moore (1995).

Moore (2003) also attempt to come up with a more operational definition of public value in the form of a public value scorecard, produced in direct response to the private sector inspired ‘balance scorecard’ (Kaplan & Norton, 1996) and the latter’s application to public and non-profit organisations. Moore (2003) proposes various “appraisals of ‘operational capacity’ alongside measures of assistance and authorisation in a similar approach to that adopted not by the balanced scorecard but by many quality models, such as the Baldrige award criteria in the USA or the European Quality (Excellence) Model.” The disapproval against the above-mentioned methods is that they do not sufficiently account for the contradictory and conflicting demands placed upon public agencies.

“Scholars such as Ryan (2005) emphasise that the role of a democratic local government system is to mirror the values and ambitions of people through elected officials. To maintain their electoral mandate, elected officials seek to be as responsive as possible to citizen needs, values and aspirations. Ryan (2005) argues that to meet the demands of business, households and other users requires changes in thinking and the use of new technology. Here, the focus is on efficacy and effectiveness: a rather narrowly defined private sector view of ensuring that citizens get the best value for money for the services they receive. The tension between these two roles can be compared as one pull in the direction of being able to do as much as possible for citizens, whilst the other emphasises doing as little as possible, as fast as possible. Ryan (2005) argues that the values and aspirations of citizens are not just to be acknowledged and responded to by elected representatives as in the conventional model of representative government, but should be engaged with, shaped and informed through enabling participation of citizens in the decisions that affect them”.

Carmeli (2006:119-121), in a study of how financially distressed local governments can organise their systems to meet the complex challenge of creating and providing sustainable public value, found that, in Israel, the heads of the poor local authorities were the problem. Subsequently, these heads of the local authorities were removed and replaced with provisional selected management committees until new elections were held. The study combined the concept of competitive advantage and that of the strategic triangle of Moore (1995). The study highlights the concepts of organisational approach and the need to look into the ‘hidden’ strategic benefits of fiscally distressed local authorities as a clear approach for generating and delivering public value.

“Cole and Parston (2006) established a new public-sector high-performance model in public sector organisations. The foundation of the Public Service Value Model adapts the principles of commercial shareholder value analysis to a public service setting, using citizens, taxpayers and public service recipients as the primary stakeholders. One of the reporting tools of the Public Service Value Model is a matrix that can enable managers to plot outcomes against cost-effectiveness”.

Bozeman (2007:17) defines public values as “those providing normative agreement about the privileges, benefits and rights to which citizens should be entitled to, the obligations of citizens

to society, the state, and one another, and the principles on which governments and policies should be based”.

Mager (2007:7) asserts that public value thinking has the likelihood to reinvigorate public service ethos in the United Kingdom. “Mager (2007) believes that an underlying principle is that civil servants need to be more responsive to the needs of the public”. Mager’s study (2007) reasons that public value provides public leaders an opportunity to focus more on public answerability and at the same time create a public service ethos.

Rhodes and Wanna (2007) “proposes looking at public value along two dimensions, namely between operative behaviour and normative vision and between high and low levels of risk. Rhodes and Wanna (2007) conclude that the lower risk innovations followed under a public value approach can work. They describe this as initiatives at a relatively low level by officials who are best placed to see the opportunities”.

Talbot (2008:3) “is of the view that there is no singular public value but multiple public values. He argues that the shared answers to these multiple values are either aggregation and/or choices, for example political parties represent both aggregation of some values within each party and choice between them. Talbot (2008) argues that there are external battles and paradoxes in what the public values and that the ways in which these have been traditionally conceived have been partially misleading to researchers and policy-makers alike. This is because there are contradictory views in society about what might constitute ‘the good life’. He is of the view that in the modern parlance this takes the form of democratic pluralism, interest groups, stakeholders and many other forms of methods and theories”. In the pluralistic model<sup>2</sup>, interest groups compete for members and influence in an open, self-regulated market. Power is democratically distributed amongst many interest groups. If power is concentrated in one interest group, other interest groups will mobilise. Hence, all individuals have the same possibility to be heard.

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<sup>2</sup> Pluralism has been the dominant model in Western democracies and developed as a response to the expansion of the sovereign national state and the industrialisation of society.

Steenhuisen's (2009) "study concentrated on competing public values in the utility industries in the Netherlands. The question is how oversight intercessions can effectively correct the priorities of the coping industries. The study found that several public values necessitate daily provision of services to end users and of the public values underlying these services. When public values get traded-off against other more comprehensive and continuous planning and protocols besides and complementary to the yearly strategic decisions (Steenhuisen, 2009:192). Furthermore, he argues that organisations seem to balance competing public values for a significant part without actively optimising trade-offs".

According to Benington and Moore (2009:1), "public value and other related concepts like the public good, public interest, and public realm have been vigorously debated within political philosophy since the period of the ancient Greeks." Heifetz (1998) argues that there are three different types of problems that government must engage, namely type 1, type 2 and type 3 problems that turn on the degree of consensus or knowledge around what constitutes a problem and consensus or knowledge about how best to address that problem. Bevir (2010) "argues that there are three connectors, namely the ideas that we draw on to understand government; the ways we practice government and the consequences of democracy-representation; provision of goods and services; and the exercise of restraint and the capacity to learn and adjust". Bevir (2010) takes an interpretive approach to questions of social science theory interacting with governance and democracy by focusing on the most recent round of reforms aimed at promoting market-based models of government and, later, collaboration between organisations and sectors (Khademian, forthcoming). In other words, Bevir (2010) looks to social science theory as a source for the big ideas and examines the interaction between the ideas we develop and utilise to analyse government, and the actual structures and practices of government that may follow.

"In a study conducted by Coyle (2010) it was revealed how the concepts underpinning public value can be taken from theory and turned into a practical set of tools that can be used by decision makers. The BBC was one of the inventors of the practical implementation of the concept of public value in decision making. The scope for its use was set out first in 2004 with the publication of 'Building Public Value' (BBC, 2004), a policy document that helped shape the BBC's Charter and Agreement of 2006. The BBC has been putting public value into practice through public value tests and other formal regulatory procedures, known as 'non-

service approvals. The BBC Trust has a very special link with the public because it is present in every UK home, care and office”. According to the study, people in the United Kingdom choose one of the BBC’s television, radio or online services 120 million times a day, equivalent to roughly twice a day for every man, woman and child. In 2008/9, the BBC’s service maintained the previous year’s reach of 93 per cent of the United Kingdom population aged 15 and over on a weekly basis” (BBC, 2009). “Some of the BBC presenters and other on-screen talent are among the best-known people in the UK. This has the potential to deliver public value through BBC services to a vast number of people. The BBC is of the view that the public wants the maximum value for money from the investment they make in the BBC. The study found that, though it is worth chasing the public value goal, it is difficult to implement because a public value framework needs to have the resources to test what will be valued by people as citizens, over what they may value as consumers. In real terms this is difficult, but nevertheless possible, to achieve through public opinion research”.

“There is also a theoretical difficulty that relates to interpreting what the public wants when the public consists of so many individuals with different wishes and preferences. Coyle (2010:16) found that a public value methodology works best when a clear dividing line is drawn between the political environment in which the decisions are made about how to structure and fund public services and the delegation of administrative responsibility for running those services. Coyle (2010) asserts that if the split is clear, it may be easier for managers with delegated responsibility to apply unbiased judgements of public value as the basis for running and refining services”.

The results indicate that the BBC is able to create public value because it is politically autonomous. Traditionally, public interest in a service has been exercised by a degree of political control or legislation. The BBC Trust has been able to accomplish a level of authority and validity and demonstrate accountability to licence fee payers without having to rely as much on more traditional forms of political engagement and support”.

According to Benington and Moore (2011:1) thinking about public value has since moved beyond its origins in neo-liberal American discourse of the 1990s and is now at the forefront of cross-national discussion about the changing roles of the public, private and voluntary sectors in a period of profound political, economic, ecological and social change.

While efficiency was the main fear of traditional public administration, and efficiency and effectiveness are the main concerns of New Public Management, values beyond efficiency are followed, argued, challenged and evaluated in the emerging approach.

Bevir's (2010) primary focus is the Westminster model and government reforms pursued over the past two to three decades. Bevir's argument has three components. First, he focuses on the "interaction between theory and worlds" or theory and practice. Of particular interest is the role of neoliberal and new institutional theories in forging the concepts such as the 'differentiated polity' and 'policy networks', and promoting reforms aimed at governing the complex fragmented state. Bevir argues that "rational choice theory (inspiring neoliberalism) and the new institutionalism (inspiring a reformed social democracy) have had a dramatic impact on the new governance that they purport to analyse" (Bevir, 2010:64). New social science theories, or ideas have promoted a new conception of the state (as differentiated, decentralised, networked and complex) and have provided governing strategies aimed at promoting efficiency, effectiveness and managerial control within this fragmented system. The way the state or government is conceptualised informs the consequent way government is organised for purposeful action; what is 'real' is contingent on our individual and collective interpretations, history and context, and what individuals choose to act upon.

Second, Bevir (2010) argues that the interaction between the ideas (new theories) and consequent practices (new worlds) have had significant negative consequences for democracy. The new theories central to the study came in two stages. The first stage, neoliberalism, promoted markets, competition and choice as alternatives to hierarchy and a centralised state. It was argued that the inefficiencies of government operating through stove-piped hierarchies<sup>3</sup> were best addressed by promoting alternative forms of organising based upon the efficiencies of the market, competing providers, and citizens operating as consumers in a public space. The consequent decentralisation and spread of the work of the state, 'steering' rather than 'rowing', promoted yet another set of governing challenges, normally coordination and accountability for government action and expenditures. The second wave of reform, motivated by new

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<sup>3</sup>An organisation with a structure that largely or entirely restricts the flow of information within the organisation to up-down through lines of control, inhibiting or preventing cross-organisational communication.

institutionalism, suggested collaborative strategies, partnerships and institutional arrangements as key to coordinating and controlling the work of government.

The challenge, Bevir (2010) argues, “is that the reform movements embraced a disaggregated view of the state yet drew upon expertise and non-majoritarian institutions to bring efficient order out of the differentiated polity. Experts and non-majoritarian institutions are organising solutions associated with a different conceptualisation of the state, the Westminster model, based upon representative governance and neutral bureaucracy. The disconnect rests in the actions of policy actors operating in a fragmented context, promoting reforms that remain constrained by the Westminster model and faith in policy expertise” (Bevir, 2010:2).

Third, Bevir (2010:273) suggests a substitute conception of governance based upon local reasoning and situated agency that entails originality – meaning rules, standards, and institutional and social trajectories are contingent and contested. Letting go of the emphasis on central management, expertise and control as key to efficient governance (the motivating goal for neoliberal, new institutional and indeed early progressive reforms) allows for alternative conceptions of good government that are democratically derived. If the possible solution rests in part with our conceptual understanding of the state and the processes of governance, modern social science has a role to play in forging democratic possibilities.

In a study done by Williams and Shearer (2011) on the origin, empirical basis and application of public value, it was found that the “public value framework does not originate from a particular research tradition and there is little practical research to support the claims made for it. They found that more empirical investigation and testing should be done, in particular to the nature of organisations, institutions and policy processes. The lack of empirically testable propositions will result in public value remaining a useful scholastic tool for public administration but fall short of offering a broader theory of public enterprise and organisation”.

The New Zealand Public Service Association (2011) indicates in a study that there is confusion when it comes to the understanding and application of the public value paradigm. The argument is that “if public value is about the delivery of services and achievement of outcomes of public value, then the process of refining public preferences is very important”. The study found that there is a need for meaningful citizen engagement in developing policy, and service design and

delivery, if we are to develop a new paradigm of public management based on public value. The study found that citizen engagement could add legitimacy to the political process”.

The key finding of the study advocates that governments can expect better outcomes when the public sector engages openly with citizens as partners. However, the study found that it is difficult because there are some requisites for this to happen, namely:

1. Government should continue to build relationships;
2. Establish trust in those relationships;
3. Be willing to abdicate some power; and
4. Marry the process to evidence that is widely available to those participating.

Benington (2011:46) asserts that public value is not created by the public sector alone. He argues that public value outcomes can be created by the private sector, the voluntary sector and informal community organisations, as well as by governments. One of the potential roles of government is to harness the powers and resources of all three sectors (state, market and civil society) behind a common purpose and strategic priorities in the search of public value goals.

According to Benington (2011:46), public value can be generated in many different ways, given the diversity of activities covered by the public service sector. Benington argues that the first step is the need to clarify the nature of the production process involved and then to think through the ways public value can be added (or increased) at various stages in the value chain. In other areas it would be prudent to start with the group of people concerned and engage them in the conversation and definition of how they can both contribute to and benefit from the creation of public value.

Benington (2011) further argues that the major arena for the creation of public value is often found at the front line of public service organisations, where there is direct contact between public service workers and users, communities and citizens. The adding of public value depends critically on frontline staff. Public value provides a broader measure than is conventionally used within the new public management literature, covering outcomes, the means used to deliver them, as well as trust and legitimacy. It addresses matters such as equity, ethos and accountability. The term ‘public value’ points to the fact that a set of core values is

at the heart of the assessment of outcomes and the processes by which the outcomes are to be achieved.

Trujillo (2012:7) argues that, despite prior attention to normative public values, Moore's 1995 work revived the public value in the contemporary public management field. Trujillo argues that Moore intended to develop a more practical meaning for public value, in singular, tapping in to private sector notion of value to develop an equivalent framework for the public sector.

A study done by Mitchell (2014), explores the priority-based budgeting (PBB) process and how government managers can use PBB to involve citizens in budget decision making by focusing dialogue on public values and preferences.

The study found that PBB can be an important strategic tool for long-term planning that integrates a collaborative and visionary process. Using grounded theory for data analysis, a Value-Based Budgeting Framework was developed based on thirteen propositions that illustrate how civic consultation and civic innovation supports and leverages the successful implementation of PBB. This framework includes strategies for capacity building alternatives in program and service delivery and citizen-driven performance measures (Mitchell, 2014).

“The results of the study further found that PBB is a tool for engaging citizens in a strategic planning process that strengthens the social value of government entities by increasing access, inclusion, respect, trust, transparency and accountability. The findings indicate that through citizen engagement, PBB: (1) gives a voice to the public in the government decision-making process (2) builds a joint sense of community that enriches the government organisation and the community; (3) allows for a government budgeting strategy that is proactive and inclusive, innovative and increases transparency by providing access to understandable information and platforms for purposeful and deliberative dialogues; (4) supports planned and participatory governance; (5) builds co-operative partnerships immersed in inclusive planning for the delivery of programs and services; (6) addresses challenges to internal collaborative conversations by increasing awareness across the organisation, enlightening participants of their shared roles and building trust; and (7) by including performance measures and management as a component of PBB, an opportunity is provided to expand and quantify performance, emphasize customer service, increase communication, and shift the focus to outcomes” (Mitchell, 2014).

Bozeman (2012:11) highlights the ‘publicness’ of public values and argues that this requires “a readiness and ability to move beyond” market failure and a microeconomic framework. While insightful, these frameworks are inadequate because to consider what is of value for society requires paying attention to the content of public values or criteria for judging public values, that is developing a normative theory of public values (Trujillo, 2012:10).

### **2.2.8 Criticisms of public value**

In as much as there are scholars who advocate for the theory of public value, there are those who criticise the theory. Moore (1994) claims “that public value offered a useful rhetorical tool for public managers but argues strongly that if the framework is to have any use it has to move beyond this.” However, there are difference on opinion around whether this is what public value has become. The first claim, that public value is intended to defend increasing bureaucratic power, comes from within the public administration scholarly community. Roberts (1995:293) is of the view that “Moore’s approach as “managerial realpolitik”, which search a defence for allowing public managers to stray into the political domain, increasing their bureaucratic power in search of their mandate and in the name of what he calls civic discovery”. He argues that:

*“It relies on the premise that managers should be allowed to take action where that action advances some goal that has been decided upon through a fair process of deliberation. It also attempts to dispel public fears of political manipulation by characterizing interaction as discussion, rather than manipulation, and in particular by characterizing the public official as a moderator of discussion rather than a player in the political game.”*

(Roberts, 1995:298).

Roberts furthermore argues that the power of the rhetoric is its ability to resonate with the audience to whom it is direct at – public managers who are involved with the public on a daily basis in “rationalising the exercise of bureaucratic power” (Roberts, 1995:304).

Rhodes and Wanna (2007) “argue that public value pursues to reinscribe the role of the bureaucracy as the platonic guardians of the polis. Rhodes and Wanna (2007:413) state “if

public managers assume a public value approach, they are being asked to rebel against standard politics and usurp the democratic will of governments, leading them to ask “who gave these platonic guardians the right to choose between these perceptions of the public good?”

Rhodes and Wanna (2007) “found the public value management approach to public management disturbing to the Westminster systems of government in Australia, Canada and Britain. They furthermore state that public value misdiagnoses the function of management in the modern public sector and invents roles for public servants for which they are not appointed, ill-suited, inadequately prepared and not protected if things go wrong. It asks public servants to supplant politicians, to become directly engaged in the political process and to become the new platonic guardians and arbiters of the public interest. They argue that the public value approach might work in American government where much scope exists for policy entrepreneurs and policy brokerage, and policy actors have to build coalitions of support to make headway.” Rhodes (in Rhodes & Wanna, 2007) further identifies “five linked core assumptions in public value: the benevolence of large-scale organisations, the primacy of management, the relevance of private sector experience, downgrading the primacy of party politics and public servants as platonic guardian”, While Moore does not see public managers as platonic guardians, he also does not see them as passive by-standers. He argues at considerable length that “public managers can play a role in managing policy development, negotiating purposes with politicians, and leading public deliberation and social learning – in other words, bringing their authority and expertise to bear to enhance the decision-making process”(Moore, 1995:162-184).

Stoker’s (2006:47) argument is “that in an era of networked governance, neither the traditional or NPM paradigms can explain change or provide a legitimate model of management; instead a PVM paradigm provides us with a means of both comprehending and responding to challenges”. His central idea is that “the governance of the public realm involves networks of deliberation and delivery in pursuit of public value”. He states “that public value management does offer a new paradigm and a different narrative of reform. Its strength lies in its redefinition of how to meet the challenges of efficiency, accountability, and equity and in its ability to point to a motivational force that does not rely on rules or incentives to drive public sector reform. It rests more on a vision of humanity than either public administration or new public management. People are, it suggests, motivated by their involvement in networks and

partnerships, that is their relationships with others formed in the context of mutual respect and shared learning” (Stoker, 2006:56).

“If we see public value as a theory that anoints not only selected but also unelected public managers as the platonic guardians of the public interest, and normatively endorses this position, then the approach encourage managers to usurp the democratic will” (Rhodes and Wanna, 2007). However, it can also be contended as a repackaging of bureaucratic selfishness. For example, in public value tactics, public officials are encouraged to circumvent the conventions of democratic politics and pursue to interpolate the public interest as a means of cultivating their significance and self-worth.

“One issue which has caught the consideration of those writing on public value has been whether Moore (1995) is advancing an experiential theory of what public managers actually do or a normative prescription of what they should do.” “Public value as a normative theory” (Barzelay, 2007, 526), and Rhodes and Wanna (2007) states, in particular take public value advocates to task for being unclear about this. “It matters. The criteria for evaluating aspirations differ from those that seek to assess evidence” (Rhodes and Wanna, 2007:408). “However, this reflects a zero-sum sense that assumes it has to be one or the other. The planned triangle can in fact be organised in pursuit of both, and indeed also of a third opportunity. Firstly, it can be utilised to diagnose the present situation for example, the value currently being produced, where the authorising environment stands, and the existing working capabilities. Secondly, it can help structure thinking about what ought to be the case for example, what worth do we want to produce and how far will the authorising environment and operational capabilities allow that? Thirdly, it offers a set of categories for analysing how public executives act (e.g. to what extent do they take account of these factors in their management practice?)” (Alford & O’Flynn, 2009:174).

However, there are critics of the public value agenda and they argue that it is a rhetorical plan, designed to protect the sectional interests of bureaucrats and their organisations. This capture both Moore’s (1995) unique work and how public worth framework is being implemented.

Meynhardt (2009) takes a different approach from other authors. He is particularly interested in the philosophical and psychological roots of valuing. He concludes that valuing is ultimately both physiological and relational and that community value is built out of values charactering

the relationship between an individual and society defining the quality of the relationship. Meynhardt (2009) asserts that relationship quality is measured subjectively by individuals but if there is intersubjective weight attached to these duties, they become more objective and quantified and might ultimately reach Bozeman's requirements of a reasonable normative consensus. Meynhardt (2009) trusts that public value must be for the public when it worries "evaluations about how basic needs of the individuals, groups, and the society as a whole are influence in relationships involving the public" (Bryson, Crosby & Bloomberg, 2015:10).

### **2.2.9 Approach to public value creation in other countries**

The literature points out "that public value can be created in many different ways, given the diversity of activities covered by the public sector. For example, Benington (2012:15) mentions that the process of value creation in mass production services like street lighting, housing repairs, or water and sewerage are very different from those in 'small batch' production services like health, child care or policing. He argues that in some cases a clarification of the production process is required, and then the ways in which public value can be added at various stages in the value chain should be considered. He argues that in other areas one should start with the group of people concerned and engage them in the discussion and definition of how they can both contribute to and benefit from the creation of public value" (Benington, 2012:15).

" In 2004, the BBC commenced a major process of renewal focussed on the introduction of digital technology and applied public value to its overall strategic framework. Much of this work involved thinking through and specification of the strategic mission of the organisation" (BBC, 2004).

'Building Public Value: Renewing the BBC for a Digital World' (BBC, 2004) recognised five main ways in which PV is created by the organisation.

1. Democratic value

"The BBC supports civic life and national debate by providing trusted and impartial news and information that helps citizens understand the world and encourages them to engage with it.

2. Cultural and creative value

The BBC enriches the UK's cultural life by bringing talent and audience together to break new ground, to celebrate cultural heritage and to broaden the national conversation.

### 3. Educational value

The BBC helps build a society strong in knowledge and skills by offering spectators of every age a world of formal and informal educational opportunity in every medium.

### 4. Social and community value

The BBC seeks to build social cohesion and tolerance through greater understanding by enabling the UK's many communities to see what they hold in common and how they differ.

### 5. Global value

The BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience" (BBC, 2004:8).

The first four points above illustrate a type of broad-based strategic framework of any public sector organisation and are of relevance in that individuals within the organisation should have a 'line of sight' to these objectives. "While it is easy to be dismissive of these types of broad organisational goals, the explicit statement of these objectives means that they can be referred to when assessing directions for organisational change" (Grant, et al., 2014:11).

"One of the key factors in the creation of public value in most countries is increased accountability to local communities. In New Zealand, the central government has transformed substantial powers and responsibilities to local level. Local government has accomplished individuality and autonomy through the managerialist reforms of the New Zealand economy, based on principles of efficiency and subsidiarity. Subsequent independence and autonomy arose, firstly, by making local government directly responsible to their local societies through yearly planning procedures and, secondly, withdrawing central funding, forcing dependence on local capital. While central government retains oversight of local government's stewardship roles, it does not have power to either terminate or run a council".

“Local governments across Australia are repeatedly involved in public value creation, defined as the process of adding value to the public sector through the exercising of managerial authority. However, executives cannot decide what public value is for themselves. Rather, they must seek the opinions of all in a complex authorising environment comprised of elected officials and a range of stakeholders” (Grant, Tan, Ryan & Nesbitt, 2014:1).

Australian councils are moving from the early pioneering days of providing basic infrastructure, such as transport, water and electricity, to providing higher levels of service, for example, arts and culture and recreation spaces. This ability to deliver these higher levels has been matched with demands for better flexibility and discretion to choose what services to provide. Australia’s national and state governments have pursued policies of privatisation and corporatisation, although privatisation has been less common with the exception of the state of Victoria. For example, Local Government may become more corporate, particularly with the introduction of the purchaser/provider model. These reforms can be reinforced by the nationwide competition policy that requires market contestability on the delivery of goods and services. Australian councils are moving from the early pioneering days of providing basic infrastructure, such as transport, water and electricity, to providing higher levels of service, for example, arts and culture and recreation spaces. This ability to deliver these higher levels has been matched with demands for better flexibility and discretion to choose what services to provide. Australia’s national and state governments have pursued policies of privatisation and corporatisation, although privatisation has been less common with the exception of the state of Victoria. For example, Local Government may become more corporate, particularly with the introduction of the purchaser/provider model. These reforms can be reinforced by the nation-

wide competition policy that requires market contestability on the delivery of goods and services (Grant, et al., 2014:11).

“Over the past twenty-five years, France has moved forward in a decentralisation process intended to shift new powers and responsibilities to local officials and sub-national levels of government. Ultimately, this new division of power, by bringing policy-makers and citizens closer together, has made it possible to offer high-quality policies tailored to the diversity of local circumstances. Decentralisation was carried out in two main stages. The first took place in the early 1980s and actually implemented decentralisation, including a transfer of the executive powers previously wielded by the prefects (the central government’s representatives at the local level) to local elected officials. Regions became an official level of government, and the first clusters of powers, such as partial administration of secondary schools, were devolved. The second stage, initiated in 2003 and still in progress, aims to deepen decentralisation. One of its objectives is to clarify the division of powers by creating the possibility of designating a given sub-national government as lead manager (*chef de file*) for a particular area of responsibility”.

One of the biggest challenges facing governments in a networked, multi-level, polycentric society is how to ‘lead’, not only in partnerships with other levels of government and with organisations from other sectors but also with active involvement from informal associations, community groups and individual citizens. “The role of government in this kind of situation is not simply to act as referee between competing interest groups, but also to work proactively to develop some kind of shared vision or common purpose out of the diversity of perspectives and to negotiate and mobilise coalitions of interest to achieve communal aims. Public policy-makers and managers thus increasingly have to work across the boundaries between state, market and civil society in order to deliver public services. Public value may provide a conceptual framework to help shape both thinking and action across these boundaries, within a pattern of networked community governance” (Benington, 2012:22).

Research by Balihuta (2001:23) investigated the capacity of local government in the targeted urban areas to provide the necessary public goods and services to promote development and create public value. It also analysed the causes of low capacity of those urban governments and how this capacity could be enhanced. Field research was conducted, during which 114 randomly selected residents were interviewed. Capacity was defined in terms of leadership,

administrative and technical competence, adequacy of administrative buildings, transport and office equipment and revenue sufficiency. The views expressed by respondents were then supplemented with information supplied by urban authorities on those same indicators.

The study found that the selected urban local governments lacked financial, administrative, technical and institutional capacity to successfully handle their developed responsibilities, and this was attributed to, in order of descending importance, a 'lack' of sufficient revenue, corruption, inefficiency, lack of qualified and experienced administrative and technical manpower, poverty, poor leadership, mismanagement and embezzlement. What was required, from the point of view of respondents, was increased fiscal transfer from central to urban governments, provision of construction equipment to urban government and assistance to urban governments to attract investors to their areas.

### **2.2.10 Summary of public value**

A broad range of consequences of PVM has been studied. Ultimately, most studies assume or show a positive effect of PVM on innovation and strategic positioning, which also justifies the research stream.

Trust and legitimacy are needed in South Africa to create public value. The role of stakeholders in the process of trust and legitimacy cannot be overlooked; hence, the role of stakeholders becomes important within the theory block. Thus, understanding public value can help the field better understand how we might move forward in addressing critical issues in municipalities.

In addition, many upstream policies and contextual factors influence the quality of these frontline relationships and processes.

The process of public value creation varies depending on what kind of production process is involved, e.g. mass production, small batch production, craft production, flow and reproduction. Public value is often “co-created in the subtle inter-relationships between public professionals and their clients and stakeholders, e.g. teachers, pupils and families, doctors, patients and carers, police, victims and neighbourhood communities”.

In the local government context public value is created when citizens and officials meet on a daily basis. Municipalities are thus a key actor because it is where services are rendered directly to the people. This includes the provision of water, electricity, sanitation and refuse removal. These basic services are core in the municipal context but it is also the inability of municipalities to render these basic services that has led to protests and violence in several provinces.

“Public acceptance needs to be sought explicitly and deliberately to establish robust authority for action. If this authorisation is not achieved, then the enterprise is vulnerable to public criticism and susceptible to being abandoned and losing necessary political support” (Moore’s, 1995). Moore’s (1995) states that, “in order to achieve this authorisation, there needs to be a process of engagement and deliberation that encourages individuals to take an informed and wider perspective of the social and public outcomes of particular transactions and services”. However, there are scholars who disagree with the public theory of Moore (1995). Moore

(1995) places great emphasis on managing the external authorising environment. This has to do with democracy and accountability. Coast and Passmore (1996:28) are of the view that it is also about effectiveness. They argue that managers will have easy access to citizens who can offer useful feedback about service performance. Being responsive to the needs of people is good, but what is required is a collective process of ideas and building trust between public managers and the public.

Stakeholder management is extremely important in the process of generating public value. All municipalities have stakeholders and, though their approach to stakeholder management could be different, the point is that stakeholders are crucial in the creation of public value. Constructive engagements and the building of relationships are critical in the realisation of public value in municipalities. There is thus a definite connection between stakeholder management and public value.

Most scholars agree “that public value is not created by the public sector alone. Public value outcomes can be generated by the private sector, voluntary sector and informal community organisations, as well as by governments. One of the potential roles of government is to harness the powers and resources of all three sectors (state, market and civil society) behind a common purpose and strategic priorities in the pursuit of public value goals”.

“Traditional public administration assumes that the state will be the main provider of public services, whereas new public management assumes that the market will be the provider of first choice, with the state as a safety net of last resort” (Benington & Moore, 2011:14). The developing consensus of authors supports the view that public value is not created by the public sector alone but that multiple actors are part of the process. Public value outcomes can be created by the state, private market and civil society.

Benington and Moore (2011) is of the view “that the interdependencies between the state and the market mean that watertight distinctions between the two are no longer accurate or real. He further argues that, in addition to the state and the market, civil society is an important and often neglected third sphere of activity and source of public value creation. He advocates that the most valuable outcomes for the public can often best be achieved by harnessing the commitment and resources of all three spheres (state, market and civil society) jointly behind specific shared public value goals”.

The strategic triangle presented in Figure 2.2 posits that a “strategy for a public organisation must meet three broad tests. It must be (1) aimed at creating something substantively valuable (i.e. constitute public value); (2) legitimate and politically sustainable (i.e. attract sufficient on-going support and concomitant resources from the authorising environment, that is, from political and other stakeholders taken as a whole with due recognition of their differential power); and (3) operationally and administratively feasible (i.e. doable with the available organisational and external capabilities needed to produce it)” (Moore, 1995:17). Values, mandates, and strategic plans do not create public value unless successfully implemented.

In the context of South Africa, local government is the government closest to the people. It is therefore well-placed to appropriately respond to local needs, interests and expectations of communities. Judging from the poor performance and accountability challenges in South African municipalities it is therefore important to bring government to grassroots level. The integrated development plan (IDP) process should deepen democracy and citizens should be part of the process but unfortunately processes are driven by municipalities and exclude communities because the notion is that communities are not intelligent enough to make decisions that will benefit them.

Delivering effective public services calls for transformation and a paradigm shift. The reality is that municipalities are not measured by the revenue they generate or the employment they provide but by the efficiency of their service delivery. Fundamental to the demand for better services in South Africa is the heightened expectations of citizens. Given these increasing expectations, municipalities are required to redefine their role, strengthen their customer focus and build integrated service delivery models.

The Public value theory in South Africa not only focus on shareholder and government interest but also on stakeholder interest. The involvement of communities in service delivery is critical to create public value. The theory captures a lot of succinct ideas about how to involve people and create public value through co-creation. The challenge is how to institutionalise public value in municipalities this it needs to be managed. The creation of social value is critical and can be seen in the Social Innovation project of the Hessequa Municipality in the Western Cape, which is a project in collaboration with the University of Stellenbosch.

## 2.3 Stakeholder Relationship Management

“The stakeholder-inclusive approach to governance is not a new concept in the King Reports and effective stakeholder engagement is recognised as essential to good governance. Stakeholder relationships provide a platform for the municipal council to consider the concerns and views of residents and other stakeholders in its decision making. This is fundamental to the process of annual reporting. King III provides guidance and recommendations on how stakeholder relationships should be dealt with” (PWC, 2009:3). In the course of their day-to-day work, municipalities must deal with a great many stakeholders. The range of services provided by municipalities is broad and includes the provision of electricity, refuse removal, water supply, storm water drainage, sanitation, parks and recreation services, development planning and building control and many other services. It is therefore important that the municipality consults as widely and broadly as possible.

“As mentioned in Section 1.2.2. Stakeholder interaction has been researched from the viewpoints that it is (i) an action (Davidoff, 1965; Arnstein, 1969); (ii) a process (Loh, 2012); or (iii) a network or system (Booher & Innes, 2002; Chettiparamb, 2007). More recently, global literature on stakeholder interaction has also come to consider the possibility that it can actually be a complex system, to be understood from the perspective of complexity theory “(e.g. Woodhill, 2009).

“The local governance regulatory framework of South Africa encompasses not only national, regional and local government, but also relates to the diversity of civil society, business, labour, civics and other local constituted groups” (Orkin, 1995; Putnam, 1993). The question that can be asked is why municipalities should consult and negotiate with participants. There are three main reasons for this. Firstly, consultation should help municipalities to make better decisions. Secondly, consultation assists the different stakeholders to better understand and support the decisions around trade-offs and prioritisation that municipalities must make and, thirdly, consultation can help improve the inter-departmental and intergovernmental co-operation that is essential for effective service delivery.

“There is a fairly broad consensus in public management research that the multiplicity of stakeholder interests influencing public sector organisations is considerably more complex than for most private sector organisations whose focus is often limited to those stakeholders who

impact the bottom line” (Ring & Perry, 1985; Davenport & Leitch, 2005; McAdam, Hazlet & Casey, 2005). “Not only do public sector organisations have the onerous role of achieving national goals and creating public value, they must also operate within the financial constraints of tighter government budgets while constantly balancing the complexity of conflicting interests from multiple stakeholder groups who have varying degrees of influence that are constantly changing” (Proctor, 2011:3).

Helmer (2013:3) asserts that stakeholder relationship management is focused on identifying, communicating and managing relationships with stakeholders. Having stakeholder relationships can support the organisation, and stakeholders can offer crisis-mitigating resources. Therefore, the aim of stakeholder relationship management is to motivate stakeholders to behave in ways that will benefit the organisation and its stakeholders.

Muzi-Falconi (2009) “furthermore refers to stakeholder relationship governance from an organisational and relational perspective, considering the societal perspective and integrating this with the value network society model of the organisation. From this perspective the stakeholder decides to have a stake in the organisation. However, the organisation may decide to ignore, involve (allow access and input) or engage (actively attempt to include in its decision-making processes) some or all of its stakeholders. The principal contributions of communication management to organisational value rely on the ability to (1) collect, understand and interpret stakeholder and societal expectations to organisational leadership, with the result of improving the quality of management decisions; (2) introduce organisational processes to effectively govern stakeholder relationships; and (3) facilitate and enable other organisational functions to govern stakeholder relationship systems”.

Much of the literature on stakeholder theory and stakeholder management prioritises stakeholders based on their attributes. Harrison and St. John (1994) sort stakeholders according to Freeman’s (1984) original classification of stake in the organisation and influence on behaviour. “Most scholars studying stakeholder management have pointed out the importance of identifying stakeholders” (Karlsen 2002; Olander, 2006; Walker, et al., 2008; Jepsen & Eskerod, 2008). Stakeholders can be divided according to various criteria (Pinto 1998). The question of “who are stakeholders?” should be answered before classifying and managing stakeholders (Frooman, 1999).

Stakeholder relationships are necessary to manage their interests in a way that benefits the organisation and ensures long-term and sustainable success. Stakeholder relationships can enhance mutual understanding, trust and commitment all of which are a prerequisite for collaboration between the organisation and its stakeholders (Svendsen & Laberge, 2005).

“Bourne and Walker (2005:4) point out that any activity an organisation undertakes, whether strategic, operational or tactical, can only be successful with the input, commitment and support of people (stakeholders). Gaining and maintaining the support and commitment of stakeholders requires a continuous process of engaging the right stakeholders at the right time and understanding and managing their expectations” (Bourne & Walker, 2005:4).

Consequently, “according to Chapter 8 of the King III Report on Governance, a need exists for a clear articulation of how municipalities should be managing stakeholder relationship management. However, the problem is that in municipalities in particular, strategic stakeholder relationships are not clear. A redefined business paradigm, the knowledge of stakeholder relationship management with communication professionals, as well as a well-developed communication management strategy aimed at improving stakeholder relationships are needed to address this problem”.

Watson (2009:30) asserts “that it is generally accepted that the implementation of organisational change is often unsuccessful. As Machiavelli said, nothing is as dangerous or uncertain of success as putting in place a new order of things. The question of trust-based relationships is relevant here. Modern theorists tend to see the nature of established trust relationships between organisations as an important factor in the success of advisory or regulatory actions”. See Kotter (2008) for example in this regard.

“Another view is that trust poses different challenges when the relationship between two organisations is advisory (consultant and client) or regulatory (e.g. auditor and auditee). However, there may be some aspects in common between these two sides of the advisory relationship. For example, Patterson’s emphasis on critical actions and incentives applies in both cases” (Influencer, 2008). Similarly, Kotter’s opinion “between leadership and management seems related to a difference between relationship management and transactions management” (Kotter, 2001).

Maister (2000) “list clients common concerns about the effectiveness of their relationships with outside providers of goods and services. Based on these concerns, Maister concludes that (a) it is clear that clients want providers to earn future business not to take it for granted; (b) account management is not the job of a single person; (c) clients want service providers to spot needs and opportunities, and to customise their proposed solutions to the client’s needs (d) Maister (2000) emphasises the importance of a well-trained and well supervised junior key account management team”.

Lynch (2001) on the other hand “differentiates between case-by-case approaches to dispute resolution (transactions) and having an integrated conflict management system (focused on relationships). She also identifies a set of elements that should foster and sustain such a system”.

“Organisations that wish to collaborate but fail to do so effectively must work on the underlying cause(s) of failure of collaboration strategies – that is, they must manage conflict effectively if they expect better collaboration. They suggest six strategies: (1) devise and implement agreed methods for resolving conflicts; (2) provide criteria for making trade-offs; (3) use escalation of conflict as an opportunity for coaching; (4) establish and enforce a requirement of joint escalation; (5) ensure that managers resolve escalated conflicts directly with their counterparts; and (6) make the process for escalated conflict-resolution transparent” (Weiss & Hughes, 2005)

### **2.3.1 Stakeholder theory**

“Stakeholder theory has a long history that is connected to the debate on the role of business in society and to the issue of corporate governance. In simple terms, stakeholder theory addresses the question of what and who corporations are for, or to whom corporate managers owe a duty” (Thomas,1999:3). “Two studies on the quality of firm-stakeholder interactions provide some insight into this subject: one was conducted by Burchell and Cook (2006) with a British sample and the second by Pleon Kohtes Klewes (2004), questioning leading German companies. One major finding of both studies is that there is no standard approach to stakeholder management. Some activities reported could be described as public relations that simply inform the public rather than interact with stakeholders. For example, when asked to describe their companies’ stakeholder management, anything – from a third-party mediation to the publication of a non-financial report – is referred to as stakeholder dialogue by managers”.

### 2.3.2 Definition of stakeholders

“The word ‘stakeholder’ has assumed a prominent place in public and non-profit management theory and practice in the last 20 years, and especially in the last decade. The term refers to persons, groups or organisations that must be taken into account by leaders, managers and frontline staff (Bryson, et al., 2002). According to Freeman (1984), a stakeholder is any group or individual who can affect or is affected by the achievement of the organisation’s objectives”.

Freeman’s (1984) “definition of stakeholders allows for a number of different entities to claim stakes in an organisation, amongst them customers, suppliers, the financial community, employees, consumer advocates and environmentalists”. “Due to of the variety of groups covered in this definition, some argued that Freeman’s description on its own is too broad to be helpful in identifying stakeholders” (Mitchell, Agle & Wood, 1997). In addition, Lewis (2011:4) “defines stakeholder simply as those that have a stake in an organization’s process and or outputs. This hardly narrows down the number of people or entities that may be considered stakeholders, as Lewis acknowledges that those stakes may be classified as financial, environmental, physical or symbolic. Though the term ‘stakeholder’ may appear to be a catch-all term, Freeman (1984) thinks it important for managers to consider all these groups as stakeholders, and in a more recent work, acknowledges that scholars are unlikely to agree on the same definition for stakeholder” (Freeman, Harrison, Wicks, Parmar & de Colle, 2010).

Although other newspapers suggest differences of this definition. Mitchell, Agle and Wood (1997:858) collected 28 stakeholder definitions of which 25 refer to an “organisation”, a “firm”, a “corporation” or to “business”. The other three definitions cite “contracts” (Cornell & Shapiro, 1987:5), a “relationship” (Thompson, Wartick & Smith, 1991:209) and a “joint value creation” (Freeman, 1994:415) and thus indirectly connect stakeholders with a focal organisation. Stakeholder approaches to organisations vary. Some groups, like shareholders, the workforce, trade unions and consumers take their roles only in relation to a company that serves as a focal organisation. “Consequently, the role of a stockholder, worker, union member and consumer make a person a stakeholder to the firm in which he or she holds stock, works for or buys from. In comparison, non-governmental organisations, social movements and other

civil society actors need to formulate a stake in the company to qualify as stakeholders. These actors claim to speak in the name of the public or particular societal group, e.g. a minority”.

### **2.3.3 Working out the elements (key terms)**

The following section will define the key terms of corporate governance, stakeholder management, municipal services, client relationship management, organisations, stakeholder value, legitimacy, power and urgency.

#### ***2.3.3.1 Corporate governance***

“Corporate governance refers to the systems by which companies are directed and controlled. The structure and operation of the board of directors, financial reporting, transparency and audit, separation of powers and minority shareowners’ rights are integral to the corporate governance system. Corporate governance is also increasingly recognised as a means to address the converging interests of competitiveness, corporate citizenship, and social and environmental responsibility, and as a mechanism for encouraging efficiency and combating corruption” (King Report, 2002).

#### ***2.3.3.2 Stakeholder management***

“Stakeholder management is a vital task that managers have to perform to keep their organisations profitable “(Clarkson,1995). Freeman (1984) asserts that it is not easy to manage stakeholders as they have complex relationships with organisations due to their different expectations and interests.

Stakeholder Management is “the process of identification, analysis, communication, decision making and all other kinds of activities in terms of managing stakeholders” and categorise stakeholder management activities into the two interrelated sub-groups of stakeholder analysis and stakeholder engagement” (Yang, et al. (2011) Studies by Reed (2008) and Yang, et al. (2011) concur that stakeholder analysis comprises the following three steps:

1. The identification of stakeholders and their interest;
2. The appraisal of stakeholders’ influence; and
3. The Analysis of stakeholder relationships.

“Stakeholder management is the practical implication of the stakeholder approach and is built upon a stakeholder analysis. According to the theory, an organisation can be evaluated and understood through its stakeholder relationships, beginning with the identification of the stakeholders. The underlying objective of applying stakeholder approaches to organisational activities is to legitimise the organization’s actions and to create value for the stakeholders and ensure the success of the operations through stakeholder engagement “(Freeman, et al., 2010; Harrison, et al., 2010; Sachs & Rühli, 2011).

### ***2.3.3.3 Municipal services***

“The South African Constitution (No. 108 of 1996) instructs government to implement the Bill of Rights to, inter alia, enhance “human dignity, the achievement of equality and the advancement of human rights and freedoms”. A number of ‘socio-economic’ or ‘second generation rights’, including the right to “have access to sufficient water” and “an environment that is not harmful to their health or wellbeing” are prescribed by the Constitution. Reddy (2016) asserts” that Local government is the sphere of government closest to the people and it is tasked with the development and provision of municipal goods, benefits, activities and satisfactions that are deemed public to enhance the quality of life in local jurisdictions”.

“Providing sustainable and effective municipal services to local residents is the main reason for the existence of local governments, and local governments are directed to provide water, sanitation, transportation facilities, electricity, primary health services, education, housing and security within a safe and healthy environment to all residents, provided that its provision is practical and sustainable” (Stats SA, 2016:3).

Fast-tracking the provision of basic services necessitates an improved coordinated and intergovernmental response and innovative solutions, such as the use special purpose vehicle, for municipal infrastructure and rationalising the existing grant system to enable a better impact on communities.

To understand and appreciate the concept of a decentralised system of government in South Africa, it is important to be familiar with the imperatives and constitutional elements that underpin legislation. In terms of the Constitution there are three spheres of government in South Africa, namely national, provincial and local. They all boast the following features:

- (a) Distinctive: Each sphere has autonomy insofar as legislative and executive competencies are concerned.
- (b) Interdependent: The degree to which one's sphere of autonomy depends upon the other to attain its functions.
- (c) Interrelated: Each sphere exercises its autonomy to the common good of other spheres (Sekhukhune District, 2006:5)

A fundamental principle that underlies the relationship between these spheres is co-operative government, which entails the following elements:

- (a) Each sphere must respect the constitutional status, institutions, powers and functions of government in the other spheres.
- (b) Each sphere must exercise its powers and perform its functions in a manner that does not encroach on the geographical, functional integrity of government in another sphere (Sekhukhune District, 2006,5).

Each sphere must cooperate with one another in mutual trust and good faith by:

- (a) Assisting and supporting one another;
- (b) Consulting one another upon matters of common interest;
- (c) Adhering to agreed procedures, and
- (d) Coordinating their actions and legislation with one another.

#### ***2.3.3.4 Normative criteria for effective and efficient public service delivery***

Raga and Taylor (2002) point out “ that a specific principle derived from the body of knowledge on general normative guidelines to public service delivery is that a universally acceptable code of conduct is a necessary element for public officials to perform their activities ethically. The table below proposes a set of normative criteria as a base of effective and efficient public service delivery to local communities. The normative criteria are founded upon values, attitudes and aptitudes that can be gauged or evaluated. It can be used as a point of departure for the implementation and maintenance of acceptable, effective and efficient public service delivery”.

**Table 2.1: Normative criteria for effective and efficient public service delivery**

Values	Attitudes	Aptitudes
Integrity	Transparency	Knowledge
Transparency	Responsibility	Acceptance and comprehension of the goals and functioning of the administrative institutions
Publicity	Quality awareness	Leadership qualities
Accountability	Legibility	Communication skills
Non-discrimination	Clarity	Social skills
Quality	Simplicity	Independence
Professionalism	Inquisitiveness	Ability to use experience
Reliability	Adaptability	Ability to further education and training
General Interest	Listening ability	Analytical capability
	Involvement	Sense of renewal
	Speed	
	Effectiveness	
	Efficiency	

**Source:** Raga and Taylor (2002).

### ***2.3.3.5 Client relationship management (CRM)***

“In the 1990s and early 2000s, client/customer relationship management (CRM) software and systems were a major product of certain professional services companies, including Oracle and IBM”. “The idea behind the product was that client relationship management could be greatly enhanced by information systems that captured comprehensive information about the client organisation and about the interactions between service provider and client organisation. In some instances, CRM was seen as an important part of an even more ambitious system (enterprise management software) that attempted to capture comprehensive information about all aspects of the organisation and enterprise. In general, it can be reasoned, although some disagree, that these efforts were failures. They suffered from an information fallacy similar to that experienced by centrally planned economies. It is simply not possible to compile all information relevant to a complex relationship in real time, raw information does not speak for itself, and CRM was sometimes a waste of resources in a futile quest to ‘automate’ a client relationship” (Watson (2009:28).

### **2.3.3.6 Stakeholder value**

Stakeholder value is fundamental to stakeholder theory. Freeman, et al. (2010) point out that a “stakeholder approach is about the creation of much value as possible for stakeholders”. Cloninger (1997:83) proposed “maximisation of stakeholder value as a framework for financial management and claimed that the total value of the firm is the sum of the value to its respective stakeholders”; an action that benefits one constituency at the expense of another may result in reduced firm (stakeholder value). Further, Freeman, et al. (2007:76) note that “even if you want to maximise value for stakeholders, you still have to create value for stakeholders”. This core idea of instrumental stakeholder theory – that strategic management of stakeholders can lead to better financial performance – has been widely adopted and it has attention to stakeholder value as a central feature, even if the reference is often more loosely to “stakeholder interests” (Rawlins, 2006:6).

Smith and Wassenhove (2011:11) define stakeholder value as:

*“The subjective judgement of a stakeholder, occurring at the individual or collective level depending on the situation, of the total monetary and non-monetary value experienced as a result of one or more of a firm’s actions”.*

Noteworthy in regard to stakeholder value is that value is conceived broadly and as having multiple components that are not necessarily visible, easily quantifiable or reflected in monetary terms. Activities by firms create or destroy value if they positively or negatively affect any component of total economic value (Rawlins, 2006:7).

### **2.3.3.7 Legitimacy**

“Legitimacy is determined by whether the stakeholder has a legal, moral or presumed claim that can influence the organisation’s behaviour, direction, process or outcome. Stakeholders are risk bearers who have invested some form of capital, human or financial, in a firm” (Rawlins, 2006:5).

“Legitimacy is the generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially construct system of norms, values, beliefs

and definitions” (Suchman,2009:2) “Legitimacy is the result of a social evaluation. In the legitimating process, stakeholders take various aspects into account. The result of this process can vary over time because the opinions and ideas in society alter the prevailing norms and values”. Suchman (2009:2) “differentiates between three forms of legitimacy, namely pragmatic, moral and cognitive legitimacy. These forms of legitimacy provide insight into how social enterprises obtain legitimacy. Pragmatic legitimacy is connected to the direct needs and interests of the stakeholder. Every social enterprise has many stakeholders who depend on the products and services delivered. Moral legitimacy comprises of the evaluation of the processes, outputs and outcomes of the social enterprise”.

“Stakeholders measure the organisation differently based on choices made and whether outcomes are desirable. The stakeholder provides judgment on outputs, procedures, structures and representatives compared to what is normal. What is regarded as normal or desirable can vary per group, individual or society. Therefore, it is not easy to determine what the stakeholder takes into reflection when trying to establish the legitimacy of a social enterprise. Obtaining this type of legitimacy has consequences for the content of information provided by social enterprises”.

“Cognitive legitimacy is less tangible but also most essential for a social enterprise. If this form of legitimacy is present there are no questions about the ins and outs of the social enterprise. It is almost taken for granted that the organisation is a necessity for society. Cognitive legitimacy helps the prevention of questions by the public. This form is important because if an organisation is not legitimate in a cognitive way there will be so many questions to answer that it will be impossible for a social enterprise to add any value to the public” (Suarez,2014).

Osborne and Gaebler (1992)” seek legitimacy in concepts such as commitment, trust, attention to social aspects and moral and personal value. Numerous arrangements must be met if the public service is to develop a model of continuous improvement to meet increasing public expectations:

- (a) Improved public sector commissioning can strengthen the capacity of staff to manage relationships, projects and contracts, developing more advance models of procurement that can build public value elements and compensate providers for responding adeptly to public preferences;

- (b) Construct a better evidence base, since examples of ground-breaking approaches to commissioning and contracting that meet these criteria are hard to find;
- (c) Identify more appropriate methods that will include the public directly in public service delivery; and
- (d) Develop a workplace culture where staff is focused on how best to deliver services that are reactive to the needs of the broader public”.

Public value provides a systematic framework for an innovative method to goal setting and measurement because:

- (a) Managers will think practically about the goal their service is supposed to serve; and
- (b) Continuous engagement with the public is important to make sure that these goals are consistent with citizens’ expectations.

### ***2.3.3.8 Urgency***

“Urgency has many meanings, but in terms of stakeholder management it can be seen as a result of time sensitivity and criticality. In other words, a stakeholder is said to have urgency in a situation where his/her demands have to be dealt with in a short time otherwise the organisation will be in serious trouble” (Mitchell, Agle and Wood,1997)

### ***2.3.3.9 Power***

According to Mintzberg (1983),” power is the ability to make somebody do what he or she under normal circumstances would not do”. Mintzberg (1983) proposes five bases of power:

1. The control of resources;
2. The management of a technical skill;
3. Management of a body of knowledge;
4. Power from permissible prerogatives; and
5. Admission to those who can rely on the previous sources of power.

Etzione (cited in Mitchell, Agle & Wood, 1997:865) “advocates that power is likely to result from three contextual degrees of power: normative, coercive and utilitarian. Normative power is when the organisation has no control over laws and requirements. Coercive power derives

from physical means. Utilitarian power derives from dependence because the organisation has to act against its own will in order to realise resources”(Pfeffer & Salancik, 1978).

### **2.3.3.10 Networks**

Networks have been generally recognised by both academics and practitioners as an important system of multi-organisational governance. Provan and Kenis (2007: 229) assert “that the benefits of network management in both the public and private sectors is considerable, including improved learning, more effective use of resources, increased capacity to plan for and address complex problems, greater competitiveness, and better services for clients and customers”.

Rowley (in Sachs & Ruhli, 2011:40) “hold the view that firms are structurally entrenched in networks of relations with stakeholders; they are also unified by those networks”. According to Klijn & Koppenjan (2012:591) the past ten years have produced a number of studies that have adopted the idea of ‘networks’ as a central concept. “Initially, case studies and social network analyses governed the field; however, during the last several years, a larger variety of methods has been established, in particular quantitative research with respect to the relationship between networking or network management and outcomes”(Meier & O’Toole, 2007; Proven, et al., 2009; Klijn, et al., 2010; Lewis, 2011).

The complex nature of processes within networks demands guidance and management of interactions. This is generally referred to as network management (Gage & Mandell, 1990; Kickert, et al., 1997; Meir & O’Toole, 2007). The main aim of the activities is facilitating interactions, looking into (new) content and organising interactions between actors. The horizontal nature of network management suggests that it is a different activity from traditional interorganisational management.

Parker (2007:114) propose that in order for networks to be viewed as a form of governance they must play a role in steering, setting directions and impacting on behaviour. Parker (2007) furthermore classifies the characteristics of network provisions that appear to be required for governance objectives to be satisfied: these are the networks compactness, scope and association with values such as belief, support and shared identity.

### ***2.3.3.11 Sustainability***

“Sustainability is the primary moral and economic imperative for the 21st century, and it is one of the most important sources of both opportunities and risks for businesses. Sustainability of the organisation depends on balancing the demands from the environment with the ability to meet future needs based on economic, social and environmental dimensions. The communicative organisation assumes leadership by interpreting sustainability as a transformational opportunity to improve its competitive positioning by pursuing and constantly reporting on the achievement of its sustainability policies across the economic, social and environmental ‘triple bottom-line’ (Skoogh, et al., 2010:2-7).

According to Wallace (2016:6) it should be noted that sustainability within the local government context consists of various elements, for example:

1. The quality of governance;
2. financial governance – viability, sustainability, solvency and liquidity;
3. institutional capacity;
4. capacity to maintain, deliver and improve infrastructure and bulk services;
5. local economic development – potential as well as actual economic development;
6. stakeholder relations’ sustainability; and
7. quality of service delivery.

### ***2.3.3.12 Stakeholder engagement***

Greenwood (2007:318) “describes stakeholder engagement as those activities that the organisation engages in to involve stakeholders in a constructive way in organisational activities”. According to GCGF (2009:5), “the widespread practice of ‘stakeholder engagement’ arose in the 1990s when it became clear that companies needed to be aware of a wide variety of stakeholders influenced by or affecting their operations and to build long-term relationships of positive engagement. In addition, shoring up corporate reputation, this method has been shown to help companies forecast and manage risk more effectively, as well as to find new business opportunities by tapping into unique stakeholder viewpoints. Engagement, as opposed to ‘top-down’ management is often earmarked by dialogue, which is a two-way process in which stakeholders are not simply listened to or consulted. The company makes a

honest attempt to respond to stakeholder needs in seeking to determine shared values around areas or matters of mutual interest or common concern”.

### ***2.3.3.13 Salience***

Salience is viewed as the degree to which the company gives precedence to competing stakeholder claims (Mitchell, Agle & Wood, 1997:869). Mitchell, Agle and Wood (1997:874) “propose stakeholder classes that permit the company to pay special attention to the suggestions of the influence each stakeholder class may have on the company. These classes comprise latent stakeholders, discretionary stakeholders, demanding stakeholders, expectant stakeholders and dominant stakeholders. These classes are founded on the extent to which the stakeholder groups have power, legitimacy and urgency”.

### ***2.3.3.14 Strategic alliances***

“Strategic alliances in the private sector are long-term, co-operative partnerships, either contractual or non-contractual (based on trust), between two or more independent stakeholders aimed at achieving a mutually competitive advantage. Strategic alliances recognise that resources, including intangible ones like knowledge, may be necessary in trying to increase internal capabilities. Alliances can enable organisations to respond more rapidly to changing pressures and dynamics, which is an increasing necessity in modern knowledge-centric economies, particularly where the knowledge required is tacit and difficult to acquire, disseminate and share internally” (Riege & Lindsay, 2006:34).

“Governments should also consider possible partnerships and need to be aware of ethical considerations in forming alliances, including being overly influenced by partnerships at the expense of other stakeholder interests. In selecting partners, governments need to consider issues such as compatibility of objectives, resources, types of learning, leadership styles and organisational cultures because different interests could require different practices” (Riege & Lindsay, 2006:34).

Table 2.2 below gives a synopsis of the characteristics of the old and new approaches to corporate stakeholder relations. It demonstrates two different methods to corporate stakeholder relations: management that is disjointed and collaboration that is combined. For the purpose of

this dissertation, stakeholder co-operation is appropriate to achieve two-way symmetrical communication. This approach entails that both the organisation and stakeholder will do their part to make sure that relations are reinforced and mutually beneficial.

**Table 2.2: Characteristics of old and new approaches to corporate stakeholder relations**

Stakeholder management	Stakeholder collaboration
Disjointed	Combined
The emphasis is on managing relationships	Focus on building relationships
The focus is on buffering the organisation	The focus is on creating opportunities and mutual benefits
There is a linked to short-term business goals	There is a linked to long-term business goals
Distinctive implementation reliant on on division interests and personal style of manager	Clear approach determined by business goals, mission, values and corporate strategies

**Source:** Adapted from Svendsen (1998:4).

### **2.3.4 Stakeholder identification and prioritisation**

One of the key elements in stakeholder relationship management is stakeholder identification. A critical element is how to deal with all stakeholders at the same time. According to Fassin (2009), “simultaneous management is unworkable; therefore, it is a theoretical requirement to utilise criteria for ranking stakeholders. Another way to use identification typology that is commonly referred to in the literature is to differentiate between primary and secondary stakeholders”

#### ***2.3.4.1 Primary stakeholders***

These stakeholders are those with a straight, important and specific interest in a specific area or set of service delivery programmes or resources. “These people will be most directly impacted by the issue, as well as any actions dealing with the issue. It is imperative to directly involve these people in decisions associated to the service delivery project” (National Treasury, 2008:42). Clarkson (1995) “point out that primary stakeholders are those whose continued and direct involvement or input is critical for the organisation’s survival, e.g. landlords, investors, employees, suppliers, customers and competitors. Primary stakeholders are declared to likely have similar interest, claims or rights. In contrast, secondary stakeholder may have different goals” (Clarkson, 1995).

### **2.3.4.2 Secondary stakeholders**

Clarkson (1995) “describes secondary stakeholders as those who might impact or be influenced in the past, present, or future by the organisation’s operations, without directly engaging in transactions. Hence, they are not indispensable to the survival of the organisation. Examples here included local government, native communities, social activist groups and business support groups”.

“Secondary stakeholders do not use the service programme or directly depend on the resources used in service delivery. They distantly use the products or services from the resource. Their action might also impact on the resource or service delivery programme. Some of these stakeholders can be very powerful and important for resolving the resource or service delivery problem, and it may be important to consult with them or make them conscious of project activities” (National Treasury, 2008:42).

### **2.3.4.3 Third level stakeholders**

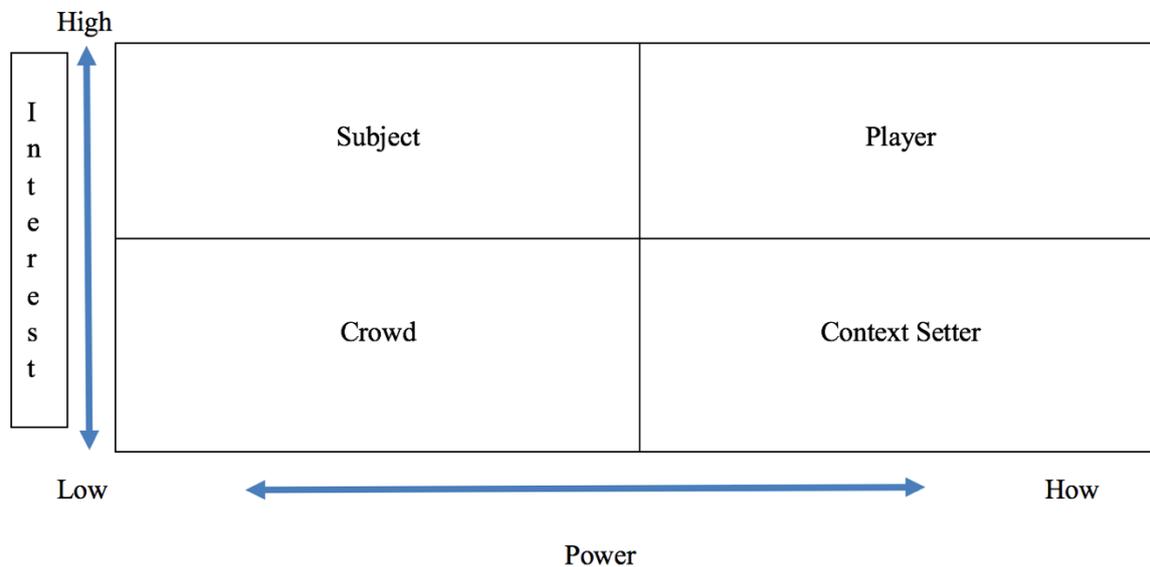
“The third level stakeholders or key institutions comprise organisations with direct responsibility for managing activities influencing the resources in the service delivery or dealing with the primary or secondary stakeholders. For example, government agencies, informal or community organisations (e.g. women’s groups, religious organisations or local environment committees), universities and colleges, and non-government organisations” (National Treasury, 2008:42).

“Another type of stakeholder classifying model is the two-dimensional grid. The first of such a model was suggested by Mendelow (1981) who used power and dynamism as two axes”. Eden and Ackerman (1998:349) present a matrix grid with four groups of stakeholders (Figure 2.3). “The power-interest grid helps to visualise the positions of individual stakeholders and relations among them. The two dimensions of the grid – power and interest – address the reality that not all of the players who have an interest in agricultural land use planning also have power to influence decisions”. The two-dimensional grid produces four categories of stakeholders:

1. Players: they have an interest and also substantial power;
2. Subjects: have an interest but diminutive power;

3. The context setters: they have power but little direct interest; and
4. The crowd: have diminutive interest or power.

**Figure 2.3: Power-interest grid**



Source: Eden and Ackerman (1998:122)

“This approach underlines the importance of identifying the degree of interest of each stakeholder group in impressing its expectations on the firm’s choice of strategies and analysing whether a group has the power to do so” (Muska, 2015:29).

“The category of ‘subjects’ has less power; however, this category holds a high interest. On the contrary, ‘context setters’ pose high power but are not as interested in the firm. ‘Crowd’ has both low power and low interest, while ‘players’ are not only interested in the firm but also have the power to influence corporate strategy development” (Muska, 2015:30).

### 2.3.5 Stakeholder management in South Africa

“The South African code of governance was formed in 1992 with the establishment of the King Committee on Corporate Governance by the Institute of Directors of Southern Africa (IoDSA) (Armstrong, 2005). The basic principle of the King I (1992), King II (2002) and King III (2009) reports on corporate governance in South Africa is the all-encompassing stakeholder approach to corporate governance”. “The King II Report states that by developing good governance practices, managers can add substantial shareowner value to an organisation. However, not only should organisations be well governed but they also need to be perceived in the market as well-governed” (Rensburg & de Beer, 2011:153).

“The first King Report was published in November 1994 and, unlike its counterparts, King I went beyond financial and regulatory elements of corporate governance as it encouraged an integrated approach to good governance in the interests of a wide range of stakeholders in line with good financial, social, ethical and environmental practice” (Institute of Directors Southern Africa, 2002). The Code thus acknowledge that firms no longer act independently from societies and the environment in which they operate. Cadbury, head of the Cadbury Commission, sums up the King Code as follows, “fairness, accountability, responsibility and transparency on a foundation of intellectual honesty” (in King, 2006: ix) and therefore the objective of the King codes was, from the outset, to enhance the quality of leadership given by boards to their businesses (Leuner, 2010:15).

“The second King Report was published in 2002 and from 2005 all listed companies were obliged to adhere to the recommendations or show to what extent they deviated from this and why” (Wixley & Everingham, 2010). The first recommendation in King II is that the board must give strategic guidance to the company. Wixley and Everingham (2010) “ put forward that strategy comprises setting objectives, defending the mission or goal, evaluating the environment within which it must function, defining key stakeholders, determining competitive advantage, formulating detailed plans to achieve aims and putting these into effect”(Leuner, 2010:15).

The King Committee on Governance released the King Report on Governance for South Africa in 2009. It is named The Report and, with it, the King Code of Governance Principles, referred to as The Code. The King III is the collective noun used to refer to both (King III, 2009). Its

predecessor, the King II, issued in 2002, was more directed on the corporate sector. The King III is envisioned for application by all entities, both private and public, including municipalities. In fact, the King III makes this point very clear, categorically stating that the King III applies to all entities notwithstanding of the manner and form of incorporation or establishment (King III, 2009).

Ipsos (2009:3) asserts that stakeholder management is acknowledged as a central part of an organisation's effectiveness. Stakeholders play significant roles as supporters, sponsors, agents and partners of change. The private sector has grasped the value of relationship managers and most companies have stakeholder relationship managers and strategies in place to enhance and develop external relationships with their customers. Freeman (1984) defines a stakeholder as "a group or individual who can influence, or is affected by, the accomplishment of a corporation's purpose. Stakeholders comprise of employees, customers, suppliers, stockholders, banks, environmentalists, government and other groups who can help or hurt the corporation".

In the current fiscal climate, where there is more focus than ever before on demonstrating efficient and accountable use of public money, there is a need to be unambiguous, accountable and in touch with stakeholders. Building trust with stakeholders makes relationships more creative and fosters partnership working, helping municipalities to prioritise and meet aims.

Within a municipal context, stakeholder management has become critical in ensuring involvement in the business of the municipality. Stakeholders play an important role in setting government priorities and in the implementation of programs and policies. Under the public value model, stakeholders are important in setting the agenda of what should be done, and their involvement in several processes gives the process legitimacy. This implies a lot of public participation and consultation. South African local government has adopted the theme of public participation as part of the democratisation of local government. The term 'public participation' is largely used in relation to public communication with government and participation is encouraged in democracies to enhance decision-making and the implementation process. Public participation approaches and methods are generally applied by democratic governments across the globe, with the main focus on the method of direct participation, specifically in participatory democracies (Scott, 2009:1).

Stakeholder management legitimises the policy and implementation of the municipality. However, the dilemma is that municipalities are also legitimised by elections. So how do municipalities solve this tension? Under the traditional model of public management, citizen engagement is limited to elections and general public pressure. However, under public value management a shift has taken place. There is an increase requirement to respond to citizen preferences. Key to this question is that municipalities must keep track of the relevant parties and the environment, this is called social relevance. Municipalities must recognise the needs, expectations and demands of their stakeholders in order to respond to these. The stakeholder management theory is built on the principle that an organisation must consider all groups and individuals that can affect its goals and objectives. “Stakeholders can have economic, technological, political, social or even managerial effects on a company and engagement is therefore an important part of anticipating business opportunities and risks, which in turn is fundamental to proactive, strategic management. Over time, as economies, labour markets, and supply chains have become increasingly globalized, the number and variety of stakeholders impacted by individual companies has grown and the need for stakeholder engagement has become an essential part of doing business” (GCGF,2009:2).

From this perspective, municipalities expect to see key groups, citizens and organisations directly engaged in collaborative, coordinated and competitive arrangements with each other and with administrators to influence the formulation and implementation of policies and programs in order to create public value.

### ***2.3.5.1 Stakeholder relationships as per the King III Report***

“The King III put a special focus on governing stakeholder relationships. It claims that companies and their boards must understand that stakeholders’ perceptions affect a company’s reputation. In local government, Section 55 (1)(0) of the Local Government: Municipal Systems Act (2000, as amended) the municipal manager is task with the responsibility of developing and maintaining a system that measures community satisfaction with municipal services. To this effect, it is required that development priorities, objectives, key performance indicators and targets should be monitored” (MSA, Section 41 (1)(c)). These should be contained in the council’s IDP. Section 16 of the MSA requires that the IDP is prepared through a formal interactive process with the community, stakeholders and council. Further, Section 20

of the MSA compel council meetings to be open to the public except if not desirable to any business being deliberated upon.

### ***2.3.5.2 King III principles on stakeholder management***

The King III Report broadly emphasises the stakeholder model of governance, meaning consideration not only of shareholders' but also the legitimate expectations and interests of its other stakeholders. This must be guided by the pursuit of the triple bottom-line (or otherwise noted as TBL or 3BL) concerned with three impacts: social, environmental (or ecological) and financial. It calls for this through:

- (a) Taking account of authentic welfare of its stakeholders in decision making;
- (b) Proactively managing relations with stakeholders;
- (c) Identifying instruments and processes that will encourage enhanced levels of constructive stakeholder engagement;
- (d) Striving to accomplish the correct balance between several stakeholder groupings in order to enhance the interests of the company;
- (e) Ensuring the impartial handling of shareholders;
- (f) Transparent and tangible communication towards building and maintaining relationships;
- (g) Promoting common respect between the company and its stakeholders;
- (h) Establishing a formal process to resolving internal and external disputes;
- (i) Ensuring that disagreements are addressed as effectively, efficiently and expeditiously as possible; and
- (j) Selecting the suitable individuals to act on behalf of the organisation in alternative dispute resolution (ADR) processes.

“The six-stakeholder management (SRM) philosophies proposed in Chapter 8 of the King III Report are:

1. The board should understand that stakeholders observations affect a company's reputation.
  - 1.1 The gap between stakeholder observations and the performance of the company should be managed and gauge to enhance or protect the company's reputation.

- 1.2 The company's status and its linkage with stakeholder relationships should be a regular board agenda item.
- 1.3 The board should categorise important stakeholder groupings.
2. The board should assign stakeholder relationship to management to proactively deal with it.
  - 2.1 Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping.
  - 2.2 The board should deliberate whether it is appropriate to issue its stakeholder policies.
  - 2.3 The board should supervise the establishment of instruments and processes that support stakeholders in constructive engagement with the company.
  - 2.4 The board should induce shareholders to attend AGMs.
  - 2.5 The board should reflect not only formal, but also informal, procedures for interface with the company's stakeholders.
  - 2.6 In its integrated report the board should reveal the nature of the company's dealings with stakeholders and the results of these dealings.
3. The board should strive to accomplish the appropriate balance between its various stakeholder groupings, in the best interest of the company.
  - 3.1 The board should look at the legitimate interests and expectations of its stakeholders in its decision making in the best interests of the company.
4. Companies should make sure that shareholders are treated impartially.
  - 4.1 There must be impartial treatment of all holders of the same type of shares issued.
  - 4.2 The board should make sure that the interest of minority shareholders are protected.
5. Transparent and effective communication with stakeholders is vital for building and maintaining their trust and confidence
  - 5.1 Complete, appropriate, relevant, precise, honest and accessible information should be furnish by the company to its stakeholders whilst having regard to legal and strategic considerations.
  - 5.2 Communication with stakeholders should be logical and understandable language.
  - 5.3 The board should accept communication procedures that support a responsible communication programme.

- 5.4 The board should contemplate revealing in the integrated report the number and reasons for refusals of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000.
6. The board should ensure disagreements are addressed as effectively, efficiently and expeditiously as possible.
  - 6.1 The board should develop formal disagreement resolution processes for internal and external disputes.
  - 6.2 The board should select the suitable individuals to represent the company in alternative dispute resolution”.

It is imperative to note that these values hold consequences for the roles that municipal communication officials bring about in building relations with stakeholder groups to support organisational sustainability in a triple-bottom-line business context. The function of communication officials is to make both management and the council of the municipality mindful of how stakeholders view the municipality as this directly impacts the municipality’s reputation. However, a database on all stakeholders is important to stay in touch with them and to communicate on a regular basis. This will help in building a relationship with stakeholders and to stay connected with them. Communication officers are best placed to have an understanding of stakeholder interests and prospects, hence assisting municipalities in bring into line the municipal strategy and stakeholder expectations with each other. Hence, municipalities should have a directorate whose primary focus should be on stakeholder management.

### **2.3.6 Stakeholder relationships and dispute resolution**

“The King III Report acknowledges that ADR has become a central element of good governance. This is aligned with the MSA and MFMA, which give parties the option of resolving disputes through ADR. King III chooses mediation or conciliation and, failing that, arbitration. The benefits of ADR, over more conventional dispute resolution processes (such as recommendation to a court or utilisation of formal dispute resolution institutions created by statute), include reaching decisions faster, the ability to deal with ADR processes in private and the chance to find creative or novel solutions”.

“Mediation is not described in the MSA or MFMA but can be described as a process in which parties in a dispute include the services of a suitable, impartial and neutral third party to assist them in negotiating a resolution to their disagreement by way of a settlement agreement. The mediator has no autonomous authority and does not render a verdict. All decision-making powers in regard to the disagreement remain with the disputing parties”

“Conciliation is also not described in the MSA or MFMA. Conciliation is an organised negotiation process that involves the services of an impartial third party. The conciliator will, in addition to the role of a mediator, make an official recommendation to the parties as to how the disagreement can be settled”.

“Dispute resolution is dealt with in sections 31, 32, 33, 53(5) of the MSA and 102 in the following sections of the MFMA: 44 – dealing with organs of state; 48(2)(f) – with regard to debt; 112(1)(p) – supply chain management; and 116(1)(b)(ii) – contracts. Dispute resolution is also included in the Regulations for Municipal Managers and Managers Reporting Directly to the Municipal Manager (2006).

### **2.3.7 Mapping stakeholder relations**

There are several ways to map a municipality’s relationship with its stakeholders. A typical model is one where the municipality is in the middle of a number of two-way relationships with surrounding stakeholders, which is called the ‘hub’. This model is inclusive and more realistic than the conservative input-output model, which only maps those stakeholders immediately involved with the process of value creation (investors, suppliers and customers). Yet, stakeholders do not only relate to the municipality, but also co-operate with each other, including partnerships on particular issues. The Breede Valley municipality uses this model. The municipality has established forums with farmers, the chamber of commerce and businesses within the region to ensure that all stakeholders are part and parcel of service delivery and other projects in the municipal region.

Different approaches to the management of relationships are needed for different groups of stakeholders, depending on the issue under consideration. For example, every year the municipality should consult widely around possible amendments to its integrated development plan and budget and should consult even more widely when a new IDP is produced every five

years. Since this sets out the medium-term service delivery priorities of the Council, the municipality should consult community groups, ratepayers' associations, business organisations, local churches, social and sporting associations and other similar groups (National Treasury, 2008:31). However, municipalities should also engage with those stakeholders who can have a fundamental impact on the governance of the municipality. These stakeholders include the Auditor-General, the National Electricity Regulator, Eskom, universities, the media, the national government and the provincial government. A more descriptive explanation of the roles and mandates of these institutions will be provided in Chapter 6.

As referred to earlier, the question of the legitimacy of diverse stakeholder claims on municipalities has emerged as essential to the 'normative versus instrumental' debate, and it is therefore undeniable that stakeholders with the greatest power to influence organisational imperatives that have commanded the most consideration in corporate stakeholder engagement activities to date.

Stakeholders can be integrated into committees or governance structures within the municipality, for example audit committees, municipal public accounts committees and other oversight bodies. Secondly, stakeholders can be involved in projects. Joint projects or partnerships can be formed between the municipality and business, community groups, and so forth. Other instances include multi-stakeholder forums, advisory panels, agreement building processes and participating decision-making processes. "Finally, stakeholders can be involved in surveys, focus groups, workplace assessments, public meetings and workshop, standing stakeholder advisory forums and online feedback and discussion" (National Treasury, 2006:30).

Municipalities can also use other means of communications, such as social media and newsletters. Using multiple sources of data not only has the benefit that the information obtained is more likely to be correct but also that participatory methods of information gathering (e.g. stakeholder workshops and local consultations) can also help to create a sense of local ownership of the project and consensus about the project objectives.

"Each municipality should find ways to establish a practical working relationship with all stakeholders. Such practical working relationships should adhere to the following principles:

(a) they should move beyond mere ‘demands’ associated with protest politics and incorporate a more involved and participatory role; (b) they should take into account the particularities of local politics in South Africa – especially in rural areas; and (c) they should recognize that communities often reflect division and competing interests and not harmony and common purpose” (Coetzee, Graaf, Hendricks & Wood, 2001:478).

“Local stakeholders tend to monopolise power and are often hostile toward comprehensive participation. It is therefore necessary that a negotiated working relationship be established between all stakeholders in local government. Local government managers should accept that stakeholder negotiation is an ambiguous process where no one party is in charge. Individual stakeholders should be willing to note each other’s interests and accept that the traditional decision-making practice should be changed to accommodate these” (Van Rooyen, 2003:134)

“Managers should be willing to support initiatives that may pose uncertain outcomes, although they may find it safer and easier to operate within a regulated environment where the way forward is set. Stakeholder negotiation in local government is not only reserved for local community members or community-based organisations”. Stakeholder cooperation can happen between supplementary stakeholders as well: between local government and the business community, local and district municipalities or between different spheres of government (e.g. district municipalities and provincial authorities). “Other forms of stakeholder negotiations can be found at an intra-institutional level where different local government departments in the same council can find themselves competing and eventually negotiating for the same resources. Only in this way will true municipal partnerships develop and can the principle of co-operative governance (on an inter- and an intra-institutional context) really emanate” (Van Rooyen, 2003:135).

### **2.3.8 Explanation by others**

According to Donaldson & Preston, 1995) “modern stakeholder theory owes its intellectual development to Freeman’s (1984) seminal work ‘Strategic management: A Stakeholder Approach’ (Shankman, 1999). According to Freeman, the word ‘stakeholder’ was used for the first time in 1963 in an internal memorandum at the Stanford Research Institute (SRI), when the much-quoted SRI definition of stakeholders was reported to be: “those groups without whose support the organisation would cease to exist”.

“Within the theoretical confines of stakeholder theory, it is imperative to have a clear description of the term stakeholder in the context of local government in South Africa. The stakeholder theory can be described from a social responsibility approach. Jones (1980) described corporate social responsibility as the notion that companies have a duty to stakeholder groups in society other than shareholders and beyond that agreed by law or union contract, demonstrating that a stake may go beyond mere ownership”.

Ledingham (2003:190) describes the theory of stakeholder management as “effectively managing organisational-public relationships around shared interests and shared goals, over time, resulting in mutual understanding and profit for interacting organisations publics”. “Therefore, the emphasis is not only on serving the organisation’s goals and objectives but also on creating a mutually advantageous relationship between the organisation and its stakeholders”. Rowley (in Sachs & Ruhli, 2011:40) claims that firms are structurally entrenched in networks of relationships with stakeholders; they are also interconnected by those networks.

Freeman (2005:122) “observe stakeholder management as the requirement for an organisation to manage its relationships with stakeholder groups on an action-oriented basis”(through clear actions). Instead of merely recognizing stakeholders, it suggests creating relationships with them. Freeman (in Friedman & Miles, 2006:1) describe a stakeholder as “any group or individual who can influence or is affected by the attainment of the organisation’s objectives”. He holds the view that the stakeholder concept signifies a redefinition according to which all organisations should be thought of as a grouping of stakeholders – the purpose of an organisation should then be to manage the interests, needs and viewpoints of the stakeholders.

Lewis (2011:4) describes stakeholders simply as those who “have a stake in an organization’s process and or outputs. “This hardly narrows down the number of people or entities that may be considered stakeholders, as Lewis (2011) recognise that those stakes may be categorise as financial, environmental, physical or symbolic. Though the term ‘stakeholder’ may appear to be a catch-all term, Freeman (1984) point out important for managers to consider all these groups as stakeholders and, in a more recent work, recognises that scholars are unlikely to agree on the same definition of stakeholder “(Freeman, et al., 2010).

The beginning of stakeholder management literature can be traced back to 1963, when the word emerges in an international memorandum at the Stanford Research Institute (cited in Freeman, 1984). According to Freeman (1984), “a stakeholder is any group or individual who can influence or is affected by the achievement of the organization’s objectives”.

There are many differing definitions of stakeholders. According to Glicken (2000):

*“A stakeholder is an individual or group influenced by and with an ability to significantly impact (positively or negatively) the topical area of interest.”*

Slocum, et al. (1995) define stakeholder or community participation as the:

*“Active involvement of people in making decisions about the implementation of processes, programmes and projects which affect them.”*

Van Asselt, et al. (2001) define it as:

*“Participatory methods to structure group processes in which non-experts play an active role and articulate their knowledge, value and preferences for different goals.”*

Gomes (2006) “claims that the stakeholder theory has been prevalent in the management agenda for about thirty years. The application of stakeholder theory in the public sector literature seems to be in accordance with the wave of New Public Management” (Osborne & Gaebler, 1993). “This theory intent to introduce entrepreneurial ideas to the public sector. In this regard, stakeholder theory can be seen as a method by which public decision makers examine their environments in search of opportunities and threats. Stakeholder theory asserts two distinct approaches, the organisation’s focus on its stakeholders in order to propose suitable managerial technique; and the manner in which a stakeholder approaches the organisation claiming his/her rights. Whilst one side of the coin focuses on how an organisation behaves when dealing with stakeholders, the other seems focus on how a stakeholder holds the organisation accountable”.

Stakeholders are “described as those groups without who’s backing the organisation would cease to exist (Elias, et al., 2002:303). Mainardes, Alves and Raposo (2012) assert that, stakeholder theory draws on four social sciences disciplines, namely sociology, systems theory,

corporate social responsibility and organisational studies. Thus, the term is used in public and private organisations, and has been used and studied in both spheres”.

Freeman (1984) main hypothesis of stakeholder theory is “that an organisation’s effectiveness is gauge by its ability to satisfy not only shareholders, but also those agents who have a share in the organisation”. Gomes (2006:48) reasons “that stakeholder theory remains ambiguous because it does not thoroughly clarify the difficulty of the relationships between an organisation and people, groups and other organisations from its environment. He contends that because stakeholder theory is an incomplete theory, scholars have been using it in combination with or supported by other theories, such as resource dependence, agency theory, institutionalism and transaction cost analysis. as the resource-based theory and institutionalism for supporting stakeholder theory to explain sustainable competitive advantage”. Oliver (1997) and Hill and Jones (1992) suggest a stakeholder-agency theory in which an organisation’s managers are regarded as agents for all the stakeholders involved in the organisation’s decision-making process. Ruf, et al. (2001) employs stakeholder theory supported by resource-based theory and transaction cost analysis to explain the relationship between corporate, social and financial performance. The function of stakeholders in the five case studies will be explored in the methodology and case study chapters (Chapter 3 and Chapter 6).

Stakeholders feel appreciated and important when they are consulted in the decision-making process of the municipality. Stakeholder theory helps find the external people, groups and organisations in the public value process. Municipalities cannot decide the kind of public value it needs to generate. To determine what the public values or what adds value to the public, the stakeholders must be involved. In a public management setting, Fox and Meyer (1995:122) describe a stakeholder “as a person or a group of individuals, such as investor, employees, customers, creditors, suppliers, trade unions, government and the community, who have an interest in the operations and outcomes of the organisation. Van der Walt and Knipe (1998:143) cited Paul (1987:2) when defining community involvement as an active process in which the clients, or those who will benefit, effect the direction and implementation of a development project aimed at improving the wellbeing of people in terms of revenue, individual growth, independence and other values regarded as valued”.

“It can therefore be construed that stakeholders may be regarded as those individuals or groupings whose existence may somehow be impacted upon by decisions and actions taken by

particular organisations or institutions and who, in turn, may through their actions impact on the functioning of such organisations or institutions or the achievement of their goals. The above definitions clearly establish that stakeholders are those important role players who participate in community affairs to achieve particular objectives. In a local government context, these objectives may be to formulate a budget or achieve certain developmental ideals, such as the establishment of a training facility” (Van Rooyen, 2003:128).

The stakeholder method was first introduced into management theory as an answer to dissatisfaction with the one-sided financial criteria of effectiveness. (Ruf, et al., 2001) asserts that “despite this intention, stakeholder participation still remains unclear because it does not clearly explain the complexity of the relationships between an organisation and the people, groups and other organisations from its environment”.

Donaldson and Preston (1995) shed light on this stalemate by proposing that in order to be fully accepted as a theory, stakeholder participation has to define how stakeholders interrelate with the focal organisation; establish a framework for probing the connections, if any, between the practice of stakeholder management and the accomplishment of various corporate performance goals; and outline how the organisation needs to deal with its stakeholders in fair and honest relationships.

### **2.3.9 The dynamics of stakeholder management**

To give impetus to the discussion it is important to bring the theory of voice, choice and exit into the stakeholder management debate. Stakeholder management is complex and has several dynamics.

Hirschmans (1970) developed a theory in his book ‘Exit, Voice and Loyalty’. Although his theory is built on business and the market, he indicates that his theory could also be applied in other interest groups where people are dissatisfied.

According to Kemp (2002), “Hirschman’s theory claims that if a customer is displeased with a particular product, they have the choice of either complaining to the firm (voice) or simply taking their custom elsewhere (exit). The voice option is generally interpreted to include any effort that is an attempt to change an unpleasant state of affairs rather than escaping from it.

Hirschman claims that the mixture of voice and exit offers an instrument whereby firms can identify a problem and correct it before they lose too much custom”.

### ***2.3.9.1 Voice***

The notion of voice was raised by Haarmann, Klenk and Weyrauh (2009) in a study on public involvement in health insurance funds in corporatist welfare states. They are of the view that stakeholders can use voice, which can be used for the recovery of relationships through means of communication, introduced by a grievance or suggestion for change. “Voice has been considered more significant in cases of large organisations, inadequate or absent competition, as the decision of exit is too costly or not available” (Young, 1974:56). “Voice can be declared in manifold ways; it may institute a complaint with the aim to individually gain an advantage but may also be an act to accomplish better quality or for the shared consumership”(Dowding, 2000:473; Barry, 1974:92).

According to Ferraro and Beunza (2013:3), voice was described by Hirschman as the expression of customers and organisational members dissatisfaction with the performance of the organisation, targeted directly at management or higher authorities. Voice is essential because exclusive reliance on exit prevents an organisation from learning from its most articulate critics. Ferraro and Beunza (2013:3) argue that such learning requires an institutional relationship that can provide a legitimate channel for interaction. However, by their extra institutional nature, contentious tactics threaten institutionalised relationships, reducing the scope for communication and thus limiting the potential for corporate learning. Recognising these limits raises the important question of, if not through contentiousness, how can actors make their voices heard?

As a result of voice, Hirschman notes, “management once again engages in a search for the causes and probable cures of customers’ and members’ dissatisfaction” (Hirschman, 1970:4). Voice is said to belong to the domain of politics. “Political scientists have for long dealt with this function and its various manifestations. The choices to voice one’s views and efforts to make them prevail are stated to by Friedman as a reason to cumbersome political channels. In human organisations from the state, to the family, ‘voice’, however “cumbersome” or ineffective, is all that members generally have to work with. Voice is a more chaotic concept because it can be advanced all the way from faint grumbling to fierce protest, it suggests articulation of

one's critical feelings rather than a private, secret vote in the obscurity of a supermarket and finally it is direct and more straight forward, rather than roundabout" (Chesang, 2013:116).

**Table 2.3: Types of political voice**

Type of Voice	Description
Distinct voice	The individual communication intended at securing changes in the voicer's situation.
Collective voice voting	When passing a vote during elections.
Collective voice participation	When participating in non-electoral collective voice actions, such as complaining about policy, signing a petition, or campaigning for a candidate.

**Source:** Taylor (2014:6).

Dowding and Dowding (2012) "do not make such a fine-grained distinction between types of voice in politics, seeing only three broad categories that are reasonably straightforward. Individual voice occurs when an individual ask for some specific action or complains about a specific grievance. All action is individual, of course, but individual voice is defined by its goals – to change outcomes through an individual act of voice rather than contributing to a collective effort. Examples would be calling the council to fill a pothole or writing a letter of complaint about a particular interaction with a government official. Collective voice voting occurs when an individual vote in an election, whereas collective voice participation is a residual category of collective voice including protest and advocacy".

### **2.3.9.2 Choice**

In a study of public involvement in health insurance funds in corporatist welfare states, Haarmann, Klenk and Weyrach (2009:3) argue "that choice with regard to service delivery is nothing new, as patients could change their doctors since the very commencement of the public health insurance system". They assert that the patient has the choice between different policies of the same insurance. However, the municipal system in South Africa does not have the option of choice in service delivery, as the option of choice is non-existent in the delivery of services. On the other hand, stakeholders do have the option of choice in the service delivery consultation process. Stakeholders can decide if they want to participate in the process of deciding which projects should be implemented.

### ***2.3.9.3 Exit***

According to Hirschman (1970:30), ‘exit’ is where a customer, client or member of a firm or organisation, unhappy with the product or the service of the firm, shifts to another. Exit mostly belongs to the dominion of economics. Hirschman (1970) “argues that the customer uses the market to protect their welfare or advance their position and sets in motion market forces that may yield recovery on the part of the firm that declines in comparative performance. Friedman (2010) considers withdrawal or exit as the direct way of expressing one’s adverse views of an organisation. Exit has often been branded as unlawful as it has been labelled abandonment, defection and disloyalty. The convenience of the exit option to a consumer and their frequent resort to it are characteristics of normal competition”.

“The exit option is widely held to be uniquely powerful by inflicting revenue losses on delinquent management. Though exit is said to mainly belong to the economic realm, it also a common occurrence in competitive politics, family, school, church and trade unions, amongst others”(Chesang, 2013:116).

**Table 2.4: Types of political exit**

Type of Exit	Description
Internal Exit	When leaving one public service institute for another in the same domain
Private Exit	Leaving one public provider for a private provider
Geographical Exit	Parting ways with one jurisdiction for another.
Tiebout Exit	Location exit motivated by changes in law, policy, institutions or public services.
Complete Exit	When a person no longer uses a service and not seeking a replacement.
Entrepreneurial Exit	When leaving a public service and creating a replacement.
Cultural Exit	When leaving one non-government cultural or spiritual community for another (whether mainstream society or another subcultural group).

Source: Taylor( 2014:4)

“Internal exit occurs when an individual leaves one public provider for another, such as when a patient chooses between alternative public hospitals or a parent chooses between alternative public schools. This type of exit is often impossible, since zoning rules or other means of rationing often prevent individual exit options. In general, internal exit options need to be designed into public services”(Taylor ,2014:4).

“Private exit occurs when an individual opts out of some public service or policy and seeks an alternative in the private sector, whether for-profit or voluntary. When parents send their children to a private school despite public sector alternatives or when companies opt for private dispute resolution over government courts, they are engaging in private exit” (Taylor,2014:4).

“Geographical exit happens when an individual, household or firm moves from one jurisdiction to another. In the case of people, such moving is straightforward, but in the case of firms, partial moving is likely. Companies can operate in one dominion but be incorporated into another and multinational firms may be able to partially exit the tax policies of one country by shifting assets across borders” (Taylor,204:5)

“When geographic exit is motivated by differences in governance, it is a Tiebout exit. Tiebout (1956) developed a model of local government in which individuals are able to vote with their feet for the policies they prefer by moving between governments. While Tiebout’s model was highly stylised, there is evidence that household locational decisions are influenced by policy differences at local level (Dowding, John, & Biggs, 1994), and companies seem to make locational decisions based partly on the basis of law and tax policy” (Ribstein & O’Hara, 2009).

“Complete exit occurs when an individual simply stops consuming a service without seeking an alternative. A consumer dissatisfied with the public health system but unable or unwilling to resort to the private sector might simply stop visiting the doctor or seeking medical treatment. While this type of exit is presumably rare, it is mentioned for the sake of completeness” (Barry, 2001; Kukathas, 2003; Mazie, 2005; Okin, 2002).

“Cultural exit occurs when an individual leaves a subnational religious or cultural group to join another such group or integrate into mainstream society. Many religious groups engage in practices at odds with the liberal values of contemporary western democracies and there has been a great deal of debate in political theory over the permissibility or obligation of intervention in such communities. An important part of this debate rests on exit options: if exit options are sufficiently strong, many insist that other protections are unnecessary to protect individual freedom and unnecessarily restrict religious liberty. Others claim that exit options are almost never strong enough or that even with strong exit rights there are some things a liberal state cannot abide” (Barry, 2001; Kukathas, 2003; Mazie, 2005; Okin, 2002).

There are several limitations of stakeholder consultation, such as language barriers, budget constraints and poor or inadequate media usage for information dissemination to stakeholders. However, a major concern from the stakeholders and reasons for not being involved in subsequent consultative meetings includes the municipality’s inability to show results or outputs/outcomes from previous stakeholder inputs. It is therefore imperative that subsequent meetings communicate the status of prior accomplishments or lack of, with reasons, to relevant stakeholders. Such communication should be transparent, simple and easy to understand by stakeholders (National Treasury, 2006:38).

It should also be noted that sometimes municipalities are not able to reach consensus amongst all stakeholders. This problem can prolong the process and increase the budget. One

recommendation to mitigate such a problem is to make sure that the stakeholders have unambiguous information regarding:

- The reasons for the proposed project;
- Time/budget constraints;
- Legal requirements;
- Intended benefits; and
- Implications of their actions or lack of action, in a very objective format.

**Friction with stakeholders:** Differing visions of key stakeholders can create tensions. If these conflicts are not used productively to challenge people's ideas and perception it may lead to chaos. Examples include:

- Issues that the municipality had not considered, which, if brought to light and the municipality challenged, could lead to poor stakeholder involvement.
- The stakeholder consultation process may take time in getting off the ground. This is attributed to the red tape and bureaucracy of the anchor institution in finalising contracts.
- Criticism may be made as to the reliance on consultants. However, this may arguably be the best way to work as the consultants are best equipped to do the research work.

**Stakeholder inflexibility:** This is perceived as each stakeholder having their own agenda and each having very specific views, which is a natural phenomenon. If this occurs it could be difficult to reconcile, for example a strike might result.

**Identification of representative stakeholders:** It is maintained that it is difficult to be clear in a intricate municipal structure if those that reply to the municipal stakeholder consultation process are always illustrative of the municipality's community.

**The municipal stakeholder consultation process is not adequately marketed:** The broader residents of the municipality might not be conscious of the results of the municipal consultation process. This is also applicable for project that have been implemented in the municipality. Stakeholders may not have the capacity to contribute in the discussion process and those whose

interests they serve. This may be a serious limitation to the municipality's stakeholder consultation development.

It is seen that the active management of such a process rests critical on involving all stakeholders and recognising the opinions voiced by all. It becomes necessary to make trade-offs to priorities what areas to concentrate on for effective implementation to occur (National Treasury, 2008:38).

### **2.3.10 Criticism of stakeholder theory**

It should be noted that, even though there are scholars who advocate stakeholder theory, it has certain limitations. "Stakeholder theory does not adequately reflect what happens in multi-stakeholder networks. Authors such as Freeman (1984) and Weiss (1994) have a tendency to put the corporation into the heart of attention. It is presumed that the corporation's managers apply stakeholder management to investigating its environment, communicating with stakeholder groups and initiating partnership, if desirable. However, in practice managers are often not master of their stakeholder interaction. In particular, in multi-stakeholder networks companies tend to be contributors that – despite their importance for the network's success – are only partially in control of the process. Other stakeholders can be similarly or even more significant in this context. This is due to their knowhow or influence concerning the problem or challenge discussed in the network".

Sternberg (1999) states that if the stakeholders comprise all who can affect or are affected by the organisation, the number of groups whose benefits need to be encompassed in the calculation will be infinite. Dunham, et al. (2001) point out that stakeholder theorists and practitioners must shift toward a 'names and face' orientation, seeking a highly specific understanding of, and communication with, each stakeholder. "Employees, customers, shareholders, communities and suppliers are those most commonly classified as stakeholders within an organisation "(Winn, 2001, Dunham, et al., 2001).

Jennings (2001) claims that stakeholder theory does not offer direction as to how the theory should work. Jennings' and other scholars' criticism is that the theory does not make clear who is and is not a stakeholder and Preston and Sapienze (1990) claim that stakeholder theory focuses heavily on the importance of meeting the needs of all stakeholders but does not tell

anyone who the stakeholders really are or how to identify them. It is because of this ambiguity that so many different yet similar, definitions of who and what a stakeholder is have arisen.

Freeman and McVae (2001) argue that stakeholder theory should never be viewed in a stakeholder versus stockholder viewpoint. The days of always putting the stockholders at the top of the list, no matter what, are gone. “Stockholder theory is an idea whose time has come and gone. “I believe we can safely say that the stockholder theory is or at least should be intellectually dead” (Freeman,1994). Certainly, shareholders will constantly be one of the key stakeholders in a firm but there needs to be a balance; there will be instances when shareholder interests should not come first.

Friedman and Miles (2006) states “that the typology offered by Mitchell, Agle and Wood (1997) increased in popularity among stakeholder theory theoreticians and practitioners”. Notwithstanding this statement, a limited number of studies really empirically test the model, as undertaken by Agle, et al. (1999), O’Higgins and Morgan (2006) and Magness (2008). These experimental research projects reveal some model confines susceptible of bringing up controversial results: Mitchell, Agle and Wood (1997) “report that the characteristics of power, legitimacy and urgency are binary (either you do or you do not have power, legitimacy or urgency). However, when looking at the features making up each attribute, there are reservations as to whether they may be gauge in binary terms”.

The major criticism levelled against present stakeholder theory is “that it is not able to adequately identify the stakeholders of an organisation and ascertain which of these to involve” (Laplume, Sonpar, & Litz, 2008; Achterkamp & Vos, 2007; Vos & Achterkamp, 2006). “This inadequacy is to some extent demonstrated in the research revolving around stakeholder management, since different groupings of stakeholders that should be considered have been identified. Stakeholder mapping is critical, since the effects of stakeholder management on organisational performance is influenced by the firm’s capability to identify the factual stakeholders”(Achterkamp & Vos, 2007). “Another reproach towards stakeholder theory is that it is not relevant to all organisations i.e. large, for-profit firms (Laplume, Sonpar, & Litz, 2008)”. Considering that smaller firms and non-profit organisations probably have different stakeholders compared to public firms, stakeholder theory could profit from more studies of other organisational forms.

Roloff (2007:4) claims that “stakeholder theory does not adequately reflect what happens in multi-stakeholder networks. He argues that authors such as Freeman and Weis tend to put the corporation at the heart of attention. It is assumed that the corporation’s managers apply stakeholder management for analysing its environment, communicating with stakeholder groups and initiating collaboration if desirable”.

Achterkamp and Vos (2007) “argue that stakeholder theory does not help determine the factual stakeholders. This lack is due to the broad definition of stakeholders, which leads the term to lose its practical significance”. (Laplume, Sonpar & Lotz, 2008). Stakeholder theory is also criticised for not being well grounded. The theory is inadequate, since the emphasis lies on human participants and ignores moral principles, with respect for the environment and the law. “Another restriction is that the theory provides no bases to decide between competing stakeholder claims and can, therefore, promote maladministration, since managers have the power to assign shareholder capital “(Laplume, Sonpar & Lotz, 2008).

“Despite the criticism towards stakeholder theory, academics agree with Freeman’s general normative classification of the following stakeholder groups for an organisation: employees, suppliers, financiers, local communities, customers, competitors, media, government and special interest groups” (Hutt, 2010; Hasna, 2013). However, the main problem with stakeholder theory is the lack of amalgamation between the standard and the administrative branches of the theory (Minoja, 2012). In Moore’s model, when a social enterprise starts creating public value the stakeholders will support and legitimise the organisation. Moore contends that social enterprise affects the desires and interests of the stakeholder directly. The social enterprise (the municipality) has to provide these goods and services in the most effective and effective way.

From a citizen perspective the issue of transparency and participation are key values that a municipality should display. The stakeholder approach has its own dynamics and it is important to create an environment within the municipal space to create an environment that will have a positive influence on public value.

### 2.3.11 Explanation by others

Agranoff (2003:5) investigates the interaction of public manager with other governments and the non-governmental sector. These experimental lessons about ‘network management’ are resulting from the replies of managers who work in federal government, state government, local government, university and non-governmental organisation (NGO) officers as they work together to approach matters that cross the boundaries of their organisations. The dissertation focus on networks of public organisations, involving formal and informal structures consisting of representatives from governmental and non-governmental agencies working interdependently to share information and/or jointly formulate and implement policies and programs, usually intended for action through their respective organisations. However, they found that not all networks are the same. Some come together mainly to make information available, some do more by also jointly developing capabilities, others additionally provide new programming prospects for component organisations, and still others make joint decisions and take action.

“Most of the literature on organisational networks does not explicitly address the issue of governance. They argue that probably the most obvious reason for this is that networks are comprised of independent and autonomous organisations, and are thus essentially cooperative endeavours. Since networks are not legal entities, the legal imperative for governance is simply not present as it is for organisations. However, regardless of the reason, it should be apparent that some form of governance is necessary to ensure that network participants engage in collective and mutually supportive action, that conflict is addressed and that network resources are acquired and utilised efficiently and effectively. Even when mechanisms for governance have been discussed in the literature, they are generally discussed in terms of specific activities performed for a particular network, rather than in a comparative way. Thus, there is no broad theory on network governance regarding the various forms of governance that might exist, the rationale for emergence of one form versus another and the impact of each form on network performance” (Kenis and Provan ,2005).

In its empirical application, network governance is seen as an analytic tool that is used to discover the extent to which government generates through self-organising networks (Rhodes, 2007:7). Provan and Kenis (2007) established dimensions according to which diverse forms of

network governance can be recognised. Network governance can be either brokered or not. In networks where governance is brokered, the network is administered by all members within that particular network. Provan and Kenis allude to this type of network governance as shared governance. In cases where network governance is not brokered, there are few direct organisation-to-organisation exchanges other than under exceptional circumstances. In such instances, the function of network governance is often carried out by a lead organisation (Provan & Kenis, 2007:233-234).

“A study by Radin (2010) and associates reveals how federal-state-private councils in rural development have led to many program changes and demonstration approaches. In the same vein, economic development research at state and local levels has demonstrated how networked officials enhance their economies by stimulating private sector action, engaging in partnerships with such organisations as chambers of commerce and industry groups, and jointly formulating developmental policies in human resource development, technology advancement and global marketing. Finally, research in environmental policy also demonstrates that emergent solutions to such problems as nonpoint source pollution (e.g. agricultural chemicals), watershed and forest management can be approached by formally and informally convening government agencies, conservation advocacy groups, industry representatives, land developers and the scientific community into joint bodies” (Raden,2010).

“In a study by Beach (2010) on stakeholder theory and governance network theory it was found that stakeholder engagement is entrenched within network management and identifying the crucial role of network managers in creating and upholding stakeholder engagement. Likewise, it is becoming increasingly imperative to understand how stakeholder interactions are described in governance networks, which could incorporate a mix of governance arrangements”. Beach (2010:6) point out that since the late twentieth century there has been a move away from delivery of large infrastructure solely by the state. Subsequently, a range of alternative mechanisms have appeared in the delivery of infrastructure projects; one of the more prominent being public-private partnerships (Grimsey & Lewis, 2005; Osborne, 2000), which it could be claimed are emblematic of the broader phenomenon; governance networks. “The effective provision of road infrastructure through these networks relies upon governance; a mechanism for resolving common problems at local, national and global levels taking account of the

relationships, rights and obligations of the actors facing the problems and how power and authority play out” (Newman, 2001).

“The literature tends to focus on three major and idealised governance paradigms, unicentric or hierarchical forms (state or firm hierarchy), multicentric (market) and pluricentric (network)”(Lowndes & Skelcher, 1998; Powell, 1990; Thompson, Frances, Levacic & Mitchell, 1991; Van Kersbergen & Van Waarden, 2004).

A study by Klijn &Koppenjan (2012) examines the past and present of governance network theory and the societal trends that will have an influence on the further development of the theory in the predictable future. They compare three types of research on networks, namely research on policy networks, research on interorganisational service delivery and policy implementation, and research on managing networks. These three networks deserve further attention.

## **2.4 Stakeholder Relationship Management for Public Value Enhancement**

“Governments worldwide are recognising that effective stakeholder relationships are important for realising service delivery objectives as they reinvent their service delivery towards ‘steering not rowing’ and introduce alternative means of service delivery. As the role of government changes, the need for new approaches that allow more considered input from stakeholders and the community has increased” (The Allen Consulting Group, 1999). According to Inha (2015:5), academic literature that previously focussed on the purpose of the firm has now shifted its view to research on corporate citizenship, shared value and how companies can create shareholder value. According to these interpretations, organisations are no longer isolated centres of power, wealth and knowledge, but rather part of a network society that contributes to common well-being. An organisation functions in and affects an environment, which in turn forms the organisation itself. In order to understand how the organisation’s goals may be attained, it is important to understand the environment, the players that operate alongside the organisation and the influences and interests of these actors. The aim of stakeholder theory is to bring more understanding to these dynamics (Inha, 2015:5).

The basic assumption of stakeholder theory is that a focal organisation, for example a focal project, has relationships with many clusters and organisations in its external environment. Stakeholder theory has therefore been selected because it is a dominant theoretical perspective used to study stakeholders and offers a solid starting point for identifying and classifying project stakeholders in order to understand their behaviour (Aaltonen, 2010:3).

“As an emerging theory, stakeholder theory is often related to other theories, such as resource dependence, institutionalism, agency theory, resource-based theory and even transaction cost analysis. The choice of adequate theory relies upon the investigation’s aims. In this investigation, resource dependence and institutional theories are used because the main aim is to find out how a specific type of organisation (local government) behaves and performs when influenced by external and internal stakeholders” (Gomes, 2003:35).

Robbins, et al. (2012:95) explain the reason for managing stakeholder relationships “ it can lead to other organisational results, such as enhanced predictability of environmental changes, more successful inventions, greater degree of trust among stakeholders, and greater organisational flexibility to lessen the impact of change”. They further indicate “that an organisation is dependent on these external groups as foundations of inputs (resources) and as outlets for outputs (goods and services), and managers should reflect on their interests as they make decisions and take actions”. This theory highlights the importance of relationships that bring about understanding that favours both the organisation and the public.

Stakeholder management can therefore entail three parts namely: a process, an organisational strategy and an ethical identity (Freeman & McVea, 2001; Ackermann & Eden, 2011; Minoja, 2012; Parmar, et al., 2010). “The process involves three steps: the identification of stakeholders, a study of stakeholder needs and prioritising the identified needs” (Achterkamp & Vos, 2007; Hutt, 2010; Crane & Ruebottom, 2011; Vos & Achterkamp, 2006). “This process should be incorporated in the organisational strategy in order to successfully manage stakeholder expectations. According to strategic management literature the organisational strategy is greatly affected by the organisation’s mission statement, which is the starting point in strategic planning”(Greenley & Foxall, 1997). “The mission statement is, therefore, the core of the organisational strategy and the basis of day-to-day operational decision-making. In other words, stakeholder management cannot be seen as separate from the overall objectives and strategy of the municipality”. With the strategy in place, the organisation creates its ethical

identity. The ethical identity in this context is defined as “a set of behaviours, communications and stances that are representative of an organisation’s ethical attitudes and beliefs” (Berrone, Surroca, & Tribó, 2007:36).

Since municipal services are not unequivocally defined, the Constitution – together with new laws (Local Government: Municipal Systems Act No. 32 of 2000 and Local Government: Municipal Structures Act No. 117 of 1998) – determines what should be viewed as basic municipal services (Bekink, 2006). Section 73 of the Local Government: Municipal Systems Act (No. 32 of 2000) defines a ‘basic municipal service’ as “a municipal service that is required to ensure a satisfactory and reasonable quality of life and, if not provided, would endanger public health, safety, or the environment”. This is still rather open-ended and an exact determination of what should be viewed as a basic municipal service will have to be determined on a case-by-case basis (Bekink, 2006). This dissertation will only focus on four basic services, namely water, sanitation, refuse disposal and electricity.

The White Paper on Local Government (1998) asserts that municipalities should conform to certain rudimentary principles in terms of the services they provide. Municipal services should be:

- Available and communities should have access to a minimum level of services as a constitutional obligation;
- Easy and appropriate to use;
- Adhere to the principal of affordability; and
- Of a predetermined standard, meaning that services should be suitable for their purpose, timeously provided, safe and available on a continuous basis.

Grove (2013:21) asserts that “there is standing agreement that the reason for the existence of the public service is to generate public value, as coined by Moore (1995) and refined by Newman and Clark (2009). This is shown by the enhanced quality of life of all citizens that is accomplished by providing public services”. A recurrent theme in local government reform in South Africa has been the issue of local government performance. Much has been said about the poor performance of municipalities but what is lacking is a review of the success of local government in meeting its constitutional obligations to citizens. Municipality’s performance is primarily assessed in terms of its development priorities and the objectives cited in its

integrated development plans (IDPs). Much of the failure to delivery has been blamed on, amongst other things, the lack of capacity to implement projects. This is due to insufficient skills in local government in disciplines such as engineering and finance, financial resources (other municipalities depend on grants from provincial and national departments), co-ordination within municipal departments and also between municipalities and provincial government, incompetence and corruption (City Press, 2007:21).

Constitutional democracy in South Africa presents government with the duty of building democracy and ensuring the impartial production and delivery of public services to citizens, including ensuring their involvement in the decisions affecting their lives. The public value paradigm emphasises local control and co-production. It assumes that government will become more reactive to grassroots needs and more effective in service delivery. Public value in South African municipalities is created through the exercise of value creating imagination in the use of municipal finances.

Meinhardt (2015:150) asserts “that public value can be seen as joint or collectively held values about the quality of a relationship including the public. He further postulates that public value is not simply sharing values about anything, it is about sharing the individuals experience of a social environment or the public”.

Over the last decade, public value theory has transpired as the dominant paradigm in public management literature. Public Value has been high on the agenda of Public administration practitioners and scholars are paying considerable consideration to public values more generally, and to the well-being of the public domain within which public value is created and public values are attained (Williams & Shearer, 2011; Van der Wal, Nabatchi & De Graaf, 2013). Moore (1995) is of the view that a strategy for effectively creating public value must address three different but crucial challenges. The first challenge is that the strategy must be focused towards achieving publicly valuable purposes. Secondly, it must entice sufficient legality and support from the organisation’s authorising setting. This approval comes from formal political stakeholders and institutions, as well as other stakeholders with due acknowledgement of their different legitimacy and power. Thirdly, it must be operationally feasible – that is, achievable with available, and organisational and external capabilities (Bryson, Crosby & Bloomberg, 2015:27).

Some of the significant people in the authorising environment have official authority over the manager – that is, they are empowered by law or an organisation chart to direct the manager. (Bryson, Crosby & Bloomberg, 2015:27). Other stakeholders amplified by the media, such as lobby groups, businesses, other public organisations and communities, have no formal authority over the manager. The crucial aspect of this theory is the relationship that exists between public value and stakeholder management. The shift to a stakeholder focus completely changes the way in which municipalities conduct their business and the new approach to engage stakeholders has culminated in solving some of the societal problems in the world. Stakeholder theory thus provides the grounding for this research. Trust and commitment amongst stakeholders can be built and maintained by efficient relationships management (Pinto, 1998; Bourne & Walker, 2005; Karlsen, et al., 2008).

“Organisations do not operate in isolation. Organisations are rather a connection of both social and economic agreements, varying in size and aim, with these contracts representing the relationship between the organisation and stakeholders. The nexus of agreements consists of both explicit and implicit claims from stakeholders “(Parmar, et al., 2010). Since stakeholders with implicit or explicit claims can affect the organisation’s successes, the claims in themselves can determine the value of the firms. “Thus, the key driver for a company’s long-term survival is value creation for the stakeholders “(Minoja, 2012; Hillman & Keim, 2001; Coombs & Gilley, 2005). According to Hansson and Sylvander (2013:9), “stakeholder management can be seen as a strategy for the organisation that can ensure value creation for the stakeholders. Henceforth, public value is determined by deliberations between stakeholders”. The purpose of stakeholder management is to construct strategic methods to manage the multitude of stakeholders (Parmar, et al., 2010). Ulrich (2014:14) asserts “that corporations are pluralistic value-creating organisations that are in the middle of diverse conflicts of interest including who gets a seat at the table and who gets a portion of the pie”.

#### **2.4.1 Stakeholder engagement and value creation**

The emphasis in stakeholder relationship management research is moving towards stakeholder relationships and the creation of long-term value. Value is supposed to be created by developing mutual relationships as opposed to creating instant profit or benefit. Stakeholder management has conventionally been seen as a means of controlling both risks and the

stakeholder relationships of an organisation through different practices (Freeman 1984:144-146; Savage, et al., 1991; Mitchell, Agle & Wood, 1997; Harrison & St. John, 1996), but this perception can be considered old-fashioned, as more current studies on stakeholder theory perceive firm performance by the utility – or value – that is created for and recognised by stakeholders (Harrison & Wicks, 2013).

Sloan (2009) distinguishes between two stages of stakeholder engagement: control and collaboration. The more traditional control model's objective is to assess the risks and problems that stakeholder interests might pose on the organisation. The controlling method to stakeholder engagement is typically carried out together with the organisational strategy rather than incorporated into it.

'Public value' and 'stakeholder theory' are two key concepts in the theory of this dissertation. "The ethos and value of public service set the public sector apart from the private sector environment. In public sector, local municipality is ultimately accountable to the electoral through the various mechanisms for enforcing accountability. It should be borne in mind that all public bodies act in a service capacity. They should therefore be orientated not just towards making life possible but making it good"(Strong, 1970:17).

"In light of the above, public institutions are therefore either wholly or partially funded through the taxpayer's money. Municipalities, for instance, have powers of taxation and are in fact the bodies outside central government with powers to tax (levy local taxes or charge rates). The manner in which public services are funded is the reason why there should be public scrutiny of the operations of public institutions in a way that would not be possible with private companies. Because they are financed through public funds, it seems only logical that citizens should have a vested interest in how public institutions and the officials employed in them perform. Since they have already paid, members of the public have a legitimate right to demand and expect to receive adequate services, as well as question and influence how public institutions function" (Mkhonta, 2007). A segment where public sector organisations are predominantly focussing attention is on moving to an attitude of partnership and collaboration with key stakeholders, where they build relationships and work with stakeholders across both the public and private sectors to generate opportunities for providing products and services more efficiently and effectively and in doing so create greater public value.

For the reasons discussed in Chapter 1, the public sector environment presents a major challenge to public officials, namely the councillors whose responsibility it is to make policies or public officials whose role it is to assist in the execution of those policies. “The decisions, actions and inactions of public officials remain invariably in the public domain. Whilst discharging their duties and responsibilities, public officials are acutely aware of the constant public scrutiny of and interest in their actions, as well as the enormous public expectations of performance. In service delivery, public servants are the interface between the government, whose role it is to ensure the constant supply of services, on the one hand, and the citizens who expect to receive adequate services, on the other. Public servants thus occupy the frontline position between the services provider (government) and the clients (citizens). When municipal clients are happy or dissatisfied with services, they will direct their gratitude or feeling of discontent to public servants. In more recent years, there has been growing acceptance of the view that those who receive services from public bodies (citizens) must be viewed and treated as customers or clients of government. Emphasis on service delivery in the public domain and the increasing expectation of service excellence derive from the fact that public institutions exist primarily and above all else to serve the people in order to meet their needs, as well as make their lives better. In a country with a system of co-operative government, local government occupies centre stage in service delivery. Similarly, employees of local government are at the sharp end of service delivery, undoubtedly an important undertaking” (Mkhonta, 2007:1).

Traditional public administration started in the United States in the late 1900s and matured by the mid-twentieth century in response to a specific set of conditions (Stoker, 2006; Waldo, 1948). These comprised the challenges of industrialisation, urbanisation, the upsurge of the modern corporations, confidence in science, belief in growth and development, and concern over market failures. Citizens were observed primarily as voters, customers or constituents (Rutgers, 2015:447).

“After a long gestation period, New Public Management (NPM) became the central approach to public administration in the 1980s and 1990s” (Hood, 1991). “In the United States, the change was earmarked by Osborne and Gaebler’s best-selling book ‘Reinventing Government’ (1992) and President Bill Clinton’s administration’s National Performance Review (Gore, 1993). NPM arose out of a concern with government disappointments, a belief in the efficacy

and efficiency of markets, a belief in economic wisdom and a push away from large, centralised government agencies towards decentralisation and privatisation”.

As stated earlier, Moore defines “public value thinking as a means of focusing public services on delivering ends that are sanctioned and reinforced by service users and their communities. The role of the public service leader is to increase the amount of public value created within their given remit”. Local government in South Africa, as the level of government closest to the people, is ideally suited for this role of public value creator. Furthermore, the White Paper on Local Government (1998) emphasise the developmental role of local government. It defines developmental local government as “government dedicated to working with citizens and groups within the community to find appropriate ways to meet their social, economic and material needs and enhance their quality of their lives” (RSA, 1998). In other words, municipalities, given their mandate (providing services to communities) as per sections 151 and 152 of the South African Constitution, are thus the conduit through which public value can be created.

**Table 2.5: Types of governance networks in empirical research and their characteristics**

	<b>Policy networks</b>	<b>Service delivery and implementation</b>	<b>Managing networks</b>
Main focus area	Political science discipline	Structural science/interorganisational theory	Area of Public administration
Key Focus area	Decision making and effects, closure and authority relations on subject and agenda setting	Interorganisational management, effective policy/service delivery, cohesive policy/services	Resolving societal problems, managing horizontal relations, connecting networks to traditional institutions, discussion processes.
Key research questions	<ul style="list-style-type: none"> <li>• Which players are involved in the decision-making process (which network exists around the decision)?</li> <li>• What is the essence of the power relations/entrance to the network?</li> <li>• What are the influences and impact on decision making?</li> </ul>	<ul style="list-style-type: none"> <li>• What does the network around service delivery look like?</li> <li>• How are networks around complex integrated services coordinated?</li> <li>• Which tools are effective and efficient (contracting, partnerships, etc.)?</li> </ul>	<ul style="list-style-type: none"> <li>• How do we manage networks around societal problems ?</li> <li>• How should networks be organised and connected to traditional institutions?</li> <li>• How can the variety of content be enhanced? How can several value judgements be combined?</li> </ul>
The History	Started with the pluralist political science research of the 1960s and continues to focus on subsystems, policy communities and policy networks.	Started with the first interorganisational theorists who focus on interorganisational coordination and continues to focus on service delivery, contracting and implementation.	Started in the mid-1970s with work on inter-governmental relations (Scharpf, 1978) and continues with analyses of new forms of management, including their effects and requirements

**Source:** Adapted from Klijn (2008).

## 2.4.2 Summary of stakeholder management

Stakeholder partnerships and effective governance are obtaining increasing importance for good public policy, and it includes providing governments with cost effective avenues to expertise and knowledge, and facilitating greater public accountability.

“There are some models in the literature that deliver conceptual frameworks for thinking about organisational relationships as something that is at least partly additional to transactions management”. “For example, Butler (2004) defines four dimensions of relational work that are supplementary to technical competence, although in professional services organisations technical capability is a prerequisite for the integrity required for leadership. Ertel and Gordon (2007) offer tools for mapping relationships”.

Moore’s public value theory points out that it is important to link the ideas of the stakeholders to the available resources. Moore argues that the goal of private managers in the private sector is to create private (economic) value and that the goal of government is to create public (social) value.

Public value contends “that public services are peculiar because they are characterised by claims of rights by people to services that have been authorised and funded through some democratic process. In simple terms, public value is the equivalent of the desire to maximise shareholder value. It is intended to get public managers thinking about what is most valuable in the service that they run and to deliberate how effective management can make for optimal service. This method presents a way of enhancing the quality of decision making by calling public managers to engage with services used and the wider public, it seeks to endorse greater trust in public institutions and meet the challenge of growing expectations of service delivery head on”

Moore (1995) “places great prominence on managing the external authorising environment. In part this is about democracy and answerability but is also about efficiency, since managers will have easy access to citizens who can offer useful criticism about service performance. This helps to clarify the complexity of public value. It is not just a matter of treating the whole electorate as a compendious focus group, classifying public demands and then giving the people what they want”. Market research may be valuable but it is hardly rooted in a robust

conception of citizenship. Instead, public value is fundamentally based on the principle that service effectiveness is best defined by responsiveness to defined public preferences.

## 2.5 Summary and Deductions

This chapter provided conceptual clarification on the key concepts of the dissertation and a summary of what other scholars and academics have researched. The question that could be asked is how these theories fit in the line of argument and solution of the research question.

For the purpose of the dissertation it is significant to close with the alignment of the public value (PV) theory and stakeholder management theory. What is essential in PV theory is a focus on how different players within networked governance systems should interact. Bozeman (2007:17) concentrate more on the policy and the societal level. He is of the view that a society's public values are "those values that provides normative agreement about the rights and benefits and privileges to which citizens should (and should not) be entitled, the duties of the citizens to society, the state and the values on which governments and policies should be founded".

According to Casey (2012:2), public values have also been addressed and understood largely from the individual and organisational level (Bozeman, 2007; Van der Wal, De Graaf & Lasthuizen, 2008). Nabatchi (2012) argues that individual methods and mechanisms that reside at the organisational level or focus on individual sources of values may be limited, particularly in their potential to address the importance of the role of administrators in creating the public sphere, the space where public values are formed or may come into conflict (public values pluralism). Along similar lines, Stoker's (2006) public values management paradigm is informed by a set of assumptions that are related to creating conditions for the realisation of public values. Stoker's public value management paradigm is informed by the systems of dialogue and exchange that characterise networked governance. The paradigm seeks to explain behaviour and actions, not from a motivational force that relies on rules or incentives or those values that align with traditional or new public management perspectives to drive public service practice and reform, but rather a force that motivates people through their involvement in networks and partnerships. Turner (2003:493) is of the opinion "that a new paradigm is impacting on classical public management, with a shift from an administrative to a managerialist mode of operating, challenging classical public administration theory".

From this perspective, the following become core objectives of managers in governance networks: building successful relationships; the creation of contexts of mutual respect and shared learning; and steering society in new ways through complex networks and the rise of bottom-up approaches to decision making. This is particularly important in an era where networked governance leaves a number of important questions unanswered. As noted by Koliba, Meek and Zia (2011) multiple sectors interact in networks to create public value, and governance of networks often relies on many mechanisms to ensure public value creation, including competition, collaboration, rules and regulations and coordination, all of which have varying relationships with the values of equity, efficiency and accountability. Thus, while different actors within the network may place greater emphasis or importance on values associated with their sector or embedded in a particular mechanism, to understand the networks ability to create public value there is need to consider the network as a whole (Casey, 2012:3).

Finally, the public value management approach extends beyond the traditional and new public management approaches and seeks to derive additional legitimacy by not only adding participatory methods to its established accountability processes but also makes accountability an on-going practice. Therefore, the creation of public value should be a partnership between public officials, politicians and stakeholders. Co-creation is critical in the whole public value debate. Public managers should not be the only ones responsible for the implementation of stakeholder relationship management. Politicians and other stakeholders should also be part of this process. By making unfulfilled promises, politicians are often the reason why citizens distrust government and civil servants. What is needed is honourable, dedicated politicians who deem the quality of their relationship with citizens important. In essence, public value has to do with social performances; it primarily has to do with the realisation of positive social effectiveness. It is not only about what an organisation produces (outputs) but the outcomes.

“The stakeholder relationship management theory indicates that organisations need to build relationships that are jointly beneficial with their key stakeholders to take full advantage of the organisation’s influence and allow for the organisation to follow its objectives. In order for organisations to attain effective management of stakeholders and improved stakeholder relationships, there is a need for effective communication, sustained stakeholder commitment and increased satisfaction of stakeholders” (Chinyio & Olomolaiye, 2010:121).

Stoker's (2006) public values management paradigm is informed by a set of assumptions that are related to creating the conditions for the realisation of public values. Stoker's paradigm is informed by the systems of dialogue and exchange that characterise networked governance. The paradigm seeks to explain behaviour and actions not from a motivational force that relies on rules or incentives, or those values that align with traditional or new public management perspectives to drive public service practice and reform, but rather a force that motivates people through their involvement in networks and partnerships. From this perspective, the following become core objectives of managers in governance networks: building successful relationships; the creation of contexts of mutual respect and shared learning; and steering society in new ways through complex networks and the rise of bottom-up approaches to decision making.

In Stoker's (2006) public value management model, managers and administrators are cast in a facilitator role and they become key conduits to shaping and identifying public interest, fostering a public service ethos amongst multiple actors, identifying and building relationships with key actors in the delivery of public services and programs, and overall creating and enhancing the democratic process. Central to public value management approaches is a concern that managers and administrators create the structures necessary to achieve on-going accountability, which moves beyond traditional political lines of authority and market-based individualism.

A strong link running through the network management literature is the significance of engaging with and managing actors in network methods, with the aim of refining outcomes by incorporating a range of various ideas, perceptions, answers and solutions (Agranoff & McGuire, 1999). This is reinforced by Agranoff (2007) and Koppenjan and Klijn (2004) who contend that engaging with actors in network processes is an essential aspect of network management.

The theories highlight effective communication as a common denominator with several stakeholders by building relationships, interconnectedness and appreciation of strategy. The current study explored the management of stakeholder relations within municipalities. As democratically elected officials, municipal councils also play a pivotal role in the management of stakeholders and their role should not be underestimated. Building long-term and sustainable relationships necessitates a high level of assurance, the ability to 'give some up in order to get some', as well as uninterrupted engagement and discussions between organisations and the

publics. The question that once could ask is whether municipal councils have the gravitas to deal with stakeholders to ensure good governance in making developmental local government a reality. A large proportion of councillors do not have the necessary skills to engage with stakeholders and do not understand the corporate governance landscape. It often requires that some form of negotiation needs to be entered into between different stakeholders to formulate appropriate policies and settle differences. Certainly, failure to understand the stakeholder management landscape will have negative results. Stakeholders' participation in municipal planning and management would include and not be restricted to (1) obtaining stakeholder input at the suitable level to inform the policy and process design (2) summarising and reporting the outcome of the process to stakeholders (3) making them to see and comprehend where and how they fit into the bigger developmental picture and the benefit of such participation.

The reviewed literature also gives an indication that involving stakeholders in the delivery of services brings benefits to all stakeholders. Challenges exist that hamper the implementation of stakeholder relations management in a municipal setup. The key question in this dissertation deals with how municipalities manage their stakeholders to generate municipal public value.

# CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

## 3.1 Introduction

The central research question of the dissertation is: How can municipalities engage with stakeholders for improved service delivery contributing to substantive public value? The theoretical and conceptual foundation of this research question was further elaborated in Chapter 2. This chapter connects the theory, concepts and research questions by combining all three into a research approach. The central research question is answered by following a case study approach. This chapter focus on the research methodology and how the research question was approached during the study period.

The research was conducted in five municipalities in the Western Cape (1) Breede Valley (2) Laingsburg, (3) Drakenstein, (4) Theewaterskloof) and (5) Saldanha Bay. The municipalities were selected as the researcher is familiar with them as he works for the Department of Local Government of the Western Cape and has the duty of monitoring the performance of all municipalities in the province. One of the key responsibilities of the researcher is to collect performance information, consolidate the information and provide quarterly reports on municipal performance to the Western Cape Standing Committee on Local Government, CoGTA and other spheres of government.

The structure of this chapter is as follows. The first section deals with the research philosophy. The second section describes the research design, focusing on qualitative research methods. The third section is concerned with the research methodology and clarifies the process of data collection, followed by a section on how the framework was developed. The fourth section focuses on some ethical considerations.

## 3.2 Research Philosophy and Strategy

“Research offers a framework of data that can be employed to deliver useful information. It also provides the knowledge of how to find practical solutions to the problems in an organisation. Business research is the planning, collection and analysis of data relevant to business decision making and the communication thereof to management (Coldwell & Herbst, 2004:2)”. According to Welman, Kruger and Mitchell (2005:2), “research involves the application of objective processes, techniques and methods in order to generate scientifically based knowledge.”

Coldwell and Herbst (2004:1) “describe research as a practical activity with the aim to determine things in a systematic manner. They go further, describing research as a process of designing, collecting, analysing and reporting information to reveal opportunities and reduce the risks of decision making.”

Semi-structured interviews were conducted with the municipal managers (MMs), project managers and communication officials of the different municipalities. Hiatt (1986) asserts “that qualitative research methods focus on learning and understanding the experiences, perspectives and views of participants. In other words, qualitative research is a situated activity that locates the viewer in the world. It entails a set of interpretive, material practices that make the world visible. These practices change the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to the self. At this level, qualitative research comprises an interpretive, naturalistic approach to the world.”

According to Saunders, et al. (2007), “there are two methods that could be followed when conducting research namely a deductive or inductive approach. Following the inductive approach, the researcher collected data and develop a theory as a result of the data analysis. Hinkin (1998) suggests that the induction approach should be followed when it is not easy to identify the conceptual basis of a construct. To get an understanding of the nature of the problem, it is sometimes better for the researcher to ask a sample of respondents to give, for example, descriptions of their feelings about their organisation or to describe some aspect of behaviour. The result of this would be the formulation of theory.

According to Saunders, et al. (2007), induction should possess the following characteristics:

1. “The researcher tries to apprehend the meanings individuals attach to certain events.
2. A less structured approach is followed, which might reveal alternative explanations for the problem at hand.
3. The approach is likely to be predominantly concerned with the background in which the events take place.
4. A smaller sample may be appropriate.
5. Researchers collect qualitative data.
6. Researchers may use a variety of methods to collect data.
7. Researchers are less concerned with the need to generalise their findings”.

It is important to understand that social research needs a design or a structure before the data collection process or analysis can commence. A research design is not just a project plan. A project plan details what has to be done to complete the project but the work plan will flow from the project's research design. The purpose of a research design is to ensure that the evidence obtained enables the answering of the initial question as unambiguously as possible. Obtaining relevant evidence requires specifying the type of evidence needed to answer the research question, evaluate a programme or to accurately describe the phenomenon.

A fundamental question that the researcher had to ask was: given this research question (or theory), what type of evidence is needed to answer the question of how municipalities are managing their stakeholders in a convincing way? The research strategy started with an orientation about the subject and the question. A draft research question was crafted, namely “How can municipalities manage or organise their stakeholders to create public value”. To answer this question, the research process starts with a literature review. The literature review is done to explore what was written and known about the subject. The key elements of the literature review are service delivery, public value and stakeholder theory.

The hypothetical and metatheoretical conceptualisation of the study is presented in Table 3.1. As this research discovers a new field of study, it cuts across a number of academic disciplines. These comprises communication management, business administration, as well as commercial law. For this reason, a prolonged conceptualisation is provided, highlighting key thoughts of these three disciplines, which in turn are briefly discussed in Chapter 1 and expanded upon in

Chapter 2. This is required to gain some understanding of the interrelationships that exists between these fields under the interdisciplinary field of sustainability. Engagement with MMs, CFO, municipal officials and provincial engagement forums provided the researcher with the necessary information to respond to the question.

Even though there is general consensus about classification systems amongst scholars who use quantitative research designs, as well as how they are distinguished and what to call them, there is less consensus amongst qualitative researchers about designs. According to Patton (2002), the aim of qualitative data analysis is to uncover emergent themes, patterns, concepts, insights and understanding.

The focal point of qualitative studies is to investigate phenomena in their natural settings and it try to make sense of phenomena using a variety of empirical materials, usually case studies, observations or interviews. The focus of quantitative research is usually associated with positivism and qualitative research with phenomenology, although Hussey and Hussey (1997:55) indicate that “it is possible for a positivistic paradigm to produce qualitative data and vice versa”. Creswell (1994) “seems to use the terms quantitative and qualitative synonymously with positivist and interpretive. He moves outside the ontological and epistemological assumptions to clarify three other assumptions that distinguish the two paradigms.” Table 3.1 provides a summary of quantitative and qualitative question assumptions.

**Table 3.1: Quantitative and qualitative question assumptions**

Question	Quantitative	Qualitative
What is the nature of reality?	Reality is impartial and singular, apart from the researcher.	Reality is independent and multiple as seen by the contributors in a study.
What is the association of the researcher to that being researched?	The researcher is sovereign from what is being researched.	There is interaction between the researcher and that being researched.
What is the role of value?	It is value-free and impartial.	It is value-laden and biased.
In what language is the research conducted?	The research is formal and is based on a set of definitions.	The research is informal. Decisions are evolving. Use accepts qualitative words.
What is the procedure of the research?	The process is deductive. Causal relationship. Static design categories isolated before study. Context-free. Generalisations leading to prediction. It is accurate and trustworthy through validity and reliability.	The process is inductive and context-bound. Emerging design categories identified during the research process. Accurate and reliable through verification.

**Source:** Creswell (1994).

### 3.3 Research Design

This dissertation is constructed on an evaluation of stakeholder relationship management in five municipalities in the Western Cape and how it can contribute towards public value generation. This dissertation was done through case study analysis and semi-structured interviews.

According to Bryman and Bell (2011), “all researchers can choose if they want to use a qualitative or quantitative method. A research design could thus be qualitative, quantitative or both. The use of qualitative methods in this dissertation, such as structured or semi-structured interviews, could help gain a more holistic description of how municipalities view stakeholder relationship management and their perception of how they work within this process. Myers (2009) categorises research design into three distinct stages, the first stage is defining underlying philosophical assumptions, the second determining a research design and the third the collection of data. According to Creswell (2007) “there are four qualitative research methods: (1) action; (2) case study; (3) ethnography; and (4) grounded theory research (Denzin

& Lincoln, 2005; Creswell, 2007).” The focus of the study is to understand how municipalities manage their stakeholders.

Allwood (2012) is of the view “that the selection of research method should be argued in relation to the particular research context. The method chosen should, therefore, be conditional on the research question and resources available for the research. Stakeholder relationship management has previously been researched with the quantitative method but it has been conceptualised differently. The reason for selecting a qualitatively oriented survey design is the explorative nature of the dissertation and the aim to understand the intricacy of a phenomenon.” This requires a method that allows several aspects to be considered within the analysis (Eisenhardt, 1989).

A case study design approach was adopted for this research. The case study method was chosen because the focal point of the dissertation is on contemporary phenomena that require exploration within a real-life context (Yin, 2003:12) Yin (2009:19), a well-known leader in case study methodology, underlines that case studies can be useful for explanation of presumed connecting links between variables (e.g. treatment and intervention outcomes) considered ‘too complex’ for investigations or experimental designs. Apart from that, they can define the real-life context in a connecting chain, illustrate specific construct, and illuminate a situation when results are not clear. Though a case study design may include only a single case (perhaps one person, classroom or school), designs built around multiple cases (or at least two) are often more revealing, given their likelihood to repeat findings and test (or rule out) opposing explanations.

However, those who participate in case studies are probably not so much interested in generalising their discoveries to others as in telling a story. The story is often full of rich vivid detail and may offer insights about complex processes not possible with, for example, the simplistic rating scales used in a large survey. Good case studies are generally fascinating to read; they are engaging and often hypothetical. Readers of case studies often find useful ideas within the rich descriptions; they can also be inspired to view old problems in new ways. Researchers who use case study designs often find that their research ‘generalises’ to the degree that others can use ideas embedded within the descriptions in some other, often individual, context. In this sense, expediency may be more important for case studies than wide generalisation. The next section gives the justification for the case study design.

Case study analysis is seen as a suitable methodical choice. Case studies is described by Yin (1994:13) as “an empirical enquiry that examines a contemporary phenomenon within its real-life setting, especially when the boundaries between the phenomenon and its context are not clearly evident”. Case studies pose challenges, partly because the wary researcher must use inventive understanding and careful explanation to make sense of and explain findings (explanation building) that were observed, as well as what was not detected. (Yin compares the researcher to a historian, who interprets history and builds a sound dispute around an explanation, as opposed to a chronicler of history who describes only the facts.) Further, the evidence may come from sources as various as documents, archival records, structured or open interviews, various types of observation (in which the researcher may partake, or not, in some event), and physical articles in order to provide converging evidence (known as triangulation)” (Yin, 2009:98).

In an article on case study research, Cooper (2004) states that: “the case study research method is useful where the researcher is exploring:

- (a) Intricate and dynamic phenomena where many variables, including variables that are not measurable, are involved.
- (b) Real practices, including the details of significant activities that may be ordinary, unusual or infrequent (e.g. changes in accounting regulation).”

Arguments for using case study design are that it will permit the researcher to purposively select partakers and sites that will best help in understanding the research problem and question (Crosswell, 2009) and that partakers are free to exercise their rights without being manipulated (Yin, 2003).

In this study, detailed case study protocols were used. A case protocol comprises an overview of the project, field actions, case questions and a guide for the case study report. The protocol is the main tool to maximise the trustworthiness of case study research (Yin, 1994). The protocol comprises checklists of the desirable procedures, semi-structured questionnaires and open questions. These were adjusted during the project when relevant variations occurred.

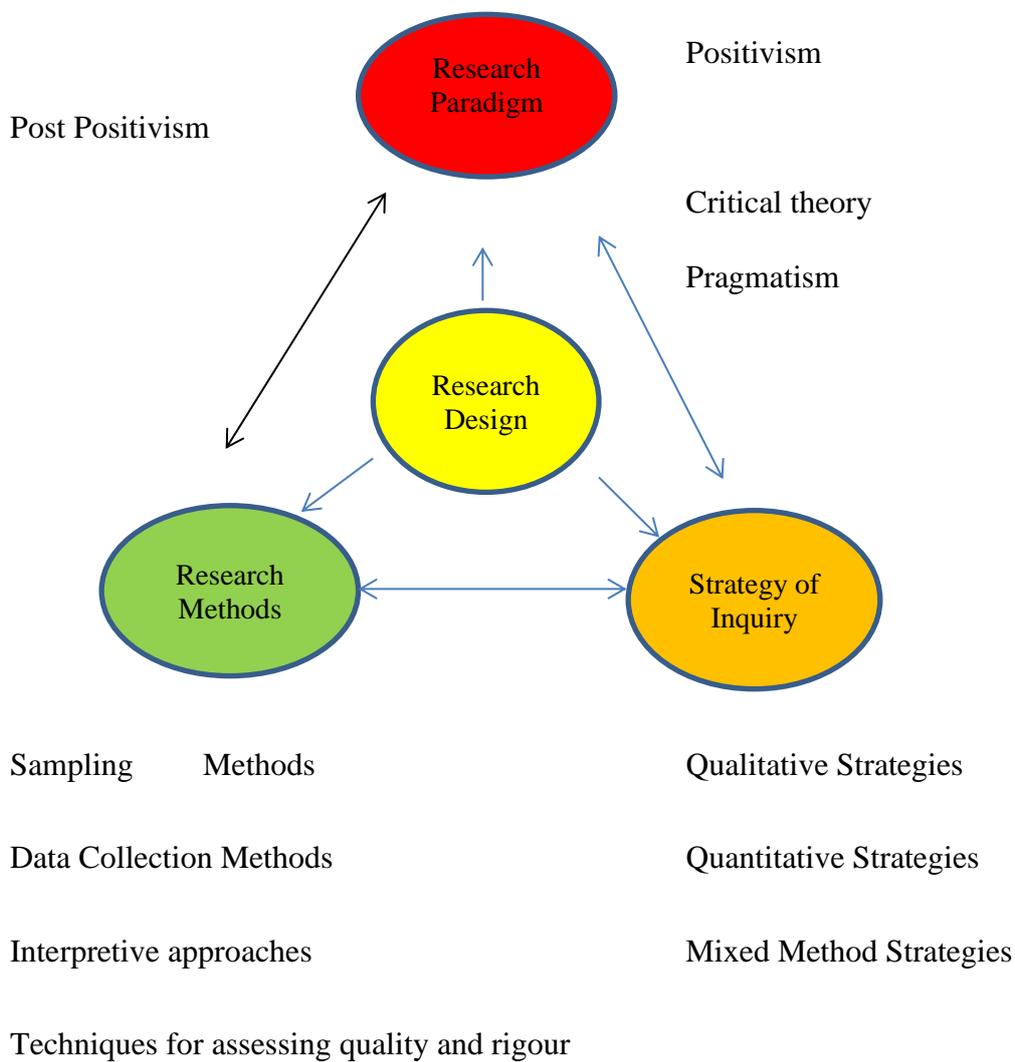
Figure 3.1 portrays the elements of a research design. It consists of a research paradigm, research strategy and research methodology. The research methodology consists of the

sampling strategy, data-collection method, research instrument or the data to be collected, analysis techniques and interpretation and ethical considerations.

Vermaas (2014) asserts “that design theories can have expressive, demarcating and prescriptive aims, and specifically demarcating and prescriptive design theories do not straightforwardly fit the characteristics of scientific theories. Models of design practices can also be distinguished as models with descriptive, demarcating and perspective aims, but not all types of models fit much better in the characterisation of models in science, since there is such a diversity of scientific models. The research design is not associated to any particular system of collecting data or any particular type of data. A research design can, in principle use either quantitative or qualitative data. The research design refers to the construction of an enquiry; it is a rational rather than a logistical matter.”

It is argued that the central role of research design is to diminish the chance of drawing incorrect causal inferences from data. Design is a logical task commenced to ensure that the evidence collected allows us to answer questions or to test theories as unambiguously as possible. Some limitations apply to this analysis.

**Figure 3.1: Elements of the research design**



**Source:** Adapted from Creswell (2008).

Crotty (1998) “describes four key characteristics to consider in research design: the epistemology that informs the research, the philosophical stance underlying the method in question (e.g. post-positivism, constructivism, pragmatism, advocacy/participatory), the methodology itself, and the systems and procedures used in the research design to collect the data.”

### 3.3.1 Qualitative research

In qualitative research the collection of data and the analysis thereof sometimes happens simultaneously; on-going findings affect the types of data that are collected and how they are collected. A significance data analysis strategy in this regard is keeping notes in the form of memorandums. The minutes, or possibly sketches, trace the coherency of the researcher and help guide a final conceptualisation that answer the research questions (or related ones) and offers a theory as an explanation for the answers. “These memos support all activities of qualitative data analysis, as proposed by Miles and Huberman (1994). Data reduction (extracting the essence), (data display) organisation for meaning, and drawing deductions (explaining the findings)”.

The legitimacy of qualitative research is often referred to as dependability or trustworthiness. Some of the methods of assessing legitimacy include reliability checks. Independent coders can sample raw data and create codes or categories so that the consistency of reduction of data reduction methods can be measured. The use of stakeholder checks is also mutual. Those who participated in the research and generated the raw data, often called informants, could be asked to appraise the interpretations and explanation extracted from the data (e.g. “Does this characterise your experience?”, “Have I captured the essence of this event?”). It is also imperative to obtain comments from those affected by the research.

The essential differences between qualitative and quantitative research are summarised in Table 3.2. It thus becomes clear that these different orientations lead to very different strategies for answering research questions. The case studies used in this dissertation are examples of qualitative research that adopts an explanatory approach to data within their context and considers the subjective meaning that people bring to their situations.

### 3.3.2 Quantitative research

Hopkins (2000:1) asserts “that the purpose of quantitative research is to regulate the relationship between one object (an independent variable) and another (a dependent or outcome variable) in a population. Hopkins point out that quantitative research designs are either descriptive (subjects measured once) or experimental (subjects measured before and after a treatment). A descriptive study establishes associations between variables. In a descriptive study, little effort is made to transform behaviour or settings; it is calculated as per the current setting.” In an experimental study one takes dimensions, tries some sort of intervention, then takes measurements again to see what happened. The following table depicts the key differences between qualitative and quantitative research that guide data collection and analysis.

**Table 3.2: Key differences between quantitative and qualitative approaches to inquiry**

<b>Quantitative Research</b>	<b>Qualitative Research</b>
Tests hypo-study born from theory.	Produces understanding from designs.
Arrange from a sample to the population.	Applies thoughts across different contexts.
Focuses on control to establish cause or permit prediction.	Focuses on construing and understanding social structure of meaning in a natural setting.
Pay attention to exact measurements and objective data collection.	Appears to accurate explanation of processes via words, text, etc. Attends to observations.
Prefers parsimony and seeks a single truth.	Appreciates difficulty and multiple truths.
Investigate analysis that produces a significance level.	Investigate analysis that seeks awareness and metaphor.
Faces statistical difficulty	Faces conceptual difficulty.
Prefers the laboratory.	Prefers field work.
Uses tools with psychometric properties.	Depend on researchers who have become skilled at obeying, recording and coding (researcher as instrument).
Creates a report that follows a standardised format.	Construct a report of finding that comprises expressive language and a personal voice.
Draw up plans that are fixed prior to data collection.	Permits the design to develop during study.
Often gauge a single criterion outcome.	Suggest several sources of proof (triangulation).
Regularly uses large sample sizes ascertained by power analysis or acceptable margins of error	Often studies single cases or small groups that build arguments for study corroboration
Make use of statistical scales as data.	Uses text as data
Prefers standardised tests and instruments that measure constructs.	Support interviews, observations and documents.
Performs data analysis in orderly, standardised and linear fashion.	Execute data analysis in a creative, iterative, nonlinear, holistic fashion.
Uses consistent and valid data.	Use reliable, trustworthy, logical data.

Source: Adapted from Kabir (2016)

### **3.4 Research Methodology**

The case study technique helps to make direct explanations and collect data in natural settings, compared to relying on ‘derived’ data, e.g. test results, school and other statistics maintained by government agencies and answers to questionnaires (Bromley, 1986:23). The case study is consequently not solely a data-collection exercise but a comprehensive research strategy.

Yin aims to introduce the design and methods of the case study and advocate for the use of case studies in social sciences as a valid methodology to conduct inquiries into a theoretical point. From Yin’s perspective, case study research design is covered by five components: a study’s questions; its proposals, if any; its unit(s) of analysis; the logic connecting the data to the propositions; and the criteria for understanding the findings. While designing the inquiry, the researcher should confirm that these components are consistent and consistent with each other. In many ways, case study research is not different from using other research methods. All methods need reviewing of the literature, need defining research questions and analytic strategies, using formal data gathering protocols or instruments, and writing good research reports. However, case studies call for at least one supplementary skill on the part of the researcher. Unlike most other methods, when doing case studies, the researcher must do the data collection and analysis together. This was a huge challenge as the researcher had to return to some municipalities to verify unclear information. The data that was collected on the relationship between municipalities and stakeholders enriches the results of the research and was done to gain a balanced view of both parties. The following sections provide a summary of the different methods followed in the study.

#### **3.4.1 Sampling**

Welman, Kruger and Mitchell (2005:55) argue” that it is unfeasible and uneconomical to involve all constituents of a group in a research project.” In this dissertation it is impractical to involve all 278 municipalities in South Africa. For this reason, it was decided to use a self-selecting sample because the respondents were conveniently available. Five local municipalities in the Western Cape were therefore used. The sample approximately comprised the municipal population of the Western Cape. This amounted to five municipalities being assisted in completing the questionnaire.

According to Sekaran and Bougie (2010:263), “a sample is a subcategory or subset of the population and contains members selected from it. By studying the sample, the researcher should be able to draw assumptions that will represent the population.” Msweli (2011:64) contends that the quality of research will be appraised by the extent to which the sample accurately mirrors characteristics of the true population.

### **3.4.2 Literature Review**

An in-depth literature study was conducted in order to trace and source all previous research studies conducted on this topic, both nationally and internationally. This included all journal articles, CoGTA reports, National Treasury and Provincial Treasury reports and other public agency findings and report studies. The Stellenbosch University library was used to search and review the literature. Relevant books and studies were used and data was categorised according to the sub-questions in the research matrix. Colleagues and municipal practitioners also provide literature and made recommendations on literature to source and review.

The purpose of the study is to check what research has already been done and what still needs to be done. The literature study assists with a clear formulation of the research question. The literature study started in 2012 to get an understanding and insight into previous research on stakeholder relationship management and public value in local government. The outcome of the literature study was the design and development of a database which includes a library of all relevant literature and contact details of all key persons on the topic who were able to make a contribution.

The literature study started with the identification of key words, such as accountability, stakeholders, stakeholder management, participation and public value. Another crucial step in the literature study was the development of a research matrix to guide the researcher through the dissertation journey. This enabled the researcher to get the bigger picture. Several approvals regard management styles and practices arise from experience. First, public management should focus on the creation of public value; public management teams should be continually asking themselves how their activities and decisions are contributing to creating valuable results for individuals, families and communities. Second, public management needs to go beyond the technical elements of the programs and services that require their attention on a day-to-day basis. Management teams at all levels should be worried about the political and

organisational challenges of their work. Additionally, management must have the necessary motivations, capacity and resources needed to be accountable and responsive to the needs of citizens and decision-makers.

Consequently, information and the ability to manage information are critical to effective management. Flexibility and willingness to accept and manage risks are vital features of good, modern management for social development.

### **3.4.3 Desktop research**

At the very start of the project, desk research was done to get a better understanding of the challenges faced by municipalities. Policy documents, annual reports and municipal reports were reviewed to gain an understanding of the underlying reasons for the flawed relationships between municipalities and professional stakeholders. The actual focus of the desk research was to gauge the level of frustration experienced by municipalities. The main problem that emerged from the engagements with municipalities was that municipalities were extremely frustrated with external stakeholders because municipalities were being perceived as dysfunctional and corrupt by some of the stakeholders. As reported in the literature, the anger and frustration call for a better understanding of the key enablers for successful stakeholder relations management.

### **3.4.4 Semi-structured interviews**

In this research, qualitative interviews were used which “emphasize the relativism of culture, the active participation of the interviewer, and the importance of giving the interviewee voice” (Mouton, 2000:196). Furthermore, the interview questions were semi-structured. Initial interviews were conducted with municipal officials to solicit their views on stakeholder management arrangements within their municipalities.

Subsequent to these interviews, all the MMs and officials of the five municipalities were asked the same questions, which were captured in writing. This was done to provide valid and reliable data. Additional information was also obtained through various other forums of the provincial government, namely the Municipal Governance and Revue Outlook (MGRO), Local Government Medium Term Expenditure Committee (LGMTEC), Violence Prevention through

Urban Upgrading (VPUU), the Regionally based Socio-Economic Projects (RSEP) and the Integrated Development Plan (IDP) indabas.

Brace (2013:2) “hold the view that, for some, semi-structured interviews suggests a schedule consisting of open-ended questions with inquisitive instructions, while for others it means a schedule that contains both open-ended and closed-ended questions.” Galletta (2013:24) “points out that semi-structured interviews are sufficiently designed to address specific topics related to the phenomenon of the study while leaving space for the partakers to offer new meaning to the dissertation’s focus.”

According to Crabtree (2006) the following are the characteristics of semi-structured interviews:

- (a) “The assessor and respondents participate in a formal interview;
- (b) The interviewer expands and uses an ‘interview guide’. This is a list of questions and topics that need to be covered during the conversation, usually in a particular order; and
- (c) The interviewer uses the guide but is able to follow topical trajectories in the discussion that may stray from the guide when he or she feels this is fitting”.

Face-to-face interviews were conducted with municipal managers and municipal officials in the five municipalities. Interviews were also conducted via telephone and via e-mail where additional information and clarity were needed. Different views were expressed from these interviews on how to manage stakeholders. Views in the rural areas are slightly different to those in urban areas because of technology, literacy levels and transport infrastructure. The interviews generated a great deal of constructive feedback. The views expressed differed from municipality to municipality because the challenges in the different municipalities are different given their socio-economic conditions.

### **3.4.5 Structured questionnaire**

For the aim of this study, a quantitative research approach using a structured questionnaire with closed questions was chosen as the chosen tool and method to answer the research question and to reach the expected results. This method provides opportunities to gain insight into the level of stakeholder management in a yet undocumented context. The structured questionnaire was drafted from the concepts, classifications and diverse execution frameworks that were discussed in the literature review

The aim of the questionnaire was to establish the municipality's current state of stakeholder relationship management.

The following questions were asked:

1. Does the municipality have a Stakeholder Relationship Management Strategy in place and, if not, what mechanisms are in place that guides stakeholder management?
2. How often do you meet with stakeholders?
3. Do you have any agreements in place with your stakeholders?
4. How are the agreements implemented and executed?
5. How is conflict with stakeholders managed and evaluated?

### **3.4.6 Survey research**

The questionnaire survey was conducted with all municipalities and professional stakeholders, excluding suppliers who did not participate, as well as with two stakeholders from each stakeholder group as per Chapter 5. The developed questionnaire, which was utilised as the survey instrument, is attached as Annexure B. All the information was collated and responses were then ranked according to the information that was provided.

Survey research is one of the most shared quantitative methods of research and the intention is to provide a broad synopsis of a representative sample of a large population. The researcher selects a sample of respondents from a population and uses a questionnaire to collect the required data. The questionnaire can be done telephonically, face-to-face or online (Hofstee, 2006:122; Mouton, 2009:152). For this study, all external stakeholders completed a survey to

provide their view of their relationship with the five municipalities. The five municipalities also completed a survey on how they view their relationship with stakeholders.

Fink (2009:63) “highlights the following tips when conducting a survey:

- Only use surveys when you are convinced that the respondents have an interest in the topic;
- Always keep the responses of the survey confidential or anonymous;
- Forecast in advance the number of respondents that may participate due to the survey circumstances;
- Inform all of the participants how the data will be used;
- Be exact in describing how the privacy of participants will be protected;
- Know your respondents and always make sure that the questions are understandable;
- Use qualified staff to conduct the survey; and
- Identify a larger group of suitable participants than what you need.”

Semantic differential questions were established by Osgood in 1957 precisely to gauge the connotative meaning of cultural objects. The use of semantic differential questions has been seen in several social sciences, market research and therapy.

Osgood (1997) did research on large collections of semantic differential scales and found that three measurements of affective meaning were general across cultures, despite those cultures’ linguistic differences:

1. **Evaluation:** pairs like ‘good-bad’.
2. **Potency:** pairs such as ‘powerful-weak’.
3. **Activity:** includes pairs like ‘active-passive’.

The contestants had to reply on the following options when responding to each statement:

- (1) poor, (2) fair, (3) good, (4) very good and (5) excellent.

The participants were requested to rate the following:

- Co-operation

- Accessibility
- Judgemental
- Control
- Support
- Trust
- Credibility
- Honesty
- Responsiveness
- Level of understanding

Willer (1967:4) and Goode (1972:335-340) “propose that a case study approach is advantageous because it refers to a conceptually clear set of phenomena and it is able to produce systematic statements showing interconnections between and amongst various sets of phenomena related to the situation.”

### **3.4.7 Focus groups**

“A focus group is a type of in-depth interview established in a group, whose meetings present characteristics defined with respect to the proposal, size, composition and interview procedures. The focus or object of analysis is the interface inside the group. The participants influence each other through their responses to the ideas and contributions during the discussion. The moderator stimulates debate with observations or subjects. The fundamental data produced by this method is the transcripts of the group discussions and the moderator’s reflections and annotations “(Freitas, 1998:2).

Focus groups may be used:

- To explore new areas of research.
- To examine a topic that is tough to observe (not easy to gain access).
- To discover a topic that does not lend itself to observational techniques (e.g. attitudes and decision making).
- To investigate complex topics.
- To gather a concentrated set of comments in a short time span.

- To ascertain viewpoints and experiences from people on a topic, mainly when these are people who might otherwise be marginalised.
- In combination with other methods, focus groups might be used to:
  - Collect preliminary data; and
  - Aid in the expansion of surveys and interview guides to clarify research findings from another method”.

Focus group discussions were held with the five municipalities. As suggested by various scholars, the groups did not have more than six members from diverse backgrounds. This ensured diversity and gave assurance to all to talk and share their thoughts (Morgan, 1997). The group discussions were recorded on a voice recorder and minutes were taken of these various discussions. The five municipalities provided feedback on their engagements with stakeholder groups and experiences were shared.

### **3.4.8 Observations**

Observation is essentially a simple research method. However, precision, painstaking attention to detail and patience are required from the researcher. Another method that was used was the unstructured non-participant direct observation data-collection technique, where the researcher was a complete observer. The researcher was present at meetings and documented the meetings with several stakeholders to get to the root of the problem.

### **3.4.9 Document analysis**

The data that was collected was analysed (manually) in order to determine whether stakeholder engagement can be connected with the improvement, regression or absence of public value. The linkage between stakeholder engagement and public value was drawn from the viewpoints, insights and experiences of local communities and individuals as expressed in focus group discussions and individual experiences.

“The type of understanding sought by qualitative interpretivists requires great flexibility in the process of data analysis, as it does in the design and data-collection phase. Qualitative research approaches are not ‘routinised’, meaning there are various different ways to think about qualitative research and the creative methods that can be used. Good qualitative research

contributes to science via a logical chain of reasoning, multiple sources of converging evidence to support an explanation and ruling out rival hypothesis study with convincing arguments and solid data. Sampling of research participants in qualitative research is defined as purposive, meaning there is far less emphasis on generalising from sample to population, and greater attention to a sample purposely selected for its potential to yield insight from its illuminative and rich information sources” (Patton, 2002:40).

**Table 3.3: Mouton's three types of conceptual frameworks**

Framework	Description
Typologies	It has a classifying or categorising function and is founded on single variables.
Models	It offers a systematic representation of phenomena by identifying designs and regularities amongst variables.
Theories	It offers an explanation of phenomena by suggesting an underlying causal mechanism.

**Source:** Mouton (2001).

### 3.5 The Framework Development Process

Pidd (2011) proposes a set of principles that are applicable to simulation modelling, whether in the small or large. The framework in Chapter 7 is built upon these principles.

These principles are:

- (a) Principle 1: Make the model simple, think complex;
- (b) Principle 2: Be parsimonious, begin at a small scale and add;
- (c) Principle 3: Divide and conquer, avoid mega-models;
- (d) Principle 4: Use descriptions, similarities and comparisons;
- (e) Principle 5: Do not fall in love with data; and
- (f) Principle 6: Model-building may feel like disorganising through.

## 3.6 Criteria for Admissibility of Data

One criterion was that the person interviewed be a senior official in the municipality, as the preference was to interview a person with sufficient power and authority in the municipality. Furthermore, the questionnaire had to be fully (100%) completed to be admissible. All questionnaires that were returned were considered completed and therefore admissible.

### 3.6.1 The instruments

The data was obtained using a questionnaire that was emailed to all participants. Computer-based spreadsheets were used to capture and manipulate the data captured from the questionnaires. Table 3.4 depicts the research methods per research question.

**Table 3.4: Research methods per research question**

Specific research question	Method used to gather data
Literature review	Qualitative and quantitative data
How do municipalities in the Western Cape manage their stakeholders?	Semi-structured interviews with municipal managers, chief financial officers and municipal officials.
How do municipalities create public value?	Desktop research Interviews

**Source:** Researcher's own.

### 3.6.2 Discussion of reliability and validity

“Reliability is concerned with uniformity, trustworthiness and replicability of the results obtained. Joppe (in Golafshani, 2003:598) defines reliability as the degree to which the results are steady over time. An exact representation of the total population under investigation is referred to as reliability. If the results of a study can be replicated under a similar methodology, then the research instrument is considered reliable.”

Thus, generally a high level of stability shows a high degree of reliability as the results can be repeatable. Gerrish and Lathlean (2015:409) explain that “reliability is concerned with the degree of steadiness in observing the area of interest over time; while Hoyle, et al. (2002:83) define reliability as the extent to which the data is free from random.”

“Kirk and Miller (1986:41-42) identify three types of reliability referred to in quantitative research, which relate to: (1) the degree to which a dimension, given repeatedly, remains the same; (2) the stability of a dimension over time; and (3) the similarity of measurements within a given time period.” In the case of this study the gauging instruments included a survey questionnaire and unstructured interviews.

Golafshani (2003:599) asserts that the conventional “criteria for validity find their roots in a positivist tradition and, to an extent, positivism has been described by a systematic theory of validity. Within the positivist terminology, validity resides amongst, and is the result and conclusion of other empirical conceptions: universal laws, evidence, objectivity, truth, actuality, deduction, reason, fact and mathematical data, to name a few” (Winter, 2000).

Joppe (2000:1) provides the following description of what validity is in quantitative research:

*“Validity determines whether the research truly gauges that which it was intended to measure or how truthful the research results are. In other words, does the research instrument permit you to hit ‘the bull’s eye’ of your research object? Researchers generally determine legitimacy by asking a series of questions, and will often look for the answers in the research of others.”*

A total of five questionnaires were handed out to the municipalities and 5 questionnaires were received back (100%). No serious problem or challenge was experienced. The questionnaire was well received by the participants and it took on average between 25-40 minutes to complete. The partakers indicated that the questions were understandable and relevant and expressed their eagerness to receive the final results. The summary of the questionnaires was provided to all the municipalities for validation. Municipalities validated the information and necessary corrections were made in the case of incorrect assumptions.

Survey questionnaires were handed out to all stakeholders except for service providers. In respect of the survey, three respondents indicated that the survey was not clear and the researcher had a meeting with two of these respondents to clarify and explain the survey. The other respondent clarified concerns over the phone. Feedback was given to the respondents to see whether the information was captured correctly and if it was a true reflection of the viewpoints.

### 3.6.3 Ethical concerns

Welman, Kruger and Mitchell (2005:181) “state that ethical behaviour is imperative in research, as in any other field of human activity. Certain moral considerations, concerned with such matters as plagiarism and credibility in reporting of results, arise in all research but additional issues arise when the research involves human subjects in both the biological and social sciences.”

The researcher agreed to ensure the confidentiality and anonymity of participants. Anonymity is the guarantee that a reader should not be able to link responses to a specific respondent during the analysis and publication of findings (De Vos, et al., 2011:120).

Welman, Kruger and Mitchell (2005:181) suggest that ethical consideration come into play at three stages of a research project, namely:

1. When the participants are recruited;
2. During the intervention and/or the dimension procedure to which they are subjected;  
and
3. In the announcement of the obtained results.

Following the ethical considerations of Saunders, et al. (2009), the research was commenced in an ethical manner. This provided sureness to partakers that their views would remain anonymous. All participants were informed that they could withdraw at any time. Participants were sometimes reluctant to provide information and they were informed that they were under no pressure to provide information.

## 3.7 Summary and Deductions

In this chapter the researcher gave a summary of the research philosophy, strategy, design and methodology used to complete the research. The research methodology was comprehensive and deemed appropriate for this research. The chapter provided a thorough clarification of qualitative research on stakeholder management.

A qualitative research design was used for the study as it enabled the study of the phenomenon under investigation in its full intricacy, portraying its multi-faceted forms, whilst at the same

time it simplified the study (Creswell, 2003:250). This research method was fitting to the content of the study as it necessitates a deeper analysis of the opinion of three distinct groups of participants in the current stakeholder management practices in the five municipalities.

Three groups of officials were purposefully sampled for the information they could provide. The included the municipal managers, community services directors and the communication officers. Semi-structured interviews were conducted with various participants. A focus group interview was also selected as a method of inquiry as it would enable the researcher to acquire individual and share views regarding the management of stakeholders within the five municipalities. The results of the questionnaires reveal many aspects about the relationships between the municipalities and different stakeholder groups and the possible barriers that the groups need to address in order to improve relationships.

Apart from the limitations associated with the qualitative research, this study experienced specific situational problems. Getting the information from municipalities and stakeholders involved in the study sometimes took longer than expected. The delays in getting the information had an impact on the timeframes of the project. It is common knowledge that every survey is subject to some field problems, which cannot be totally anticipated. One of the problems that was experienced was the availability of the municipal officials – because of operational requirements and other commitments some of officials were not always available.

# **CHAPTER 4: CONTEXT OF SERVICE DELIVERY IN MUNICIPALITIES IN THE WESTERN CAPE**

## **4.1 Introduction**

In terms of the Constitution of South Africa, municipalities are responsible for ensuring delivery of basic services to all South Africans. During the past twenty years, the share of households with access to basic services has increased. These increases have helped in improving the living standards of South Africans. As alluded to earlier, these accomplishments are no reason for complacency. In rural areas especially, people don't have access to water and sanitation and often spend long hours fetching water. On top of all this, population growth and urbanisation are increasing the demand for basic services.

The literature review assisted as an introduction to the numerous dimensions of service delivery, public value and stakeholder management. This introduction was necessary to reach the first objective of this study, specifically to find a theoretic framework for the public value and stakeholder theory.

This chapter provides a general overview of all legislation which is relevant to the service delivery performance of municipalities in the Western Cape. It reviews different theoretical perspectives on service delivery from various literature and other sources so as to provide a conceptual background within which an evaluation of service delivery can be located. The basis for the inclusion of these legislations is that their assumptions or standards are consistent with the views of the study in the sense that they afford the basis within which recommendations in this research are made.

The delivery of services is dependent on a number of variables: the leadership, resources, and the institutional and bureaucratic configuration of a municipality. However, despite the political and administrative make-up of a municipality, there is another important variable known as governance that is important in determining the functioning of a municipality and its ability to deliver services. In dealing with the perspectives on service delivery, the concept of

“service delivery” is discussed at length, together with the approaches to service delivery; the principles of service delivery; water services, sanitation, electricity provision and refuse collection.

Legislative provision is made for the successful formation of municipalities with sufficient municipal capacity to deliver municipal services at the required rate of efficiency. This chapter answers the question of what the current context of service delivery is in the Western Cape municipalities. One of the biggest challenges facing South Africa is the issue of service delivery. Municipalities are tasked with providing basic services and poverty reduction, national development and internal stability. Basic services are therefore the fundamental building blocks of improved quality of life.

“The Western Cape is no exception and provides services to the poor to restore their quality of life and dignity. To this end, the Western Cape province has been at the forefront of delivering services to its communities, as was highlighted in the State of Basic Services Delivery Report of Statistics South Africa in 2016. The availability of basic services is closely related to social inclusion and social capital, and the failure of municipalities to deliver services can alienate communities and individuals” (IDASA, 2010). Current service delivery and economic pressures has forced the Western Cape Government to take a differentiated approach to the challenges facing the province. To this end, provincial government has changed the way in which the province operates to be result and delivery focused. The Western Cape Government (WCG) has adopted a whole-of-society approach, which includes forming partnerships with business, institutions, communities, families and individuals to ensure that services are delivered to the people. This is a collaborative approach that includes change from a supply-side provision of services to a demand-side response with a focus on the customer or a citizen-centric approach.

To address the increasing demands of citizens in the province, the WCG Cabinet decided to create a special team called the Delivery Support Unit (DSU). This unit is responsible for the implementation of the Game Changers. The Game Changers were selected with specific outcomes in mind. These are energy security, building a skilled workforce, e-learning, broadband, after-school programmes for youth, reducing alcohol related harms, sustainable sanitation for all and better living for all. The Game Changers were chosen to prioritise the

youth, address the legacy of apartheid through a focus on better living and to strengthen the key foundations of economic growth.

## **4.2 The Constitutional, Legislative and Regulatory Framework for Service Delivery in South Africa**

“South Africa is described as a constitutional democracy in which the Constitution of the Republic of South Africa, 1996 (the Constitution) is the supreme law. One of the significances of this statement of values, as found in sections 1 and 2 of the Constitution, is that the responsibilities, aims and rights of local government are organised in a suite of legislation starting with the Constitution itself, and include a range of other national, provincial and local government legislation” (Scheepers, 2015:87).

The Constitution of the Republic of South Africa compel local government to create a conducive environment for cooperation with the public in order to establish democratic socially, environmentally and economically developed communities (RSA, 1996). In light of South African citizens being very much aware of how their rights are protected by the Constitution, they have come to publicly demonstrate their expectations and to protest against poor service delivery performance in no uncertain terms. The pressure for service delivery is consequently great, especially as it is heightened even further by a very high expectation of development. Section 195 (1)(c) of the Constitution specifically instructs that public administration must be development-oriented, which means that the lives of those who live under unfavourable conditions must be improved as part of service delivery. The requirement for such delivery exerts an extreme demand for a high level of performance on the service delivery mechanisms of government and on the shoulders of all government. In order to maximise the provision of public services and products utilising the available resources, abiding by the three principles of efficiency, economy and effectiveness in resource application is essential (National Treasury, 2013:3).

The concept of cooperative government suggests that there are various centres of political authority or decision making in the country that must collaborate with one another. The constitutional power and functions are separated between the three spheres of government, and all three are obliged to adhere to the values of cooperative government and intergovernmental

relations according to Chapter 3 of the Constitution, which inter alia includes that they must “provide effective, clear, accountable and coherent government for the country” (sec. 41) (Brand, 2016:2).

Conventionally, involving communities in the developmental affairs of local government has been lacking in South Africa. “The establishment of democracy brought new emphasis to openness in government activities, greater public accountability and the notion of respect for human rights. Integrated municipal development planning, local economic development projects, various forms of municipal partnerships, municipal taxation and services rating issues all require effective community participation processes and the establishment of a new social contract” (Van Rooyen, 2003:126). Interaction with stakeholders is critically important in the planning process and also in the implementation process at municipal level.

“It is enacted of Section 154 of the Constitution that the national and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. Sections 155(6)(a) and (b) impart for the monitoring and support of local government in the provinces and promote the development of local government capacity” (National Treasury, 2013:13).

“Other national government departments also have a key role to play in policy development and in the implementation of programmes in provinces and municipalities. National departments such as the Department of Cooperative Governance have an overarching responsibility to strengthen cooperative governance, while such departments as those of Water Affairs, Mineral Resources, Energy, Transport and Human Settlements have a direct role to play in monitoring sector-specific outcomes and service delivery “(National Treasury, 2013:15).

Several policies, frameworks and legislations have been introduced by the South African government to ensure that services are rolled out to all people. Eight transformation priorities is contained in the White Paper on the Transformation of Public Service amongst which transformation is one of the key pillars. This is because a changed South African public service will be judged by one criterion above all. This criterion is its effectiveness in bringing services to the poorest of the poor and also all South African citizens. The improvement of service

delivery is, therefore, the decisive goal of the public service transformation programme and has to be the main goal for all government institutions.

One of the key innovative models for improving governance practices within municipalities that has emerged is Participatory budgeting, predominantly in terms of strengthening the voice of local citizens in local development planning, resource allocation and monitoring. In the context of growing concerns with governance practices in South Africa, especially at municipal and provincial levels, participatory budgeting is seen by South African government as key to the community being in control: having real power, a real people strategy and a real say in decisions that affect their local area (Maer, 2008:24). Public participation in budget making is not a new idea and it is accepted that it is a vital component of development. It was originally formulated in Porte Alegre, Brazil, and it was seen as a key instrument to ensure accountability and transparency in the spending of public resources.

The National Treasury recommends that “following tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any necessary revisions. This can take the form of public hearings at ward, or some other reasonable geographic level, as well as council debates and formal submissions. Where necessary, even formal or informal delegations to the National Treasury, the Provincial Treasury and other municipalities, could be undertaken. Any other consultative forums that are designed to address stakeholder priorities may also be held” (National Treasury, 2013:83).

#### **4.2.1 The Municipal Financial Management Act and Service Delivery**

The National Treasury (2013:4) asserts that the MFMA, together with other laws, regulations and guidelines, promotes the ‘what and the how’ of service delivery by municipalities and municipal officials. Section 78, in particular, makes better service delivery than was delivered in the past the business of each official who exercises financial responsibilities. The provisions of the MFMA in general, and of Section 78 in particular, promote improved service delivery by seeing to the focused and well-controlled application of resources for service delivery and, for such purpose, seeing that the business of each official concerned should be the exercising of the appropriate form of discretion.

The notion of maximising service delivery also calls for continuous improvement and skills development. The main focus of the MFMA is to assist municipalities to maximise their capacity to deliver services by, “as set out in Section 2 of the Act (Object of the Act), securing complete and sustainable management of the financial and fiscal affairs of municipalities and municipal entities by establishing norms and standards. The Act is an influential tool for assisting the executive mayor or committee, the municipal manager and senior managers to attain this objective. Many finance officials, however, lack the relatively broad skills required to fully implement the MFMA. The Minister of Finance has motivated treasury and finance officials to exceed the requirement of narrow qualifications, to embrace the principles of Batho Pele and to commit to selfless service delivery to the public” (National Treasury, 2013:32).

#### **4.2.2 The White Paper on Local Government (1998)**

The White Paper on Local Government proclaimed a new vision for local democratic government, known as developmental local government. This means a local government system that is committed to working with citizens and groups within the community to find workable ways to meet the social, economic and material needs and advance the quality of their lives.

“It urges local government to focus on realising developmental outcomes, such as the delivery of household infrastructure and services; the creation of liveable, integrated cities, towns and rural areas; building effective participatory democracy, the advancement of the economy at a local level and empowering of communities and relocation of resources” (RSA, 1998:8).

#### **4.2.3 The Local Government: Municipal Systems Act (No. 32 of 2000)**

The MFMA and the Local Government Municipal Systems Act require the management of a close, cooperative relationship within and between the three spheres of government, especially in terms of planning, budgeting and financial management, as well as in areas of service delivery. The MFMA makes provision for national and provincial government to support, build capacity and monitor municipalities, while providing mechanisms in which such sector-specific regulators, such as the National Energy Regulator of South Africa (NERSA), and parastatals, such as Eskom, the Land Bank and other public entities, are required to engage with municipalities.

“The Systems Act provides for the fundamental principles, mechanisms and processes that are required to enable municipalities to move progressively towards the social and economic upliftment of local communities and ensure universal access to critical services that are affordable to all. The Act describes the legal nature of a municipality as including the local community within the municipal area, working in collaboration with the municipality’s political and administrative structures. The Act provides for the manner in which municipal powers and functions are exercised and performed to provide for community involvement; to provide for the main processes of planning, performance management, resources mobilisation and organisational change that support the notion of developmental local government. The local community is entitled to the delivery of municipal services but a clear legislative meaning of the term ‘local community’ is necessary to avoid any misinterpretations. Section 16 of the Local Government: Municipal Systems Act (No. 32 of 2000) propounds that ‘local community’ in relation to a municipality means that body of persons comprising of:”

- (a) The inhabitants of the municipality;
- (b) The ratepayers of the municipality;
- (c) Any public or non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality; and
- (d) Guests and other people residing outside the municipality who, because of their presence in the municipality, make use of services of facilities provide by the municipality and comprise more specifically the poor and the other underprivileged sections of such persons.

#### **4.2.4 Approaches to service delivery**

Section 73 of the Municipal Systems Act (No. 32 of 2000) provides for the local municipality to provide a service in its area through a service partnership by either an internal or external mechanism called a municipal service partnership (MSP). An MSP is defined as a contractual relationship between the municipality and another entity where the municipality gives the entity a responsibility to provide all or part of the service to the community (Minogue, et al., 1998:23). Although the municipality can detach or dispatch its responsibility to the external service provider it cannot transfer its accountability for the service.

Research shows that MSPs are a new public management approach to service delivery promoting privatisation of public service in order to improve quality and coverage (Minogue, et al., 1998; Tendler, 1997; Turner & Hulme, 1997). “It is important to emphasise that the municipality cannot decide on an MSP – Section 73 of the Local Government: Municipal Systems Act (No. 32 of 2000) spells out clearly the occasions when municipalities must decide on mechanisms to provide municipal services and these are:

- (a) When preparing or revising its integrated development plan;
- (b) When a specific municipal service is to be provided;
- (c) When an existing municipal service is to be substantially advanced, extended or improved;
- (d) In case of restructuring or reorganisation in terms of Section 12 of the Local Government: Municipal Structures Act (No. 117 of 1998);
- (e) When requested by the local community through structures, processes and procedures established in terms of Chapter 4; or
- (f) When prompted to do so by the provincial executive acting in terms of Section 139(1)(a) of the Constitution of the Republic of South Africa (Act 108 of 1996).”

#### **4.2.5 Principles of service delivery**

The White Paper on Local Government introduced the concept of Batho Pele in 1997. Central to the Batho Pele programme was the notion of ‘people first’. The purpose of the Batho Pele was to ensure that civil servants become responsive to the needs of the people they serve and have a citizen centric approach in service delivery. Batho Pele represents an inclusive approach, where all citizens are acknowledged in seeking to achieve a better life for all, through democratically orientated services products and programmes (Western Cape, 2012:17).

“The Batho Pele principles provide guidelines to permit public sector departments to develop departmental service delivery strategies. These plans must promote continuous improvements in the quantity, quality and equity of service provision (SA, 1997:10) and can create public value through:

- A clear mission statement for service delivery and the inclusion of service guarantees;

- Identification of services to be provided, to which specific groups, and at which service cost;
- Service standards, defined outputs and targets, and performance indicators, benchmarked against comparable international standards;
- The monitoring and evaluation of mechanisms and structures, designed to gauge progress and introduce corrective action, where appropriate;
- Plans for staffing, human resource development and organisational capacity building, customise to service delivery needs;
- The transferral of human and other resources from administrative tasks to the provision of services, particularly for disadvantaged groups and areas;
- Financial plans that connect budgets directly to service requirements and personnel plans;
- Possible partnerships with the private sector, non-governmental organisations (NGOs) and community-based organisations (CBOs), which will ensure more effective forms of service delivery; and
- The development of a culture of customer care, particularly through training and of an approach to service delivery that is sensitive to issues of race, gender and disability” (SA, 1997:10).

The White Paper on Transforming Public Service Delivery (1997:8) outlines eight principles of service delivery, which are known as Batho Pele and are discussed below:

(a) Consultation

This principle focal point is that communities should be consulted about the level and quality of public service they receive and, where possible, should be given a choice about the service that is provided. According to Maseko (2008:16) “public servants have the tendency to question communities and then to say they have consulted. Maseko (2008) also highlights that it is a fallacy that over-consulting hinders or retards the pace of delivery. There are various ways to consult users of services, including the use of customer surveys, interviews with individual users, consultation with groups and holding meetings with consumer representative bodies, NGOs and CBOs. Consultation is a commanding tool that enriches and shapes government policies, such as IDPs, and their implementation in the local government sphere.”

#### (b) Service standards

Though municipalities should continually try to improve the service they give, they should also seek to gauge how well they deliver promises at any time. Municipalities are required to set service standards as to how they are going to deliver services to citizens. It is also critical that citizens are involved in developing of service standards. Required in this case are standards that are precise and measurable so that users can judge for themselves whether or not they are receiving what was promised. To achieve the goal of making South Africa globally competitive, standards should be benchmarked (where applicable) against those used internationally, considering South Africa's current level of development.

#### (c) Access

CoGTA (2010:7) "asserts that one of the prime aims of the Batho Pele is to provide a framework for making decisions about bringing public services to the many South Africans who do not have access. Batho Pele aims to rectify disparities in the distribution of existing services."

Access especially applies to previously deprived sectors of the community and to people with special needs. Good staff attitudes and addressing customers in their own language makes access and consultation easier. The issue of language is a sensitive one, especially in rural areas where many people do not speak English. Municipal staff sometimes refuse to help customers who are not conversant in English and ridicule them in front of other people. This is also a discriminatory practice and should not be tolerated.

#### (d) Courtesy

The courtesy principle does not only pertain to being well-mannered to customers but also to being friendly, helpful and treating everyone with self-respect. This is a key principle that should be applied during a municipal consultative process. It is important that the public service is devoted to continuous, honest and transparent communication with citizens. This involves communication of services, products, information and problems, which can hinder or delay efficient delivery of services to promised standards. Proper application of the principles will

help demystify negative perceptions that citizens have in general about the attitude of municipal officials.

(e) Information

Information is one of the most powerful tools that the public can use when exercising their right to good service. The key thrust of this principle is that government institutions must provide full, accurate and to up-to-date evidence about their activities. The consultation process should be used to establish what the public wants to know and then to work out where and when the information can be provided. A critical requirement is that information should be available at the point of delivery but for users who are far from the point of delivery, other arrangements are needed.

Maseko (2008:16) “highlights that knowledge is power. He states that problems exist in situations where there is an absolute lack of information dissemination. He further states that it is wrong for managers to keep or archive information for themselves. Information is about reaching all customers to make sure they are well well-versed about the services municipalities or particular departments provide.”

(f) Openness and transparency

This Batho Pele principle inspires municipalities to be open and frank about every aspect of their work. They should publish an annual report to tell citizens how incomes were used and how much everything cost, including costs for staff, apparatus delivery, service and so forth. A key aspect of openness and transparency is that the public should be informed about the way in which national, provincial and local government institutions operate, how well they utilise the resources they consume and who is in control. It is expected that the public will take advantage of this principle and make proposals for improvement of service delivery mechanisms, and to make government employees accountable and responsible by raising queries with them (Maseko,2008).

(g) Redress

The principle of redress highlights a need to swiftly and correctly identify when services are falling below the promised standard and to have procedures in place to rectify the situation.

This should be done at the individual transactional level with the public, as well as the organisational level in relation to the entire service delivery programme. Redress makes it possible for citizens to inform municipalities when they are unhappy with their service. Municipalities should train staff to deal with grievances in a friendly, helpful manner.

(h) Value for money

This principle entails giving customers the best service using all resources. It also means elimination of waste, fraud and corruption and finding new ways of improving services at little or no cost.

It is imperative to understand that many of the improvements that the public would like to see often require no additional resources and can sometimes even reduce costs. The inability to give a member of the public a simple, satisfactory explanation to an enquiry could, for example, result in an incorrectly completed application form, which will cost time to rectify.

#### **4.2.6 Capacity building as a key enabler for municipal performance improvement**

In many parts of South Africa service delivery suffers due municipalities being unable to provide services to communities. At these times, the state and its leadership in most cases lose support. A dysfunctional municipality may not have the resilience to rebuild services, and thereby public legitimacy, on its own. Hence, the need for support from provincial government.

The Western Cape Government has identified capacity building as one of the key enablers for municipal performance improvement. To this end a Municipal Support and Capacity Building Unit has been established within the Department of Local Government to support municipalities in improving performance. This support includes support with municipal infrastructure. The Department has a Municipal Infrastructure Unit consisting of engineers and project managers who provide support to municipalities. This support includes the development of master plans, maintenance plans and project management support to implement MIG projects.

It is important to acknowledge that different municipalities have different challenges and that support must be attuned to the unique circumstances of each. For this reason, the Department of Local Government has developed a differentiated model that is centred on the differing capacity levels of municipalities. This will ensure that targeted support is channelled in a manner that will assist the municipalities that need it the most. This differentiated model draws in all relevant sector departments, as the required support is multi-faceted. Falling within the differentiated support programme is the shared services model, whereby the Department appoints service providers to provide support to municipalities where key skills are lacking, such as for internal audits, risk management, and so forth.

### **4.3 Service Delivery in a Western Cape Context**

The Constitution, the White Paper on Local Government of 1998, the Municipal Systems Act (No. 32 of 2000), and other acts of the RSA, emphasise the need for public value creation at local government level. Several other programmes and interventions have been introduced all over South Africa to create public value. Innovation has been the buzzword in the local government sector over the last five years. Innovation, after all as, described by Mark Moore (1995) “is driven to achieve widespread improvements in governance and service performance, including efficiencies, in order to increase public value”.

The current governance environment in South Africa is characterised by citizen cynicism, policy complexity and a budget deficit. Moreover, South Africa is faced with huge challenges and finding a way to create public value becomes more critical than ever before. The creation of public value is thus a critical goal in democratic governance. The role of government is being transformed from a direct service provider to that of a generator of public value. Therefore, government is committed to create ‘public value’ and set conditions where growth, in all forms, such as in health, education, social protection, the economy, public safety and the environment, can succeed. All governments, at all levels in South Africa, have three primary tools with which to do this:

1. Regulation;
2. Resources, and
3. Authority.

The notion of public value often means spending on items for no real defined fiscal return. Trying to place a return on major public investments is a futile exercise – they will never make sense from the figures alone. Assets, such as hospitals, schools, roads and bridges, are delivered for social outcomes – raising the standard of living and thus creating public value, which has a wider flow-on in the economy.

It is also worth noting the task of those in elected public office is becoming harder. The disconnect continues to rise and good work by some political figures is more often than not overshadowed by sound-bite media grabs designed to sell rather than educate. The following subsection provide examples of initiatives introduced by the Western Cape Government with the aim of improving services to the people.

### **4.3.1 Thusong Service Centre Programme**

Although the Thusong Programme is a national programme, municipalities are the implementation agents of this programme. The Western Cape Department of Local Government has identified this programme as one of their flagship programmes.

Improved communication and better engagement between government and citizens has been on the South African public service delivery agenda for several years and pre-dates social media penetration in South Africa. This has traditionally been facilitated by the Thusong Service Centres, which were established in 1999. The centres were formerly known as Multi-Purpose Community Centres and they provide a ‘one-stop service’, where local, provincial and national government, as well as other regional service-providers, are clustered into a central location rendering services to citizens in an integrated approach tailored to the requirements of each community.

“The Thusong Service Centres are distributed across all provinces in South Africa and support government in realising its goal of bringing its services closer to communities. The services that are offered at each centre are different, based on the requirements of the community that the centre serves. The centres provide permanent public services, such as social security, health, education, passports, identity documents, libraries and ICT services, which are accessed in one integrated space. Other offerings include economic, community-based and private sector

services, skills development, telecommunication and government communication and information access” (Mafihlo, 2015:5).

“Over 1.2 million people in the Western Cape access the Thusong Programme each year at both the centres and the outreaches with a 93% geographical coverage. Due to decentralisation of line departments, automation of services, increased access to broadband and wi-fi and government departments implementing their own outreach programmes, the need for outreach programmes in future will steadily decrease. Although increased access to government services has been attained, it seems insufficient to turn the tide on abject rural poverty, hunger and skewed development” (DLG, 2016:2).

What is envisaged is to ensure that the Thusong Centres, mobiles and the zones be used innovatively as a response to poverty and to create public value. As part of its contribution to dealing with this challenge, the department will explore ways of expanding the Thusong programme to be hubs for poverty reduction, job creation and broad-based community development. This entails consolidating and strengthening poverty reduction programmes that are taking place within the Thusong Centres. Secondly, an evidence-based prioritisation model will be developed to heighten the impact of Thusong mobiles in selected areas where it will still be needed and relevant.

### **4.3.2 The Municipal Infrastructure Grant Programme (MIG)**

The development of infrastructure is one critical municipal function amongst many other municipal functions. It is therefore imperative that it is integrated into the process of integrated development planning, as well as the municipal monitoring and performance management systems. The Western Cape Government has committed itself to improve access to basic services, as well as accelerate service delivery. In this regard is the establishment of the Municipal Infrastructure Grant (MIG) Programme is a huge step in eradicating infrastructure backlogs. which is funded by the national government but the provincial government is the implementing agent.

The Department of Local Government (2006) asserts that the main focus of the MIG programme is to ensure that all Western Cape citizens have access to services and municipalities are used as a conduit to deliver these services. The MIG is steered by clear policy

principles, objectives and conditions for use. It has a clear framework that outlines roles and responsibilities, cross-sector linkages, programme management and mechanisms towards ensuring transparency, accountability and sustainability. The successful execution of the programme requires skilled individuals, partnerships, co-operative relationships and real commitment from all and to this end the Western Cape Government has established a MIG unit within the Department of Local Government to ensure the success of the programme. National government in terms of MIG is responsible to make policy, undertake macro-planning, provide support, monitor policy outcomes and regulate municipal infrastructure investments. The Department of Local Government in the Western Cape is responsible for:

1. The co-ordination of the MIG policy on behalf of all departments;
2. The establishment of MIG management and administrative structures;
3. The Administration and transfer of funds to municipalities according to the Division of Revenue Act Schedule;
4. The provision of support municipalities; and
5. The monitoring and performance of the overall MIG programme.

Municipalities are responsible for the overall planning and implementation of infrastructure delivery in their respective areas. Municipalities can establish project management units (PMUs) to take responsibility for managing MIG projects.

Municipalities can use MIG funds for infrastructure for basic household services. This includes the provision of electricity, water supply, sanitation, storm water management, municipal roads, refuse removal and street lighting. Furthermore, it can be used for public municipal facilities, such as public transport, fire stations, childcare facilities, municipal airports, ferries and harbours.

### **4.3.3 Water services provision**

“South Africa’s water sector is separated into two main sub-sectors, namely water resource management, guided by the National Water Act (1998) and the provision of water services, guided by the Water Services Act (1997). The water service sector deals with water supply and sanitation services, which are mainly provided by the Department of Water and Sanitation (DWS), water boards and municipalities. While the DWS leads the sector through policy

development, regulation, and monitoring and evaluation, it has relinquished its implementation responsibility by transferring water schemes to relevant municipalities” (Stats SA, 2016:12).

“According to Part B of Schedule 4 of the Constitution, water services provision is a municipal responsibility. However, all municipalities are not sanctioned to provide water. The two-tiered local government system requires that powers and functions be separated between category B and C municipalities to avoid duplication and coordination problems. Authorisation is granted to all category A (metros) municipalities while category B (local) municipalities are authorised in certain instances and category C (district) municipalities in others (National Treasury, 2011). These separations are outlined in the Local Government Municipal Systems Act, the Local Government Municipal Structures Act and the subsequent Amendment Act” (No. 33 of 2000). Table 4.1 depicts the level of access to piped water per province.

**Table 4.1: Access to piped water per province, 2016**

Province	Access to piped water	No access to piped water	Total	Backlog (percent)
Western Cape	1 914 055	19 822	1 933 876	1,0
Gauteng	4 826 194	124 943	4 951 137	2,5
Free State	910 582	36 056	946 638	3,8
Northern Cape	333 408	20 301	353 709	5,7
Mpumalanga	1 090 892	147 969	1 238 861	11,9
North West	1 074 968	173 799	1 248 766	13,9
KwaZulu-Natal	2 457 350	418 493	2 875 843	14,6
Limpopo	1 280 077	321 006	1 601 083	20,0
Eastern Cape	1 331 228	442 167	1 773 395	24,9
South Africa	15 218 754	1 704 556	16 923 309	8,8

**Source:** Stats SA Community Survey (2016).

#### 4.3.4 Sanitation provision

The provision of sanitation to citizens promotes health and dignity through the provision of safe disposal and treatment of human waste. Where sanitation systems are inadequate, negative health effects can be extremely serious. The current drought highlights challenges in the use of potable water within the sanitation services process.

The White Paper on Basic Household Sanitation (DWAF, 2001) underlines the provision of a basic level of household sanitation to those areas with the greatest need. Its focal point is the safe disposal of human waste in conjunction with appropriate health and hygiene practices. The key to this White Paper is that delivery of sanitation services should be demand driven and community based with a focus on community involvement and household choice.

The Strategic Framework for Water Services (2003) is dedicated to providing basic sanitation facilities that are harmless, reliable, private, protected from the weather and ventilated; keep smells to a minimum; are easy to keep clean; minimise the spread of sanitation-related diseases by facilitating suitable control of disease-carrying flies and pests; and enable safe and appropriate treatment and/or removal of human waste and waste water in an environmentally sound manner. As for basic sanitation services, “the purpose of the framework is to ensure that

sanitation facilities are easily available to households and sustainable, including the safe removal of human waste and wastewater from sites where this is appropriate and necessary. Services should also advance the communication of good sanitation, hygiene and related practices”.

The Department of Water and Sanitation (DWS) “is authorised to regulate the sanitation sector in South Africa and to lead macro planning, bulk regional services and monitoring. The Constitution obligates the national and provincial governments to monitor and regulate the performance of municipalities with respect to the functions listed in schedules 4 and 5 of the Constitution” (DWS, 2016).

Three policy documents currently regulate the sanitation sector in South Africa, namely the White Paper on Water Supply and Sanitation (1994); the White Paper on a National Water Policy of South Africa (1997), and the White Paper on Basic Household Sanitation (2001). Since the White Paper on Basic Household Sanitation predominantly focuses on rural sanitation and on-site systems, the Draft National Sanitation Policy of 2012 was established to address the entire sanitation value chain.

**Table 4.2: Percentage household access to sanitation by province, 2016**

	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
Flush toilet connected to public sewerage system	90,5	44,4	63,2	70,1	43,1	43,9	84,4	43,0	20,8	60,6
Flush toilet connected to a septic system	2,9	2,3	5,9	2,1	3,7	3,8	1,9	2,7	2,8	2,7
Chemical toilet	1,2	5,6	0,3	2,1	14,6	0,9	1,5	3,3	1,6	4,2
Pit latrine with ventilation pipe	0,1	27,7	9,4	6,8	18,3	16,9	2,1	14,7	28	12,2
Pit latrine without ventilation pipe	0,2	9,6	9,8	11,2	12,2	28,2	6,1	28,8	39,8	13,7
Ecological toilet	0	0,4	0,3	0,2	0,7	0,3	0,1	0,5	0,1	0,3
Bucket toilet (collected by municipality)	2,9	1,3	2,9	2,5	0,4	0,1	2,3	0,2	0,1	1,4
Bucket toilet (emptied by household)	0,8	0,9	1,4	1,4	1,3	0,5	0,4	0,7	0,6	0,8
Other	0,5	1,9	1,1	2,0	3,1	1,5	0,6	3,0	2,0	1,6
None	0,9	5,9	5,5	1,7	2,5	3,9	0,5	3,1	4,3	2,4
Percent	100	100	99,9	100,1	99,9	100	99,9	100	100,1	99,9
Numbers (thousands)	1 934	1 773	354	947	2 876	1 249	4 951	1 239	1 601	16 923

**Source:** Stats SA Community Survey (2016).

Table 4.2 depicts that “63,3% of households in South Africa used flush toilets linked to either the public sewerage or a local septic system. A further 12,2% of households used pit toilets with ventilation pipes, while a minor percentage (0,3%) used a combination of solutions including ecological and urine diversion toilets. Many households continued to have poor access to acceptable sanitation, as can be seen from the 13,7% of households that used pit toilets

without ventilation pipes, 2,2% that used some kind of bucket system, and 2,4% without access to any sanitation”.

“Access to sanitation varies significantly by province. While flush toilets were quite common in Western Cape (93,4%) and Gauteng (86,3%), they were much less common in Limpopo (23,6%), Mpumalanga (45,7%), Eastern Cape (46,7%), KwaZulu-Natal (46,8%) and North West (47,7%). Pit latrines without ventilation pipes were most common in Limpopo (39,8%), Mpumalanga (28,8%) and North West (28,2%)”.

### **4.3.5 Electricity provision**

“Though Eskom is mandated for the generation and bulk transmission of electricity, Schedule 4B of the Constitution (1996) assigns municipalities the authority to distribute electricity in their areas of jurisdiction, subject to legislation and regulation by national and provincial government. The Municipal Systems Act (No. 32 of 2000) establishes municipalities as service authorities and introduces a distinction between authority and provider. While the authority function includes the development of policies, drafting by-laws, setting tariffs, and regulating the provision of services in terms of the by-laws and other mechanisms, the actual service provision function is undertaken by the service provider”.

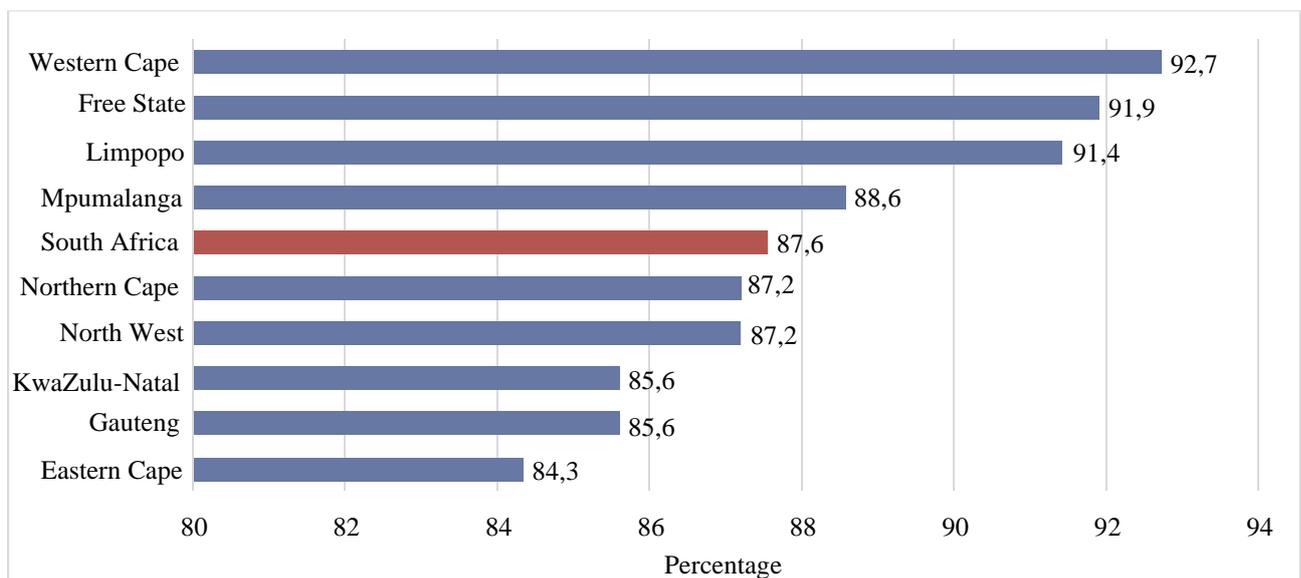
SALGA (2014) “points out that Eskom distributes electricity in 140 municipalities but that these municipalities do not have service delivery agreements in place. Many municipalities therefore fail to make payments to Eskom for the electricity delivered to households in their jurisdiction, leading to an accumulation of debt and threats by Eskom to start cutting off their electricity. This would have far-reaching consequences for residential and commercial entities.”

“One of the key revenue sources for municipalities is the selling of electricity, as the Municipal Fiscal Powers and Functions Act allows municipalities to levy a surcharge on electricity tariffs, even if it is provided by Eskom. The non-provision of electricity to residents can consequently have serious financial implications for municipalities” (National Treasury, 2011).

The delivery of electricity can contribute significantly to the enhancement of human quality of life. Not only does electricity provision have a host of social benefits, access to electricity also

stimulates local economic development. Municipalities play an important role in the distribution of electricity, and electricity is an important source of local government funding, particularly for larger urban municipalities. Although momentous progress has been made since 1994 in the provision of electricity, significant challenges still exist. Government is committed to not only expanding the electricity infrastructure, but also to providing free basic electricity services to poor households. The figure below depicts the level of access to electricity per province. The Western Cape, Free State and Limpopo have the highest levels, whilst the Eastern Cape, Gauteng and KwaZulu-Natal lag behind.

**Figure 4.1: Percentage of households with access to electricity by province**



**Source:** Stats SA Community Survey (2016).

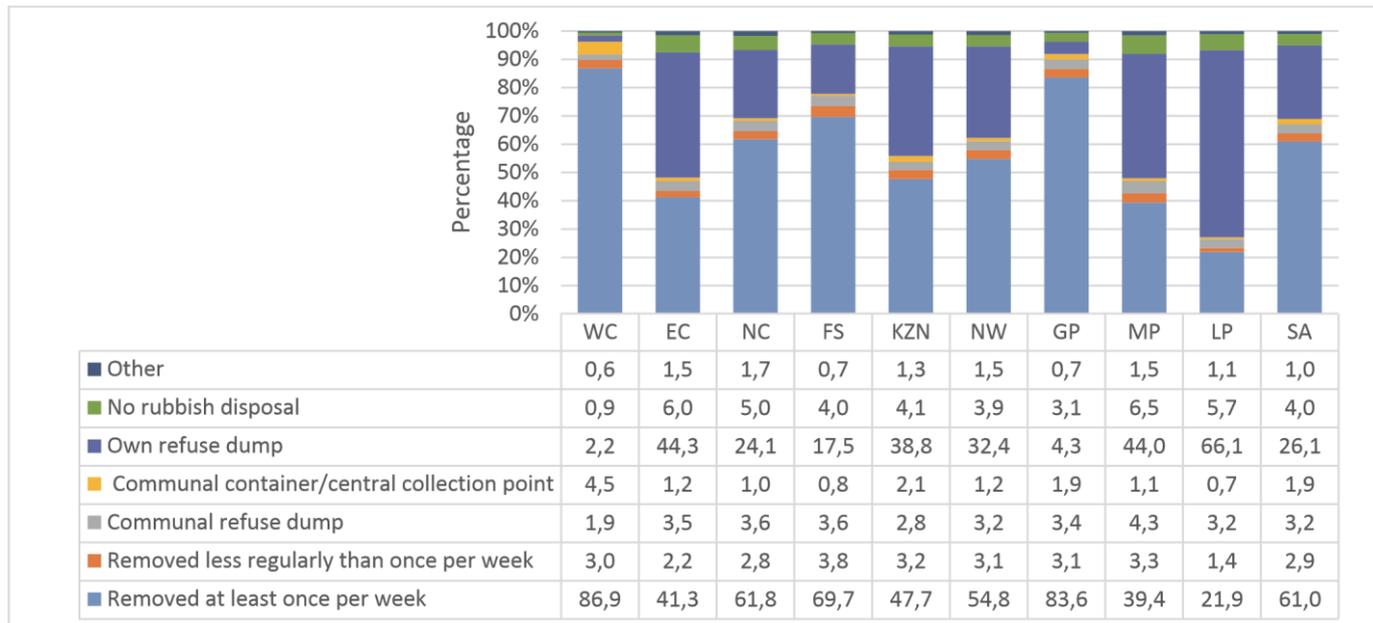
#### 4.3.6 Refuse removal

According to the Stats SA Community Survey (2016) the removal of refuse is an essential service that ensures that health related problems are kept at bay. A lack of or poor service is likely to result in illegal dumping. There are growing concerns around the land and environmental limitations in the creation and lifespan of landfill sites. This would benefit greatly from the ‘reduce – reuse – recycle’ approach, that motivates non-wasteful consumption practices (reduce), the reuse of products where possible (reuse) and the recycling of the product where its use in current form has been exhausted (recycle).

“The administration of solid waste, including the responsibility for refuse removal, refuse dumps, solid waste removal and cleansing, is mainly a local government function assigned to it by Section 156(1)(a) of the Constitution, as read with Schedule 5. The responsibilities of national and provincial governments are outlined in the Waste Act. Whereas the national government is responsible for establishing uniform norms and standards, maintaining national standards, and promoting the right to an environment that is not harmful to health and well-being, provincial governments are tasked with the implementation of the national waste management strategy and national norms and standards. Municipalities are tasked with sustainable delivery of services subject to national and provincial regulations and standards” (National Treasury, 2011).

“Most municipalities provide solid waste services themselves, but many of the metropolitan and district municipalities outsource the function; although this trend seems to be declining (Treasury, 2011). The use of community-based delivery mechanisms is limited notwithstanding the potential for job creation. Basic refuse removal is described as the most appropriate level of waste removal services given local conditions. While kerbside removal and/or organised transit to central assortment points can be used in high density settlements, central collection points might be more applicable in medium density settlements. In low density areas, including farms, regularly supervised on-site disposal is recommended (DEA, 2010).”

“The solid waste function is hampered by a number of weaknesses, these include the lack of accountability caused by an overlap of functions between districts and local municipalities, and the clumsiness of ring-fencing solid waste finances in smaller municipalities. Even though access to solid waste services has markedly improved, access to services varies greatly across different geographic areas. Service levels also differ greatly by type of municipality. Although government set a target to provide access to refuse removal services to all households, domestic refuse removal in rural areas is not necessarily viable. Municipalities are delivery refuse removal at a loss. Waste services have also been extended to informal settlements in order to limit unregulated dumping of solid waste associated with underserved areas. A major challenge facing the expansion of waste disposal services involves the fact that legal requirements for municipalities to deliver refuse removal services have advanced and become more demanding over the years”.

**Figure 4.2: Household refuse removal by province, 2016**

**Source:** Stats SA Community Survey (2016)

“Figure 4.2 depicts that, nationally, household waste was removed once per week or less regularly for 63,9% of all households. Refuse assortment was most common in Western Cape (89,9%) and Gauteng (86,7%), and least common in Limpopo (23,3%), Mpumalanga (42,7%) and Eastern Cape (43,5%)” (Stats SA Community Survey,2016).

“Almost one-third (30,1%) of households do not any kind of refuse facilities, nationally. The use of own refuse dumps, or not having any refuse disposal facilities was highest in Limpopo (71,8%), Mpumalanga (50,5%), Eastern Cape (50,3%) and KwaZulu-Natal (42,9%). The use of communal containers or central gathering points was highest in Western Cape (4,5%). This form of disposal system is mostly used in informal areas as a substitute for kerbside removal”.

### **4.3.7 Public value creation initiatives in the Western Cape**

The following subsections provide a brief synopsis of initiatives implemented by the Western Cape Government to improve service delivery and thereby create public value. They focus in particular on the Game Changer initiative of the Western Cape provincial government.

#### ***4.3.7.1 The Western Cape Government Municipal Governance Review and Outlook (MGR&O)***

Section 155(6) of the Constitution requires provincial governments to provide for the monitoring and support of municipalities. The provincial government of the Western Cape initiated the MGR&O process in 2012 with the aim to improve and promote clean governance within municipalities, as well as to actively assist municipalities in raising the level of governance and, resultantly, audit outcomes. Municipalities were monitored on four quadrants, namely governance sustainability, financial sustainability, economic sustainability and public value creation.

The public value quadrant was introduced as one of the four of the MGR&O processes to encourage municipalities to create public value through service delivery. An important aspect of the MGR&O, the Governance Action Plan (GAP), is a self-assessment completed by the municipalities that identifies key areas where a municipality needs to improve in order to achieve a clean audit. It also indicates the support required by the municipality, from the Provincial Treasury and the Department of Local Government to achieve improved audit outcomes and the creation of public value.

The MGR&O process, by way of the MGAP analysis and resultant action plans, cultivates a culture of accountability and inclusive competitiveness amongst municipalities. The provincial delegation goes out to municipalities twice a year to address the strategic and operational key issues addressed in the MGAP and to discuss the progress on support plans per municipality. These MGR&O initiatives have improved the standard of municipal financial governance, as well as audit outcomes in municipalities as it focusses on a range of aspects, including financial statements, IT controls, expenditure management, HR management, supply chain management, asset management, internal controls, public participation, political governance, as well as administrative governance.

Moreover, the public value pillar was introduced so that municipalities can ensure that their budgets focus on service delivery, which will ultimately create public value. Municipalities are encouraged to focus on projects that will improve the living conditions of their communities.

#### ***4.3.7.2 The Provincial Game Changers***

The Western Cape Provincial Cabinet entered its second term of office (2014-2019) with a commitment to deliver faster results and increased citizen satisfaction with government services. To achieve this, it selected a few key strategic priorities that would be subject to a new delivery approach.

These priorities, or Game Changers as they are commonly referred to, needed to set a high benchmark of impact and delivery. To achieve this, an extensive design process brought together government officials, civil society, private sector and experts, out of which emerged Game Changers.

The first focus is to move beyond the gold standard of a clean audit. Even though good governance is one of the pillars of a capable state, the view of the Western Cape Government is to move beyond clean audits. Good governance has become standard practice in the province and so can move beyond this focus. There is a general agreement that clean governance should go hand in hand with service delivery. A second focus is visible, impactful results that people can see and feel.

##### ***4.3.7.2.1 The Game Changers***

Through widespread consultation, the Western Cape Government selected several priority projects called ‘Game Changers’, because they have the potential to be catalysts for substantial improvements in people’s lives and thus the creation of public value. The interventions are in eight key areas:

1. The achievement of energy security to support economic growth;
2. Vocational skills development with a particular focus on professions that are critical to our priority sectors;
3. The delivery of high-speed broadband across the province;

4. The introduction of e-learning in schools to improve academic results and prepare youth for the 21st century;
5. Significantly intensifying attractive after-school opportunities for young people to participate in sport, cultural and academic activities;
6. The reduction of alcohol abuse, notably intentional and unintentional injuries;
7. The Implementation of new approaches in support of scaled up, decent sanitation services; and
8. Pioneering, through a major development in Cape Town, an integrated Better Living Model that can pave the way for restructuring the apartheid legacy of cities and towns.

The following are some of the game changer projects.

#### ***4.3.7.2.2 Project Khulisa***

“The Project Khulisa programme focus on productive and enabling sectors that contribute to the Western Cape’s competitive advantage and/or have the potential to be catalytic in growing the regional economy. Identified sectors included tourism, agri-processing, and oil and gas (rig repair). In addition, five key enablers of growth and job creation that will also be prioritised include water, energy, broadband, skills and ease of doing business” (MTBPS, 2016:37).

#### ***4.3.7.2.3 Youth programmes***

“The Western Cape Provincial Youth Development Strategy’s focus is on youth not participating in schooling, employment or training (NEETs). Youth programmes that is underway include the National Youth Service Programme, road safety education and awareness at schools; youth cafes, the Youth Safety Work Programme, the Youth Safety and Religion Programme and the Chrysalis and the Wolwekloof youth training programmes” (MTBPS, 2016:43).

#### ***4.3.7.2.4 Western Cape broadband project***

The broadband project is seen as a very important game changer for the province. It is aligned to the NDP through the expansion of a dynamic and connected information society and a vibrant knowledge economy that is more all-encompassing. This initiative makes high speed broadband internet available to various communities in the province. It creates opportunities for poor communities who do not have access to internet and this will also create opportunities for young people. Part of the rolling out of broadband is the Rural Library Connectivity Project, which provides internet access to rural communities in the province.

### **4.3.8 Kinds of Public Value**

The following subsections provide guidelines on the different kinds of public value that can be created within a municipal context.

#### ***4.3.8.1 Efficiency***

“Public value provides a means to further assess the efficiency of public institutions” (Kelly, Mulgan & Muers, 2002; Moore, 1995). “Efficiency represents the way in which the functions and operations of public organisations yield more benefits compared with costs incurred” (Millard, Warren, Leitner & Shahin, 2006). Efficiency, transparency and a responsive government yield vital kinds of public value (Jorgensen & Bozeman, 2007; Kernaghan, 2003) that citizens expect to receive from government. The South African government has in this regard introduced cost containment measures to ensure efficiency. The National Treasury has encouraged municipalities to partner with other government institutions, business, community organisations and other organisations as a key means of driving efficiencies in spending.

Over the past five years the National Treasury has also encourage provinces and municipalities to focus on efficiency. Nationally, a process has been initiated to focus on allocative efficiency – the allocation of resources that reflects the priorities of government on the basis of evidence of programme effectiveness. Departments and entities have made significant progress in applying various forms of expenditure efficiencies to remain within the fiscal envelope.

#### ***4.3.8.2 Transparency***

“In a survey done by the Open Budget Index in 2015 South Africa was ranked third out of 100 countries for the transparency and responsibility of its budget processes. South Africa recorded 90 points out of a possible 100 in the Open Budget Index Report of 2015, standing out as one of only five countries worldwide that releases extensive budget information to the legislature and the public in general” (Open Budget Index, 2015).

“Transparency, through easy access to government information, is now regarded as vital to informed decision making across government, public engagement, trust in the public service and curbing of corruption” (Armstrong, 2011; McDermott, 2010). “Transparency underpins accountability and fulfils the three objectives: the first being to provide citizens and key role players a glimpse into how government functions and develops processes for holding elected government officials and public institutions accountable for decisions they take (Cunningham & Harris, 2001; Johnston & Romzek, 1999; Stoker, 2006). Secondly, it provides a channel for deliberation between policy-makers and citizens before decisions are implemented; and thirdly it fosters accountability and provides the public with a platform to monitor and evaluate the performance of government officials as they deliver public services and for government to be answerable for its performance” (Armstrong, 2011; Coglianese, 2009; Cunningham, Johnston & Romzek, 1999; McDermott, 2010).

“Social media tools can be used by government to publish public policy information, as well as budget and expenditure information online for the purpose of public consultation and as a means of demonstrating accountability” (Jorgensen & Bozeman, 2007). The Western Cape Government has introduced a municipal smartphone application to communicate with citizens. Through this application municipality can communicate with customers They can facilitate the publication of tenders online by public institutions for increasing transparency, allow citizens to lodge grievances online, and view online organisational charts and contact information of public officials to increase transparency (Karunasena & Deng, 2012). The foregoing discussion revealed that the transparency of public institutions is a good indicator of public institutions complying with citizen’s demands and creating public value (Jorgensen & Bozeman, 2007). South Africa places a lot of focus on the transparency of information. Municipalities are forced to publish information on their websites. Non-compliance leads to material findings in audit

reports. Local councils are sometimes reluctant to share information with their clients and this has led to various problems. Councils should report on their performance to all stakeholders, including the community, business community and other stakeholders. Transparency has an important role in fostering the government's policy objective of more accountable government.

#### ***4.3.8.3 Accountability***

Accountability refers generally to a range of procedures by which individuals or groups of individuals are held to account for their actions or conduct (Glynn & Murphy, 1996). "Two elements of accountability are considered: at a basic level, accountability is about giving an account of one's conduct, or accounting for spending, etc.; more broadly, accountability requires "a person to describe and justify [...] their decisions or actions" (Corder, et al., 1999). The accountability relationship should thus be understood as between an actor (accountor) and accountee, in which the actor has a responsibility to explain and justify his/her conduct and face the consequences.

"South Africa's local government fiscal framework is complex and it is characterised by multiple fiscal account-ability connections. In the process of infrastructure delivery, accountabilities range from service recipients to central government, with local and provincial governments, service providers, middlemen, politicians, civil society, independent institutions, in-between these two extremes. Accountability provisions are both internal and external. Internal formal accountability mechanisms include rules and regulations, budgets, performance evaluations, internal auditing, monitoring and incentives. External formal mechanisms include enabling legislation and laws, budget/auditing committees, political and legal oversight bodies, the office of the Auditor-General and citizens. Other informal mechanisms, such as professional associations, interest groups and media. Generally, accountability is vertical (i.e. top down) but it can also be horizontal, and accountabilities may also be one way or two-way" (FFC, 2016:55).

Accountability has become a significant part of public governance. This concept has originally emerged as an element of public finance management (i.e. computing and giving account for the expenditure of public funds), but the concept of accountability now goes beyond the domain of public finance and applies to a wide array of important decisions and authorities that are responsible for making those decisions. At the heart of the concept of accountability is the

checking and balancing of possible abuse of power by public offices and officials with the aim of limiting their potential for corruption. The domain of accountability has, however, expanded through time, from the proper exercising of power to include accountability for improving the efficiency and reducing waste in carrying out public programmes (Community Law Centre, 2008:8).

Municipal accountability to the public in South Africa is further promoted by the Systems Act and, more specifically, the Code of Conduct for councillors, which urge councillors to report back at least quarterly to their constituencies on the performance of the municipality.

“Municipal accountability can be established through several types of instruments. Some of these directly establish accountability. Other types do not directly establish accountability but enable the flow of information on government conduct and performance, which, in turn, are indispensable for the purpose of establishing accountability” (CLC, 2008:2). Accountability is a key element of public value. Municipalities that ensure accountability and appropriate lines of responsibility to their citizens have a great chance of succeeding in creating public value.

#### ***4.3.8.4 Citizens’ trust***

“In assessing the strength of democracies, it is impossible to disregard the concept of citizen trust in public institutions. Trust is the foundation of democratic legitimacy, triggering citizens’ willingness to contribute to a strong and robust democracy: Citizens who trust their government are more inclined to listen and render support to government policies aimed at cultivating the country” (Government Communication and Information System, 2014).

“Trust in government can be separated into two broad categories: “relationship-based trust” and “institutional-based trust” (Papadakis, 1999). This is fuelled by citizens’ perception of a government that is proficient, trustworthy and citizen-centric (Schoorman, Mayer & Davis, 1995). Relationship trust is created by continuous engagement and collaboration between government and citizens that results in government being transparent and accountable for services delivered and value created in that process. The use of municipal roadshows or

lekgotlas<sup>4</sup> provides a stage to establish trust, since it is easier for people to bestow their trust in public servants who they engage with on a personal level rather than abstract government structures.

At the time of the latest Afrobarometer survey in South Africa in August-September 2015, when economic difficulties and the Nkandla corruption case were making headlines, both performance and alleged corruption could be contributing factors to a dramatic drop in public trust. Survey findings showed that citizens' trust in the president declined by almost half since 2011, from 62% to 34%; its second-lowest level since the first survey in 2000. Trust in members of parliament (MPs), provincial premiers, local government councils, the ruling party and opposition parties also dropped dramatically, making political leaders the least trusted public officials in the country. Trust in the president is lowest out of all the 18 institutions and leaders asked about in the survey.

Citizens trust in government diminishes with the increased perception by citizens that government is not responsive to their needs (Nye, Zelikow & King, 1997). Trust in government encourages, at minimum, compliance by citizens, such as by tax payments and, at best, dynamic cooperation and even co-production between government, citizens and key stakeholders.

#### **4.4 Summary and Deductions**

This chapter highlights that the delivery of basic services is a democratic right of all citizens. It is also imperative to note that these services should be provided effectively. The ultimate goal of every municipality in South Africa should be excellent service delivery at affordable cost, in order to realise the definitive goal of creating a good quality of life for every citizen.

The establishment of the Thusong concept, Municipal Infrastructure Grant and the Regional Bulk Infrastructure Grant has derived many benefits and has changed the perception of citizens in many ways. The Batho Pele principles have had limited success because of the attitudes of

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<sup>4</sup> A lekgotla is a forum through which government engages with citizens.

public servants. Building an effective public service requires committed officials who serve the interest of the public and who have the interest of their communities at heart.

There is clear evidence that municipalities have done many great things to improve the lives of ordinary citizens; however, numerous challenges still exist. These challenges relate to the provision of basic services, especially in rural communities where people still do not have access to basics like sanitation and water. In many cases, municipalities have been unable to meet targets relating to the provision of basic services. It is clear that municipalities cannot provide these services on their own; hence, the importance of partnerships with the private sector cannot be over emphasised. A new integrated approach is required from municipalities to address poverty and stakeholders play a pivotal role in this regard. Irrespective of location, all municipalities should provide basic services to their citizens. This will result in the creation of public value at local level. As can be seen, the underlying principle relating to municipal performance is recognition that municipalities need to cooperate with other stakeholders to ensure equitable, effective and efficient service delivery.

To sum up, public value is a multidimensional notion that includes the sense of monetary value but does not reduce to it. Public value includes also a variety of dimensions of value that cannot be measured in stringently monetary terms. Various programmes have been introduced to improve the performance of local government based on the understanding that if the basics, as prescribed by-laws, governing local government are performed well, higher levels of performance will be realised.

# **CHAPTER 5: STAKEHOLDER RELATIONSHIP MANAGEMENT IN A MUNICIPAL CONTEXT**

## **5.1 Introduction**

This chapter explores ways of dealing with stakeholders. The chapter takes an in-depth look at how stakeholder engagement should work. It uses a deductive logic on how to create public value through stakeholder engagement. Stakeholder relationship management is fundamental to this research and consequently this chapter is devoted to this concept. Ipsos (2009:4) asserts that an organisation that considers the relationship with its stakeholders as important and nurtures this relationship will be successful in achieving its organisational goals.

Municipalities no longer question whether or not they should communicate with stakeholder groups but what is important is how to manage communication with stakeholder groups. The values and beliefs of stakeholders are shaped by societal issues and trends; hence, their difficulties become an important aspect of local business. It is therefore incumbent upon municipalities to develop a strategic approach that has a focus on multilateral relationships with stakeholder groups. This implies that stakeholders are not only stakeholder because the municipality identified them as such. They are stakeholders because they see themselves as such as well (Griffin, 2008:11).

The stakeholder landscape is categorised by organised groups and entities, individuals and communities of interest. Municipalities can employ different methods when dealing with stakeholders. The following subsections provide typologies of stakeholders in the municipal sphere, guiding principles for stakeholder management and some proven approaches to stakeholder engagement.

## **5.2 Creating Value through Participation**

Municipalities must pay specific attention to, and participate meaningfully in, understanding and negotiating public value through thorough engagement with the citizenry. Whilst some public values are fundamentally developed and articulated through electoral processes of

representative democracy, non-political values can only be revealed by developing citizen capacity to discover public dimensions of these values through interaction and autonomous judgment (Bozeman, 2002:12). The end result is that through this process of exploration that legitimacy and support, one of the required preconditions for public value creation, can be realised (Moore & Khagram, 2004). The next section provides a summary of the benefits of engaging stakeholders and the different typologies of stakeholders in the municipal sphere.

### **5.2.1 The benefits of stakeholder engagement**

There are several benefits that could accrue out of stakeholder engagement:

- The promotion of a democratic society and improving transparency and accountability;
- Opinions of stakeholders as a whole and individuals are reflected in the IDP;
- Increased stakeholder cohesion;
- Inventive and workable ideas and solutions that may be incorporated in the IDP;
- Stakeholder access to information, particularly technical information (National Treasury, 2008:36);
- More reasonable and sustainable social development by giving those who have a right to be heard the opportunity to be included in the decision-making processes;
- Improved management of risk and reputation;
- The pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by single organisations;
- An understanding of the complexities of the business environment, including market developments and identification of new strategic prospects;
- Firms becoming able to learn from stakeholders that will result in product and process improvements;
- Informing, educating and influencing stakeholders and the business environment to advance their decision making and activities that impact on the firm and also on society;
- The building of trust between a company and its stakeholders (Kriek, et al., 2005:9).

For these benefits to be realised, it is important to emphasise that stakeholder consultation is one tool in the list of participative techniques for including stakeholders in policy and

programme design and implementation. There is variety of consultative methods that can be used. Stakeholder consultation, in any form, requires purposeful effort on the part of a municipality to ensure that the preference, benefits and perspectives of different stakeholders are given systematic deliberation (National Treasury, 2008:36).

- Consultative and inclusionary mechanisms allow the sentiments of a representative number of stakeholders to be heard. The consultative nature of the process can be reflected in the way in which the aims are carried out through programme and project planning.
- Consultative nature and high-level stakeholder involvement can lead to a point where stakeholders have a better grasp of the essence of spatial planning and project members understanding the municipality better.
- A number of activities can be implemented in terms of concrete projects, reflecting the realistic nature of the action planning exercise if there is stakeholder involvement in municipal decision making.
- The varied nature of the engagement process is designed to include research workshops focus groups, discussions and debates by looking at different ways to collect and validate information.
- Key stakeholders should be those who can meaningfully influence, or who are important to, the success of the programme. The influence refers to the powerfulness of a stakeholder. Importance refers to those stakeholders whose problems, needs and interests are a priority (National Treasury, 2006:36). Table 5.1 provides for a checklist of how the influence and importance of stakeholders can be evaluated.

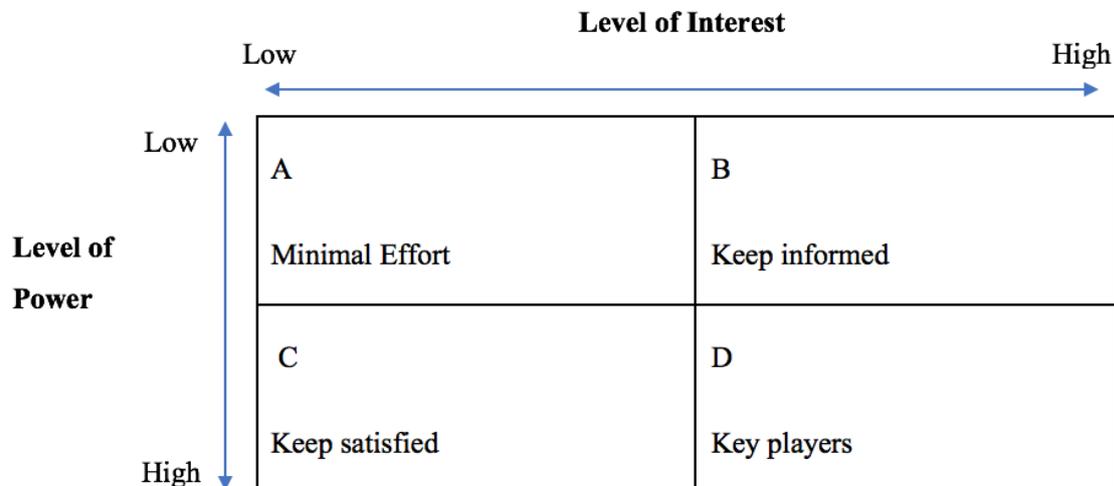
**Table 5.1: A checklist for assessing the influence and importance of stakeholders**

1	Which specific areas, affecting which stakeholders does the project seek to address?
2	For which particular stakeholders does the project place a priority on meeting their needs, interests and expectations?
3	Which of the stakeholders' interests converge most closely with the programme objectives?
4	Which stakeholders are in charge of the strategic resources that is significant to the programme?
5	Which stakeholders have a strong negotiating place in relation to other stakeholders?
6	Which stakeholders are in possession of specialist knowledge that may be useful to the programme?
7	What is the societal, financial and political standing of the stakeholders?
8	What is the degree of consent and leadership in the group of stakeholders?

**Source:** National Treasury (2008:37)

Different ways exist in which stakeholders can be characterised. One way is the power interest matrix. It classifies stakeholders depending on the amount of power they have to affect others and the level of interest that they might have in an issue. The more power and interest they have, the more likely their activities are to impact on the organisation (Meintjies, 2012:117).

Johnson and Scholes (1999) modified the power and interest matrix to help with a better understanding of stakeholder influence on the development of strategy by an organisation (Figure 5.1). The authors specifically pointed out “how managers handle relationships will be incumbent upon the governance structures under which they operate and the stance taken on corporate responsibility” (Johnson, Scholes & Whittington, 2008:156).

**Figure 5.1: The power/interest matrix**

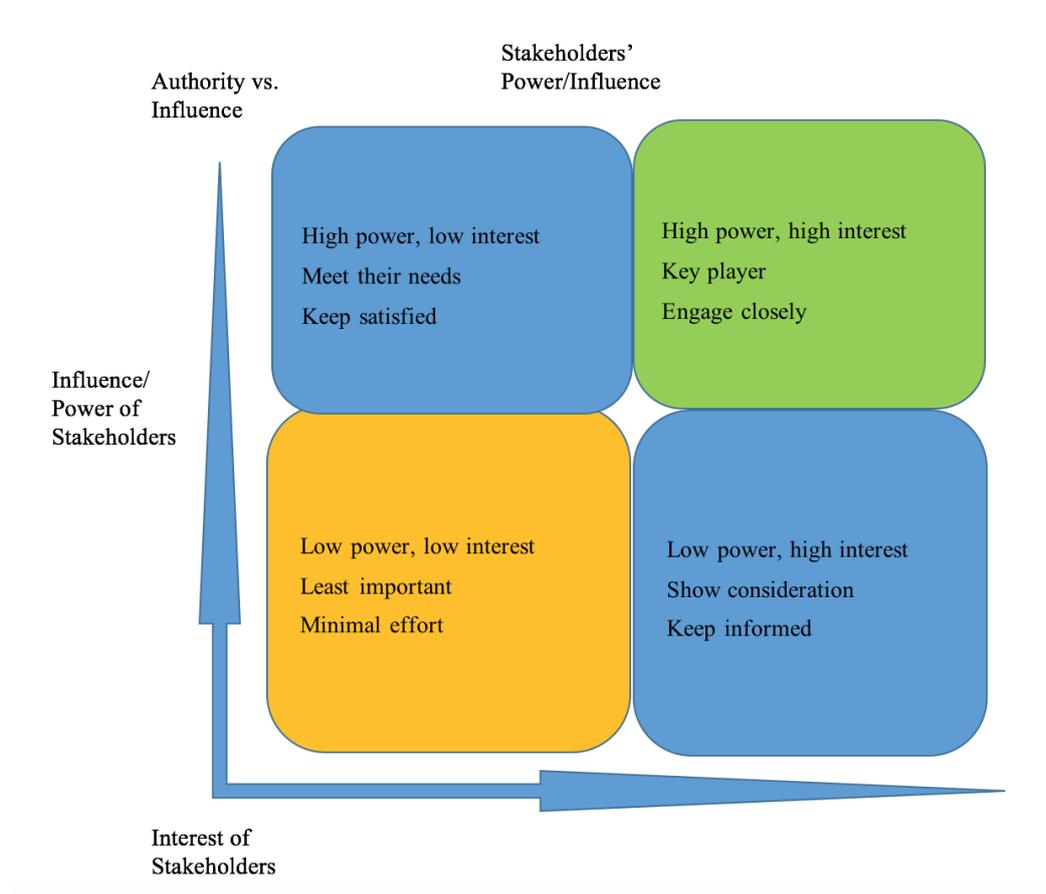
**Source:** Johnson, Scholes & Whittington (2008:156).

Fassin (2009) introduces a new terminology that clearly differentiates between three categories of stakeholders: ('real') stakeholders, 'stakewatchers' and 'stake-keepers'. The first category is the 'real' stakeholders in the narrow approach and are considered to be classic dedicated stakeholders with a real interest in the organisation, i.e. 'real' stakeholders have a tangible stake in the company. Stake watchers are the second group of stakeholders who act as intermediaries as they do not actually have a stake themselves. This group protects the interests of real stakeholders (pressure groups). Some of the examples of stake watchers are: trade unions, consumer associations, investor associations, etc. Stake-keepers exemplify the independent regulators, who as stake watchers have no stake in the organisation but who enforce external control and regulations on the organisation (Mushka, 2015:31).

In terms of influence and power, 'real' stakeholders possess a valid claim; therefore, power and influence are reciprocal. Stake watchers obtain their power from the representation of the interests of the real stakeholders and are not controlled by firms. Similarly, firms do not have power over stake-keepers who can indirectly and externally demand obligations (Muskha, 2015:32). The power/influence grid (Figure 5.2) consist of four quadrants. Each quadrant gives an indication of the level of stakeholder management that will need to be employed. It is a simple tool that can help municipalities to categorise project stakeholders by the power and

influence they have on a specific project. The power/influence grid helps place emphasis on the key project stakeholders who can make or break a project. In turn, this helps with stakeholder prioritisations. The grid can help municipalities in making decisions as to where they need to invest their stakeholder management efforts. Municipalities will however need to engage fully with those who have both a high level of interest and a high level of power and take great care over relationships with these groups. Municipalities will want to keep those who have power but less interest satisfied, but not overwhelm them with too much information. Those with high interest but little power should be kept up-to-date, but not so much attention needs to be paid to those with little interest and little influence.

**Figure 5.2: Stakeholder power/influence grid**



**Source:** Chicka (2017).

Overall, the approaches to stakeholder prioritisation can be summarised as follows:

**Table 5.2: Summary of the overviewed approaches to stakeholder prioritisation**

<b>Authors</b>	<b>Classification/Criteria Used</b>
Mitchell, Agle and Wood (1997)	Focus on Power, urgency and legitimacy.
Eden and Ackerman (1998)	Focus on power-interest grid: subjects, players, crowd, context setters.
Johnson and Scholes (1999)	Focus on power-level of interest grid: minimal effort, keep informed, keep satisfied, key players.
Fassin (2009)	Focus is on Classical stakeholders, stakewatchers, stake-keepers.

Mushka (2015:32)

## **5.2.2 Typologies of stakeholders in the municipal sector**

A variety of stakeholder typologies exist. For this research project the following typologies can be identified.

### ***5.2.2.1 Legislative/constitutional stakeholders***

This group includes the Auditor-General, the Public Protector, the Electoral Commissioner, the Human Rights Commission, national government and the provincial government. These institutions are autonomous and subject to the Constitution and the law, and they are independent. They are furthermore accountable to the National Assembly and they must report on their activities and their performance at least once a year. Although municipalities are an independent sphere of government, they have a relationship with these institutions. It is therefore important that municipalities interact with these stakeholders in ways that are more participatory. The Provincial Department of Local Government in the Western Cape went to considerable lengths to ensure that municipalities in the province develop and maintain relationships with their stakeholders to make sure that they have a sound basis for problem resolution when difficult situations arose. In the relationship and influence model the regulatory stakeholder possesses influence power over the organisation, whereas the organisation is supposed to hold no power over the stakeholder (Mainardes, Alves & Raposo, 2012).

### ***5.2.2.2 Strategic stakeholders***

This group includes local businesses, Eskom and the water boards. They play a pivotal role in ensuring that municipalities deliver on their core mandates, which is the delivery of electricity, water, sanitation and refuse removal. Municipalities therefore need to interact with them with the intent of creating value for both the municipality and the stakeholders. These interactions are primarily designed to meet specific project goals. These stakeholders are critical in improving service delivery and policy outcomes.

### ***5.2.2.3 Reflective stakeholders***

This group include SALGA, the media, trade unions, universities in the province and research institutions. Fassin (2009) refers to these stakeholders as stake watchers, agreeing that these groups do not have a direct claim in the municipality, which grants them a derivative legitimacy. Such legitimacy is derived from being seen to act on behalf of municipalities, so they have the power to affect the municipality.

Table 5.3 depicts the different stakeholders within the local government context. These stakeholders will be further discussed in the next chapter.

**Table 5.3: Stakeholder categories for municipalities in the Western Cape**

<b>Legislative stakeholders</b>	<b>Local development stakeholders/strategic partners</b>	<b>Reflective stakeholders</b>
The Auditor-General of South Africa	Suppliers	South African Local Government Association (SALGA)
The Public Protector	Water boards	Universities
Human Rights Commission	Local businesses	Trade unions
The Electoral Commission	Legal service providers	Media
National government	Eskom	Corruption Watch
Provincial government	Commercial banks	
NERSA	Rating agencies	
National Treasury	Stats SA	
Municipal Demarcation Board		

**Source:** Haarhoff (2016).

Table 5.4 depicts the stakeholder matrix that will be used as the basis for discussion. The five cases will be described in the next chapter using this stakeholder matrix.

Table 5.4: Stakeholder matrix

Stakeholder			Activities			
		Strategy	Engagement/ Communication Activities	Agreement-MOU Contract Outcomes	Implementation and Execution	Conflict and Monitoring and Evaluation
Legislative Stakeholders	The Auditor-General The Public Protector Human Rights Commission Electoral Commission National government National Treasury Municipal Demarcation Board Provincial government NERSA	Formulating appropriate strategies and policies.	This activity is linked to that of communication as it involves exchanges between stakeholders. It is deemed to be a way of improving the relationships between the stakeholders.	How is the relationship managed?	Actions implemented by management towards attainment of strategies.	Is there a conflict resolution methodology and how is the evaluation done? Evaluations should be done regularly to ensure that policies and programmes are relevant and that the intended results are achieved
Strategic Stakeholders	Water boards Local businesses Suppliers Legal companies Auditors					
Reflective Stakeholders	SALGA Universities Trade unions Media Corruption Watch					

#### ***5.2.2.4 Guiding principles for stakeholder management***

It is important that municipalities establish guiding principles when dealing with stakeholders. The following section provide a set of principles proposed by Clarkson (1998):

**“Principle 1:** Managers should recognise and actively monitor the concerns of all valid stakeholders and should take their interests appropriately into account during decision making and operations.

**Principle 2:** Managers should attend to and openly communicate with stakeholders about their respective worries and contributions, and about the risks that they assume because of their involvement with the corporation.

**Principle 3:** Managers should adopt procedures and modes of behaviour that are sensitive to the concerns and abilities of each stakeholder constituency.

**Principle 4:** Managers should acknowledge the interdependence of efforts and rewards amongst stakeholders and attempt to attain a fair distribution of benefits and burdens of corporate activity among them, considering their respective risks and weaknesses.

**Principle 5:** Managers should work cooperatively with other entities, both public and private, to ensure that risks and harms arising from corporate activities are minimised and, when unavoidable, appropriately compensated.

**Principle 6:** Managers should altogether avoid actions that might jeopardise inalienable human rights (e.g. the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

**Principle 7:** Managers should recognise the potential conflicts between (a) their own role as corporate stakeholders, and (b) their legal and ethical responsibilities for the interests of all stakeholders, and should address such conflicts through open communication, appropriate reporting and motivation systems and, where necessary, third party review”.

## 5.3 The Building Blocks of Stakeholder Management

Ipsos (2009:5) has proposed three elements that are important building blocks to effective stakeholder relationships: leadership, communication and staff, as Figure 5.3 shows.

### Leadership

Ipsos (2009:6) asserts that it is critically important for organisations to be well managed and that they have specific goals and stakeholders should be informed of this. Management should also have a strong vision and give direction to the organisation and follow through on decisions made. The issue of leadership is critical in the process of stakeholder engagement because without it the process will fail. It is therefore imperative that there are clear roles and purposes in the process, as well as clear objectives.

### Communication

Good communication is extremely important in stakeholder management. In particular, communication needs to be a two-way process. Stakeholders want to feel that their views are taking into consideration and acted upon – or to know why their advice has not been used. While many public sector organisations are felt to listen to their stakeholders, most need to do better at feeding back to stakeholders on how they are acting on their views. Stakeholders want communication to be responsive to their needs and linked to their agenda.

### Staff

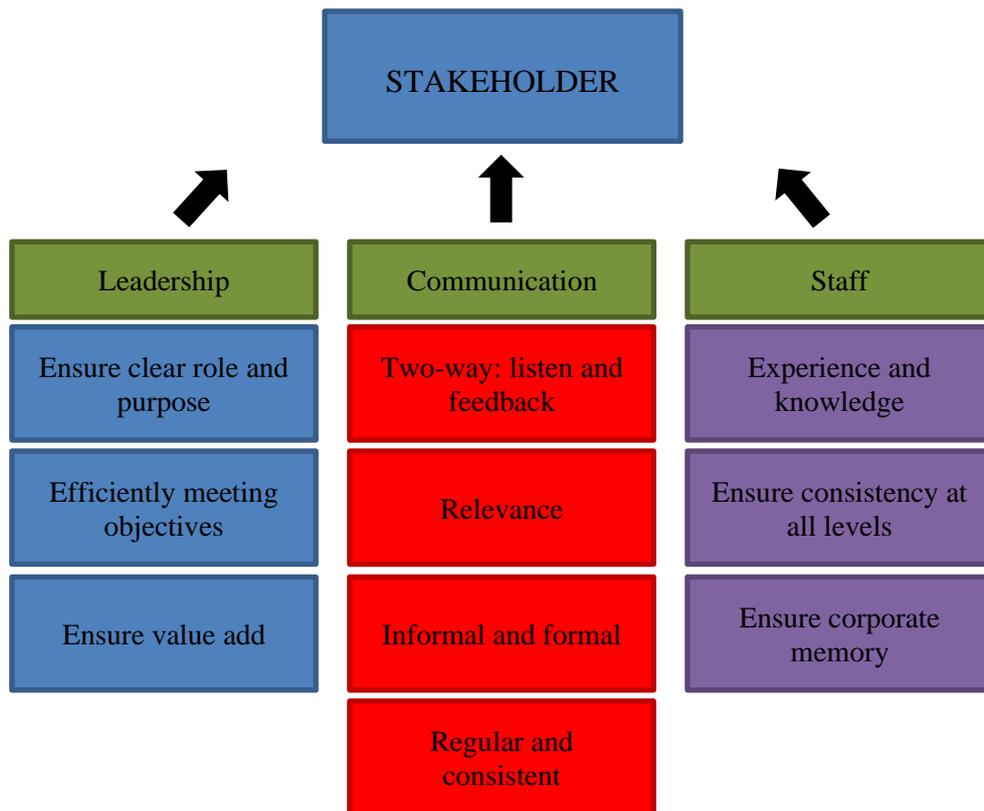
Ipsos (2009:8) states that “observations of the quality of an organisation’s employees have a strong effect on the way that organisation is viewed by its stakeholders. Stakeholders want to feel that they are dealing with experienced and knowledgeable staff. A strong leadership team is important – but all staff need to know that they act as ambassadors for their organisation through the impressions they give in their daily interactions with Stakeholders and the public. Staff advocacy is vital. Stakeholders also value consistency in the people they deal with so that they have an unchanging point of contact and are able to engage with someone who knows their agenda”.

A communication plan is also critical in the process of engagement so that everyone is clear as to the process, timelines and responsibilities. Feedback is critical in the process so that problems can be addressed timeously and effectively. Finally, staff members should be included in the process to give legitimacy to the process and buy-in.

Stakeholders can be selected from several methods. Bryson (2004) “for example, selects stakeholders on the elements of power, interests, available sanctions, reliance, vulnerability and gravity of the organisation in relation to its stakeholders. Using these criteria will ultimately result in a list with stakeholders. The thinking behind this labelling is that every stakeholder should be involved differently”

Ipsos (2009) have identified three elements that they feel are important building blocks to effective stakeholder relationships: leadership, communication and staff, as the diagram below shows.

**Figure 5.3: Building blocks of stakeholder management**



**Source:** Ipsos (2009).

## 5.4 Approaches to Stakeholder Relationships

Relationships among different participants in the municipal sector are a critical reality that affects the quality of governance. It is therefore important to look at best practices in managing client relationships in both the public and private sector. Municipalities can also utilise these practices. Watson (2009:5) identified five good practices in a study of public audit institutions.

### **“Best Practice 1: Develop a clear understanding of the relationships to be managed.**

The organisation deliberates about its client relationships and discusses them as an important topic for consideration with the board and the executive management. Over time the organisation conceptualises and describes the nature of its relationship(s) with client/partner organisations; and segments them to facilitate their systematic management.

### **Best Practice 2: Have a clear and effective strategy for managing each important relationship.**

The organisation has a policy for managing each relationship, within a general model for managing all its client/partner relationships. The organisation avoids fragmentation and ad-hoc management of individual tasks and transactions and seeks consistency in its relationship with each important client.

### **Best Practice 3: Assign clear responsibility, authority and accountability for managing the relationship.**

“The organisation assigns responsibility, authority and accountability for each relationship to a dedicated person, ensures that the person has the necessary relationship management skills in addition to any necessary technical skills required, and provides incentives that are commensurate with the importance of the relationship”.

### **Best Practice 4: Involve the client/partner (trust, alignment, ownership).**

The organisation builds trust as a basis of its relationship with clients and partners and uses the trust relationship to convey hard messages when necessary. The organisation keeps close to

key clients, shares information works collaboratively and manages the client/partner's expectations of the relationship.

### **Best Practice 5: Invest in the relationship.**

“The organisation is dynamic in building its relationships in a systematic way, including through assessing client relationships regularly. It cleans up the framework of the relationship to avoid or minimise conflicts. That is, it distinguishes between peripheral and core activities and does not let the peripheral compromise the core, i.e. it acts according to its priorities. The organisation tries to understand and manage third-party influences on its relationships with client/partner organisations. It is thus proactive in managing relationship transitions.

Different organisations reflect on stakeholder engagement as a key parameter to indicate socially responsible companies. These organisations include rating agencies, non-profit organisations, standard developing bodies and advocacy organisations from across the globe, such as the Ethical Investment Research Services (EIRS) (rating agency), Jantzi Research (rating agency), Innovest Strategic Value Advisors (rating agency), Calvert Investment (ethical investor), Domini Social Investment (ethical investor), Account Ability (advocacy organisation), Global Reporting Initiative (standards organisation) and SAM/Dow Jones (stock market indices). These organisations promote the importance of stakeholder engagement as it is, amongst other reasons, likely to enhance organisational accountability, solidify the trust, acceptance and credibility of the company” (Sloan, 2009:28-29).

Multiple and embedded case studies were commenced with four English Local Authorities: The District Councils of Braintree and South Northamptonshire, the London Borough of Hackney and the Metropolitan District of Calderdale (Yin, 1994). These authorities were chosen from a list of eighteen that previously confirmed interest in participating in the study. They were chosen due to their characteristics that represent the whole population in a two-dimension model, namely the political context and geographic differences. Table 5.4 illustrates this.

The triangulation analysis indicates that stakeholder impacts in local government decision making can be classified into three categories:

- The nature of the participation in decision making;
- The basis of the participation; and
- The sources of impact.

The first category indicates the nature of stakeholder involvement in decision making. It is active (i.e. by influencing) or passive (i.e. by being influenced). The second category outlines the basis of the influence and is based on Freeman's power/interest dimensions. The third category specifies where the environment stakeholder influences come from. Table 5.5 illustrates the three categories (Yin,1994).

**Table 5.5: A proposed taxonomy for understanding stakeholder influences**

<b>Type 1</b> <b>The nature</b>	<b>Type 2</b> <b>The basis</b>		<b>Type 3</b> <b>The source</b>
Power Influence	Sources of interest Community interest Ownership Trading	Sources of power Control over resources Control over skills/knowledge Legal prerogatives	Institutional Technical

**Source:** Adapted from Freeman (1984); Mintzberg (1983); Hardy (1996) and Scott (1998).

Gomes (2006:54) asserts that “the taxonomy above led to the recognition of eight stakeholder influence clusters from which influences are exercised on decision making. It is a noteworthy normative contribution to stakeholder identification theory. This affirmation indicates that, in the local government context, stakeholder influences come about in clusters through which different stakeholders are likely to exert similar influences. This introduces a new approach in stakeholder management as managers can set the same approach for dealing with different stakeholders”.

#### **5.4.1 Identification and analysis of stakeholders**

Stakeholder identification and analysis is a key first step in stakeholder engagement processes (Freeman, 2001). It helps to separate stakeholders from non-stakeholders and to identify key stakeholders that need to be engaged in different parts of the policy cycle. Stakeholder analysis helps to generate knowledge about actors for understanding their behaviour, objectives, inter-

relations and interests, and for gauging the impact and resources they bring to decision-making or implementation processes (Varvasovszky & Brugha, 2000).

Numerous techniques for stakeholder identification and analysis are reviewed in the literature. These techniques focus on the interrelations of clusters or organisations with respect to their interests in, or impacts on, policies within a broader political, economic and cultural context.

Stakeholder analysis typically involves five major steps:

1. *Identifying stakeholders* involves defining, categorising and listing stakeholders and discussing why and how they are important for the policy being developed.
2. *Prioritising stakeholders* is based on deliberating their attributes and deciding how significant they are in the policy development process. This process will help to describe communication and engagement activities with the people most likely to affect the policy processes and outcomes.
3. *Understanding and managing stakeholders* requires an assessment of stakeholders' attitudes and risk factors connected with their engagement in the process. It also requires the construction of a communication plan that ensures engagement will minimise any risks and increase their appreciation and commitment in the process.
4. *Setting goals and identifying costs of stakeholder engagement* includes designating responsibilities for each communication task and setting suitable timelines.
5. *Evaluating and revising* requires consistent updates in order to explore possible new stakeholders, changes in current stakeholder importance or influence, or changes in perceptions" (Kennon, Howden & Hartley, 2009).

### **5.4.2 Techniques for stakeholder management**

Techniques in this category concentrate directly on stakeholders during implementation. The technique for developing a policy implementation strategy development grid can help planners and decision makers to construct action plans that will consider stakeholder interests and resources (Bryson, 2004).

Upon the identification of stakeholder and their stake in the process it is important that municipalities identify the most influential stakeholders. This is finding identifying target-

stakeholders according to Mitchell, Agle and Wood (1997). Moratis (2006) calls this the process of ‘filtering’ mapping. According to Moratis (2006) this mapping process consist of five steps, namely:

1. Organisation and environment analysis;
2. Insight;
3. Identify specific target stakeholders;
4. Investigate claims; and
5. Determined value creation.

Moratis (2006) is of the view that stakeholder identification is just one part of stakeholder management. The whole process from stakeholder identification to stakeholder management consists of the 3M model (mapping, mobilising and managing). It is the task of management to involve target stakeholders as far as possible in both strategic and policy development up until implementation.

The Open Group (2011) and Assudani and Kloppenborg (2010) correctly state that the stakeholder should be identified in the planning stage of a project. The reason for this is that if a stakeholder or stakeholder group is only identified in the later stages of a project, it can be costly and time consuming to incorporate their needs and respond to their claims in the project. This could be accentuated if the stakeholder has high power over and/or influence on a project.

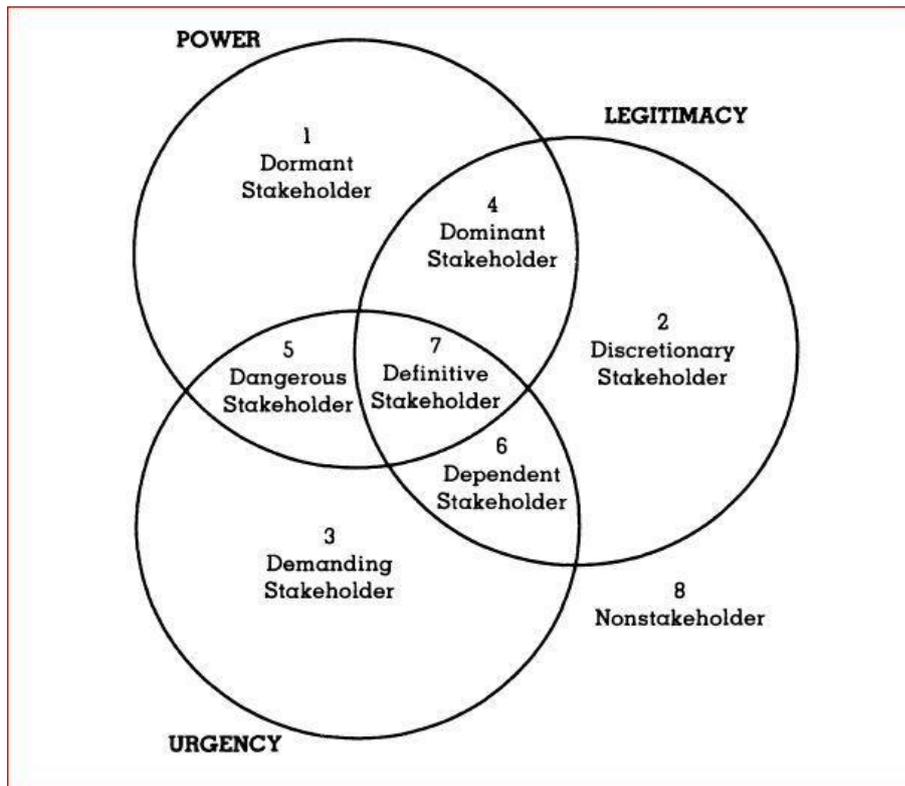
Preble’s (2005) argument of the dynamic nature of stakeholders challenges this simplistic view of The Open Group (2011) and Assudani and Kloppenborg (2010). Although it is good practice to identify all stakeholders in the planning phase, it may not be possible or practical to do so, due to the dynamic nature of stakeholders. By conducting the stakeholder identification process in the planning stage, the potential risk that can be posed by stakeholders as a whole, is reduced.

The Open Group (2011) and Assudani and Kloppenborg (2010) suggest brainstorming as a technique to identify stakeholders. This technique can be effective, especially if multiple individuals or groups with different skills and backgrounds participate. The Open Group (2011) also suggests some key considerations in determining stakeholders, including:

- Who is affected by the project?

- Who has power or influence over the project?
- Who has an interest in the successful or unsuccessful completion of the project?

Mitchell, Agle and Wood (1997) identify three criteria to grade stakeholders, namely power, legitimacy and urgency, as depicted in Figure 5.4. They argue that broadly two types of stakeholders exist: influencers and claimers. Mitchell, Agle and Wood (1997) state that influencers have power, but their claims can be legitimate, illegitimate, or they may choose not to exercise their claims. They also state that claimers may or may not have legitimate claims but, unlike influencers, they may or may not have power. Mitchell, Agle and Wood (1997) conclude that power and legitimacy are different, overlapping dimensions that may exist without one another. This categorisation results in eight types of stakeholders (see Figure 5.4). Stakeholders that pose at least two or more of the characteristics are supposed to attract greater manager attention if compared to stakeholders holding only one. In other words, the more characteristics the stakeholder has, the greater its salience. Figure 5.4 depicts the three criteria and the different types of stakeholders.

**Figure 5.4: The triple circle stakeholder typology**

**Source:** Mitchell, Agle and Wood (1997:874).

Mitchell, Agle and Wood (1997) refer to two definitions of power. The first is “the probability that one actor in a social association will be able to carry out his will despite some resistance”, and the second being “a relationship among social actors in which one social actor, A, can get another social actor, B, to do what B would not usually have done”. Mitchell, Agle and Wood (1997) simplify the definition as follows: “the ability of those with power to bring about the outcomes they desire”. Moratis (2006) concludes that irrespective the chosen model/theory, management should ensure that the process of involvement be clearly spelt out from the start and responsibility be built into the strategy.

### 5.4.3 Techniques for creating ideas for strategic interventions

In order to measure the effectiveness of stakeholder engagement, research confirms that it becomes important to develop a set of indicators. The following indicators are proposed to measure stakeholder engagement and partnering efforts:

- Provide accessibility to the decision-making process;
- Get a clear understanding of stakeholder interests and concerns;
- Ensure that a diversity of views is represented;
- Ensure integration of interests and concerns;
- Ensure that information exchange is a priority;
- Advocate Project efficiency;
- Ensure that there is decision acceptability;
- Inculcate mutual learning/respect; and
- Cost avoidance, direct and indirect.

The proposed tool can be used to track and analyse the efficacy of stakeholder engagement and partnering in accomplishing management goals. The tool is attached as Annexure A.

#### *5.4.3.1 Techniques for proposal development review and adoption*

This category of techniques helps to develop proposals for gaining adequate support from identified stakeholders once their interests have been identified and understood.

1. **Stakeholder support versus opposition grid** – builds on problem-frame stakeholder maps by using a similar grid and basic process and helps to assess stakeholder support opposition and importance.
2. **Stakeholder role play** – can be used to construct proposals that are likely to address stakeholder interests, effectively build a supportive coalition and ensure effective implementation.
3. **Policy attractiveness versus stakeholder capability grid** – involves evaluation of the attractiveness of policies, strategies, suggestions or options in general against stakeholder capacities to implement them (Dawes, et al., 2015:7).

According to Dawes, et al. (2015:7), this category of stakeholder identification and analysis techniques “involves the formulation of problems and solution search, but also depends on understanding the political viability. Indeed, effective problem formulation depends on a clear understanding stakeholder and their interests, both separately and in relation to each other. The next section contains a list of important elements when looking at stakeholder influence”.

1. **Bases of power-directions of interest diagrams** – it builds on the power versus interest grid and a stakeholder influence diagram and includes a process of looking more closely at each of the stakeholder groups, including the most influential or dominant stakeholders.
2. **Finding the common good and the structure of a winning argument** – builds on the bases of power-directions of interest diagrams and helps to ascertain which interests or themes appear to garner support from a substantial number of stakeholders.
3. **Tapping individual stakeholder interests to pursue the common good** – helps public leaders, managers, staff and their collaborators understand how they might ‘pursue significance’ for themselves and their organisations.
4. **Stakeholder-issue interrelationship diagrams** – this can help in identifying which stakeholders are connected to other stakeholders and also provide an insight into the diverse issues stakeholder have.
5. **Problem-frame stakeholder mapping technique** – if used correctly this technique can lead to a winning coalition because it can help to construct problem definitions.
6. **Ethical analysis grids** – helps to explain and prompt a dialogue about who and what counts morally and assures the ethical appropriateness of whatever actions are taken.

#### ***5.4.3.2 Methods for stakeholder participation***

Municipalities can employ different methods to collect the information required for a stakeholder analysis. Though it is possible to do an entire analysis on the basis of a desk study, it is strongly recommended that other methods of collecting information be employed. Among the possible forms that municipalities can consider are:

- Stakeholder workshops;
- Consultative forums on the ground;
- Surveys and questionnaires;

- Consultations and conferences with collaborating organisations (such as academic institutions and NGOs).

### ***5.4.3.3 Techniques for organising participation***

According to Dawes, Helbig, Shahin, Mkude, Cotterell, Klievink and Dzhusupova, (2015:6), stakeholder identification and analysis techniques in this category help to organise participation. They include the following:

1. **The process for choosing stakeholder analysis participants** – embodies a kind of technical, political and ethical rationality. This staged method is designed to gather needed information, build political acceptance and address some important questions about legality, representation and trustworthiness.
2. **Basic analysis technique** “ offers a quick and useful way of classifying stakeholders and their interests, clarifying stakeholders’ views of a focal organisation, identifying of some key strategic matters, and beginning the process of identifying coalitions of support and opposition. The technique comprises of several steps undertaken in a sequence beginning with small-group exercises followed by large-group plenary discussions. Such steps include: 1) brainstorm the list of all the potential stakeholders; 2) prepare a distinct flipchart sheet for each stakeholder; 3) put a stakeholder’s name at the top of each sheet; 4) create a narrow column down the right side of each sheet and leave the column blank; 5) for each stakeholder, in the area to the left of the column, list the criteria the stakeholder would use to judge the organisation’s performance (or list the stakeholder’s expectations of the organisation); 6) agree how well you think the stakeholder thinks the organisation is doing from the stakeholder’s point of view; 7) identify and record what can be done quickly to satisfy each stakeholder; 8) identify and record longer term issues with individual stakeholders and with stakeholders as a group. Additional steps might also be included, such as: 1) stipulate how each stakeholder influences the organisation; 2) decide what the organisation requires from each stakeholder; 3) rank stakeholders according to their significance to the organisation”.
3. **Power versus interest grids** – array stakeholders on a two-by-two matrix where the dimensions are the stakeholder’s interest in the organisation or issue at hand, and the

stakeholder's power to impact on the organisation's or issue's future. Four categories of stakeholder result: 1) actors with both an interest and substantial power; 2) subjects who have an interest but little power; 3) context setters who have influence but little direct interest; and 4) the crowd that consists of stakeholders with little interest or supremacy.

4. **Stakeholder influence diagrams** – indicates how the stakeholders on a power versus interest grid influence one another.
5. **Participation planning matrix** – outlines levels of partaking ranging from a minimum of simply notifying stakeholders, through to empowerment in which stakeholders are given final decision-making ascendancy. The matrix helps planners to find proper ways of responding to or engaging different stakeholders in different ways through a policy or strategy process.

Measuring stakeholder participation and partnering efforts is inherently subjective by nature and often not understood or valued within a scientific and technical organisation. How do municipalities know that what they are doing is right? How do they know that their efforts are making a difference in the communities they serve? How do they determine if stakeholders view process and decisions as legitimate? Without indicators and measures, stakeholder involvement efforts are unfocused and become subject to trial and error. The Association of State and Territorial in Washington proposes a tool for measuring success and effectiveness of stakeholder participation. The tool defines indicators, metrics, measurement tools and a scale of outcome that can provide a numeric value to aspects of stakeholder engagement and partnering efforts that the municipality can manage (ASTSWMO, 2011:2).

## 5.5 Summary and Deductions

This chapter provided valuable information on stakeholder engagement. First, it dealt with how value can be created through participation. It provided a typology of stakeholders in the South African municipal sphere. It then went further to provide a set of building blocks that municipalities can use in building stakeholder relationships. It also provides a set of guiding principles for stakeholder engagement. A description of the different approaches to stakeholder relationship management are also provided. A summary of different techniques for stakeholder management is provided that can be used by municipalities. It can be deduced from this chapter

that municipalities have a variety of approaches and techniques at their disposal when dealing with stakeholders.

# **CHAPTER 6: RESEARCH CONDUCTED IN FIVE MUNICIPALITIES**

## **6.1 Introduction**

So far, the dissertation has introduced the study, described the context, set the theoretical and conceptual delineations and explained how the research was conducted. This chapter will examine how the five municipalities in the Western Cape deliver services and organise their stakeholders. Service delivery is categorised according to water, sanitation, refuse removal and electricity. The five municipalities are Breede Valley Municipality, Laingsburg Municipality, Drakenstein Municipality, Theewaterskloof Municipality and Saldanha municipality. The cases will be compared in line with the matrix as per Chapter 5 under the following themes:

- Strategy
- Engagement/communication activities
- Agreement – how is the relationship managed
- Implementation and execution
- Conflict and evaluation

This chapter will identify the stakeholders in the local government sphere in the Western Cape and provide a brief description of their core mandates. It further provides a summary of the five cases, a consolidation of the findings of the five cases and provides the municipal stakeholder relationship management framework.

## **6.2 Municipal Stakeholders in the Western Cape**

The next section presents a synopsis of the stakeholders involved in this study and their functions and responsibilities within a local government context.

### **6.2.1 The Auditor-General of South Africa (AGSA)**

The Auditor-General of South Africa is a Chapter 9 institution instituted in terms of the Constitution of South Africa. “Chapter 9 of the Constitution establishes the Auditor-General of South Africa as one of the state organisations supporting constitutional democracy. The Constitution identifies the importance and guarantees the independence of the Auditor-General of South Africa (AGSA), stating that the AGSA must be unbiassed and exercise its powers and perform its functions without fear, favour or prejudice.

The functions of the AGSA are pronounced in Section 188 of the Constitution and further regulated in the Public Audit Act (No. 25 of 2004) (PAA), which mandates the AGSA to perform constitutional and other functions. Constitutional functions are those that the AGSA performs to comply with the broader mandate described in the Constitution. Section 4 of the PAA makes a further division between mandatory and discretionary audits.

The AGSA produces annual audit reports on all government departments, public entities, municipalities and public institutions. Over and above these entity-specific reports, the audit outcomes are analysed in general reports that cover both the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) cycles. In addition to this, reports on discretionary audits, performance audits and other special audits are also produced. The AGSA tables reports to the legislature with a direct interest in the audit, namely parliament, provincial legislatures or municipal councils. These reports are then used in accordance with their own rules and procedures for oversight” (National Treasury, 2008).

The Auditor-General’s legal mandate is to audit the performance of municipalities in line with local government legislation. The basic premise of the relationship is that municipalities should feel free to meet with the AG on matters impacting on their governance. While some might argue that the AG places too much emphasis on compliance, it should be noted that good governance forms the backbone of effective service delivery. Poor governance is also synonymous with poor service delivery. An analysis of the AG’s relationship with the five municipalities shows that the AG has an overall good relationship with all municipalities.

## 6.2.2 The Provincial Government of the Western Cape (PGWC)

South Africa has nine Provinces, which form the second layer of government, between national government and municipalities. The provincial governments are established and their structure defined by Chapter 6 of the Constitution of South Africa.

The provincial governments are organised according to a parliamentary system in which the executive is reliant on and accountable to the legislature. In each province the provincial legislature is directly elected by proportional representation, and the legislature in turn elects one of its members as Premier to head the executive.

The powers of the provincial governments are restricted by the national Constitution, which limits them to certain listed ‘functional areas’. In some areas the provincial governments’ powers are simultaneous with those of the national government, while in other areas the provincial governments have exclusive power. The Constitution prescribes a principle of ‘co-operative government’, whereby the various layers of government must coordinate their actions and legislation; it also lays down a series of rules for resolving conflicts between national and provincial legislation.

The following forums are established in the Western Cape and all municipalities in the province forms part of these forums:

**The Premier’s Co-ordinating Forum (PCF)** is a bi-annual event and it is a consultative forum for the Premier of the Western Cape and municipalities within the province to discuss and consult on matters of mutual interest, including draft national and provincial policy and legislation relating to matters affecting municipalities.

**The MinMayTech meetings** comprise the head of the department of local government, municipal managers, the administrator of any of those municipalities if the municipality is subjected to an intervention in terms of section 139 of the Constitution, and the Provincial Executive Officer of SALGA. MinMayTech takes place on a quarterly basis.

**The MinMay meeting** is a bi-annual meeting that comprises of the minister of local government, invited members of the executive council, executive mayors of municipalities and

the chairperson of SALGA. The participations are municipal managers, the director general and the Western Cape, and provincial heads of departments.

**The Provincial Public Participation and Communication Forum (PPP Coms)** is a consultative forum aimed at increasing co-ordination, integration and communication between the three spheres of government through information sharing, dialogue, capacity building and consultation on matters of mutual interest. The forum's focus is ensuring alignment between the activities of the Provincial Public Participation and Communication Forum and activities of other relevant stakeholders, e.g. District Public Participation and Communication Forums, Department of Government Communication and Information System (GCIS), District Communication Forums and SALGA Western Cape.

**The Provincial Treasury (PT).** In terms of Section 5(4) of the MFMA (No. 56 of 2003), the PT must inter alia monitor conformance with the MFMA by municipalities and municipal entities in the province, monitor and evaluate the preparation of municipal budgets, the monthly outcomes of these budgets and the submission of reports by municipalities as required in terms of the MFMA; it may also assist municipalities in the preparation of their budgets to ensure compliance with the Municipal Budget Reporting Regulations; further exercise any powers, perform any duties delegated to it by the NT in terms of the MFMA and may take appropriate steps if a municipality or municipal entity in the province commits a breach of the MFMA.

**The Department of Local Government.** The Department of Local Government is tasked by the Constitution to monitor and support municipalities to deliver on their mandate. The Department therefore plays an important role in ensuring that municipalities fulfil their core mandate, which is service delivery. The department has a collaborative approach, whereby it works closely with municipalities to find workable solutions to governance challenges. Over the last five years the department has focused on building a better relationship with municipalities by making the department the first port of call for municipalities.

### **6.2.3 Service providers to municipalities**

Local government is expected to effectively achieve its mandatory mission of delivering services that are adequate and responsive to the needs of the community. Being the government closest to the people, it is likely that a core function of municipalities is the provision of a

variety of basic but indispensable services to the community within its jurisdiction (Roux, 2005:69).

Municipalities have a constitutional obligation to provide services to its communities. Part B of Schedule 5 of the Constitution, concerning functions falling concurrently within the national and provincial competence constituent units, classifies the following services that fall within the ambit of local government and its municipalities: water, electricity, town and city planning, road and storm water drainage, waste management, emergency services (e.g. fire-fighting), licenses, fresh produce market, parks and recreation, security, libraries and economic planning. Part B of Schedule 4 of the Constitution, as it functions within the exclusive domain of provincial government, further identifies the following matters as the responsibility of municipalities: air pollution, building regulations, child care facilities, electricity and gas reticulation, local tourism, municipal airports, municipal planning, municipal health services, municipal public transport and municipal public works.

In order for municipalities to deliver these services they rely on different strategic stakeholders who play a significant role in ensuring that services are delivered to communities within municipal areas. Service providers within the municipal space play a critical role in the delivery of services to communities. Therefore, municipalities need to have a good relationship with these service providers.

#### **6.2.4 Eskom**

Eskom is a South African electricity public company which was established in 1923 as the Electricity Supply Commission (ESC) by the government of the Union of South Africa. It was created by a parliamentary act, namely the Electricity Act of 1922, which allowed the Electricity Control Board to appoint Hendrik Johannes van der Bijl as Chairman of the Board.

Eskom generates roughly 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom produces, transmits and dispenses electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Supplementary power stations and major power lines are being built to meet rising electricity demand in South Africa. The entity supplies electricity directly to customers or through

municipalities. Tariffs are determined by the municipality but need approval from the NERSA (National Energy Regulator of South Africa).

On an annual basis NERSA approves a percentage increase and reviews the municipal tariff benchmarks. The guideline supports municipalities in the preparation of their budgets and tariff adjustment applications. Benchmarks are revised and used in the evaluation of municipal tariff applications. These benchmarks are developed per tariff category.

Eskom plays an important role in the distribution of electricity to municipalities in South Africa. Municipalities buy electricity direct from Eskom and then sell it to their customers. It is generally known that electricity is one of the key cost drivers of municipalities but it is also a major revenue stream. In cases where municipalities cannot cost electricity services accurately, this impacts on the calculation of their selling process. If municipalities cannot distinguish between cost and revenue, this leads to losses and subsequently poor financial sustainability.

### **6.2.5 Local Labour Forum**

Good labour relations in local government is a legislative imperative that municipalities have to nurture and sustain at all costs. The inability to maintain good labour relations could have a direct impact on the levels and quality of service delivery. If municipal employees embark on endless strikes, this translates into no delivery of basic services to communities that desperately need them. The 2009 State of Local Government Report, published by the Department of Corporative Government and Traditional Affairs (DCoG), shows a breakdown of functional labour relationships in many municipalities. Linked to this is the poor functionality of Local Labour Forums and lack of trust between management and organised labour due to the latter's role in reporting cases of alleged corruption and nepotism (Mahlangu, 2009:1).

Municipal staff is governed in terms of various legislative enactments, e.g. the Labour Relations Act (No. 66 of 1995), the Basic Conditions of Employment Act (No. 55 of 1998), the Local Government: Municipal Systems Act (No. 32 of 2000), as well as various collective agreements concluded between the recognised employer and employee parties.

According to Section 2.8.2 of the main collective agreement, the LLF shall have the powers and functions of negotiating and/or consulting on the following matters:

- (a) Matters of common concern pertaining to the municipality and which do not form the subject matter of negotiations at the SALGBC;
- (b) Matters referred to it by the SALGBC;
- (c) Minimum service level agreements; and
- (d) Disputes over what is negotiable and what are the matters for consultation and over whether a specific process constitutes sufficient consultation are to be resolved through the dispute resolution mechanism of the SALGBC (Mahlangu, 2009:3).

All negotiations between parties are governed under the auspices of the South African Local Government Bargaining Council (SALGBC) which is the recognised sector institution for Local Government in South Africa. The employer is represented by the South African Local Government Association (SALGA) and the employees by either IMATU, the South African Municipal Workers Union (SAMWU), the Municipal and Allied Trade Union of South Africa (MATUSA) and the Democratic Municipal Allied Workers Union of South Africa (DEMAWUSA), the recognised trade unions in this sector.

#### ***6.2.5.1 IMATU***

IMATU is one of the labour union within municipal sector and it is not known how many members they represent.

#### ***6.2.5.2 SAMWU***

SAMWU is the biggest labour union within the municipal sector. It represents approximately 160 000 workers in the local government sector.

#### ***6.2.6 SALGA***

The South African Local Government Association (SALGA) is an independent association of municipalities with its mandate derived from Section 163 of the Constitution of South Africa, 1996. The Constitution calls for organised local government (OLG) to represent municipalities in the inter-governmental and cooperative governance system by making provision for OLG to

participate in the National Council of Provinces (NCOP) in Section 67 and the IGR system more generally (Section 154) and mandated legislation to set out the processes and procedures for doing so.

SALGA was formally established by municipalities as a voluntary association with its inaugural congress from 21-24 November 1996. Members mandated the organisation to:

- Represent, promote and protect the interests of local government in the cooperative governance and intergovernmental relations (IGR) system; and
- Assist in the transformation of local government, particularly in establishing the structures, systems, policies and procedures for effective, accountable and people-centred local government.

The South African Local Government Association (SALGA) is the voice and sole independent representative of local government in South Africa. SALGA interfaces with parliament, the National Council of Provinces (NCOP), Cabinet, as well as provincial legislatures.

### **6.3 Service Delivery in a Municipal Context**

As was previously mentioned in Chapter 1, local government is the sphere of government closest to people and is tasked with the advancement and provision of municipal goods, benefits, activities and satisfactions that are deemed public, to enhance the quality of life in local jurisdictions (Reddy, 2016). The main reason for the existence of local government is providing sustainable and effective municipal services to local residents, and local governments are directed to provide water, sanitation, transportation facilities, electricity, primary health services, housing and security within a safe and healthy environment to all residents, provided that its provision is practical and sustainable. The provision of access to basic water, sanitation, electricity and refuse removal can make a major contribution to enhancing the well-being of poor households.

All of the municipalities in this study have a constitutional mandate to deliver water, refuse removal, electricity and sanitation to their respective communities. As stated earlier, great steps have been made in service delivery but there are still challenges in certain areas. Access to basic services in municipalities with concentrated poverty and institutional weaknesses remain

a challenge. The inability of some municipalities to delivery municipal services efficiently and effectively is also affected by the lack of infrastructure and appropriate delivery models in remote rural areas, as well as the general neglect of maintenance and repairs of municipal infrastructure. Municipalities are not budgeting for maintenance of infrastructure and this has led to the neglect of infrastructure. Sector departments, such as the Department of Rural Development should also play a more supportive role in conjunction with the Municipal Infrastructure Support Agency (MISA) to ensure that services are rolled out to communities.

Service delivery at local government level requires a renewed focus in respect of a number of key areas. This requires extending basic services to communities that are currently unserved or underserved. Municipalities should be supported to develop mechanisms to extend free basic services to indigent households and to consider widening access to lower electricity tariffs for low income households. A technical intervention is required from the National Treasury, as this will necessitate a reprioritisation of municipal budgets.

## **6.4 Framing the Case Studies**

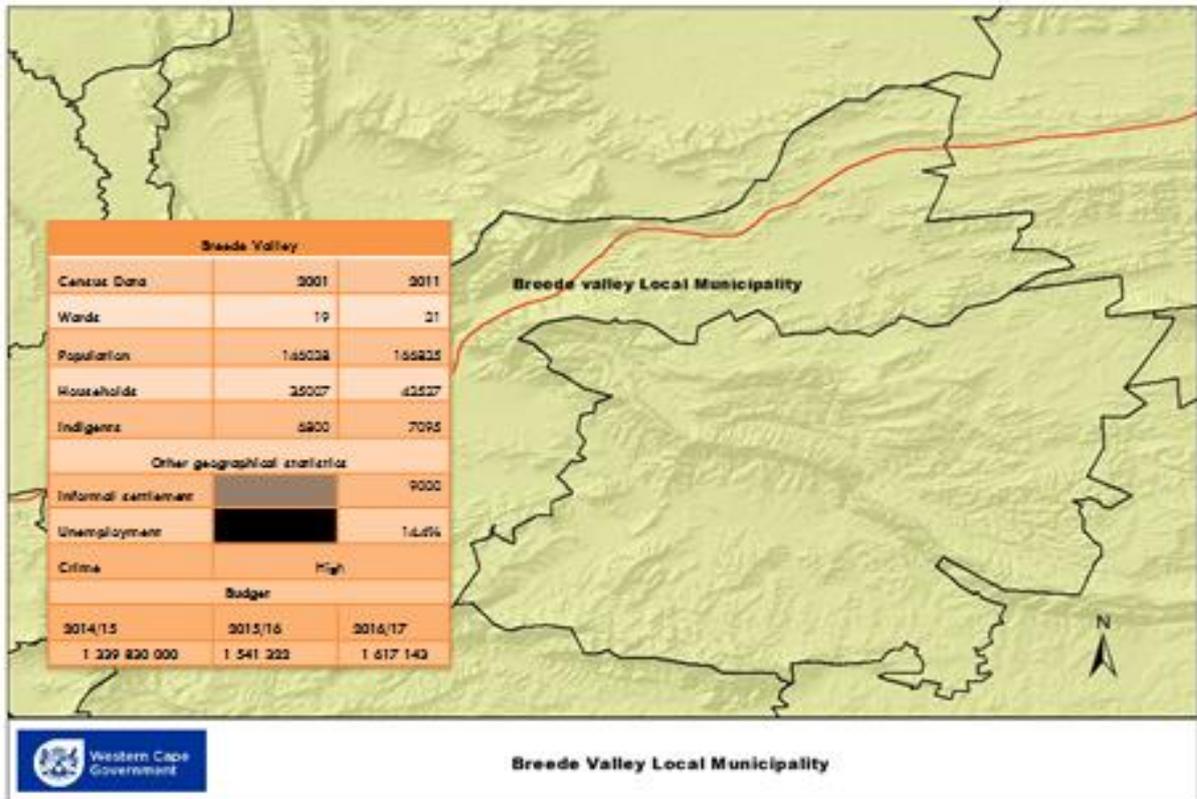
This section provides a description of the case studies and focuses on the demographics of the municipality, access to service delivery, responsibility for managing stakeholders, if the municipality has a stakeholder relationship management strategy, how the municipality engages with stakeholders, if any formal agreements are in place and how these are implemented and executed, how conflict is managed, as well as how evaluation and monitoring is conducted.

### **6.4.1 The Municipality of Breede Valley**

#### ***6.4.1.1 Demographic, geographic and socio-economic background of the municipality***

“The Breede Valley Municipality include an area of approximately 3 833 km<sup>2</sup>, stretching from the Du Toitskloof mountains in the south-west to the Kwadousberg mountains in the south-east. It consists of the towns of Rawsonville, Worcester, De Doorns and Touws River, as well as the rural areas adjacent to and between these towns and the Matroosberg rural area. One of the most important features of the Breede Valley in the Western Cape is its picturesque beauty.

It boasts majestic mountains, productive valleys, vineyards and vast plains, covered with indigenous semi-desert vegetation. The region has an estimated population of 166 825 according to the 2011 census. The local municipality is approximately 125 kilometres east of Cape Town and is part of the Cape Winelands District Municipality. Breede Valley Municipality's head office is located in the town of Worcester. The Breede Valley has a vibrant economy, based on strong agronomic, manufacturing and tourism sectors. The commercial and service sectors are also well-developed" (Breede Valley IDP, 2012:31).

**Figure 6.1 Map of Breede Valley Municipality**

Source: Western Cape Department of Local Government

#### ***6.4.1.2 Service delivery in Breede Valley Municipality***

The following table depicts household access to basic services in the Breede Valley Municipality. The municipality has done well in the provision of services to its community. The analysis shows that access to water, sanitation and electricity is more than 90 per cent mark but refuse removal is sitting at 84,5 per cent.

**Table 6:1: Household access to basic services in Breede River Municipality**

Water			Sanitation		Solid Waste	Electricity	
Access to improved water	Access to piped water	Water interruptions longer than two days	Access to improved sanitation	Sharing toilets	Access to refuse removal	Access to electricity	Experience interruptions
98	96,9	15,8	91,5	30,3	84,5	90,1	33,9

**Source:** Community Survey (2016).

### ***6.4.1.3 Responsibility for managing stakeholder relationships***

The responsibility for managing stakeholder relationships rests with the management of the Breede Valley Municipality. The municipal manager and the Section 56 managers are collectively responsible for managing certain sections. Breede Valley also has customer service managers in towns like Rawsonville, De Doorns and Touwsriver to ensure that customer and stakeholder relations are properly managed. Service managers engage with stakeholders on a daily basis to good maintain good relations and to ensure that service delivery takes place.

## **6.5 Legislative Stakeholders: The Auditor-General and the Provincial Government of the Western Cape**

### **6.5.1 Strategy**

The Breede Valley Municipality does not have a strategy or a policy that deals with the management of professional stakeholders. The relationship between the municipality and stakeholders is governed through an ad-hoc arrangement other than meetings with the local business forum, tourism associations and national building association, amongst others. The relationship with the provincial government is managed through various processes, such as the MinMayTech, MinMay, PCF, LGMTEC, MGRO, JPI and several other forums.

## **6.5.2 Engagements**

Meetings with the Auditor-General take place during the audit cycle from August to December every year. On-site meetings take place on a bi-weekly basis. However, there is also a steering committee that meets with the AG on a monthly basis.

All other assurance providers, such as the Risk Management Committee, MPAC (Municipal Public Accounts Committee) and Performance Audit Committee are in place and constantly engage to ensure a high standard of service delivery.

## **6.5.3 Agreements**

There is no formal agreement with the AG but the relationship is managed through an audit action plan and terms and conditions are upfront address in an engagement letter, accepted and signed by both parties. This plan contains information relating to focus areas of the audit, cost of services and timescales for the transmission of the services. No formal arrangement is in place with the provincial government.

## **6.5.4 Implementation and execution**

The implementation mechanism for agreements with the AG is a collective responsibility between the municipality and the Auditor-General with the Audit Committee as the assurance provider. The implementation and execution of agreements between the municipality and province is guided by a memorandum of understanding and several other legal mechanisms. The Audit Committee meets on a quarterly basis to ensure that audit actions are implemented.

## **6.5.5 Conflict and evaluation**

Disagreements between the municipality and AG are managed through a forum of municipal officials and the AG personnel that manifest itself in the form of steering committee meetings. Burning issues are dealt with on a personal level and where necessary the Provincial Treasury and the Department of Local Government act as intermediary in the process. Disagreements between the municipality and provincial government are dealt with through intergovernmental forums, such as the MinMayTech and the Premier's Co-ordinating Forum.

## **6.6 Provincial Government of the Western Cape**

### **6.6.1 Strategy**

The relationship between the provincial departments and municipalities finds itself in the strategic alignment of key focus areas, objectives and joint planning processes, over and above the mandatory responsibility outlined in the Constitution for the different spheres.

The constitutional paradigms and agency requirements between the different spheres to accomplish certain collective goals are the basis that informs the relationship between the provincial government and municipalities.

### **6.6.2 Engagements**

Engagements with the province take on a formal basis through different meetings, forums and engagements, at least on a monthly basis. The frequency is further influenced through informal engagements, such as verbal or telephonic engagement and assistance between the different stakeholders. The municipality meets with the provincial government through forums such as the MGRO, LGMTEC, IDP indaba, the JPI and other platforms, such as the PCF and MinMayTech. These engagements take place on a quarterly or annual basis.

### **6.6.3 Agreements**

Formal agreements exist between the provincial departments and municipalities in the form of agency services, such as housing and library services and other project driven agreements, such as EPWP (Expanded Public Works Programs), CWP (Community Works Programs).

### **6.6.4 Implementation and execution**

The projects and agreements are managed through the municipal manager and the chief financial officer's office. The municipal manager as accounting officer is responsible to ensure that agreements are implemented and monitored. Delays with implementation are registered with the provincial government through the above-mentioned forums and in one-on-one meetings with heads of the different provincial departments.

### **6.6.5 Conflict**

Conflict is managed through provincial structures, such as the MinMayTech, MinMay, MGRO, LGMTEC and the PCF. Conflict at an administrative level is managed at an administrative level with the departments involved. Conflict at a political level is dealt with at the MinMay, MinMayTech and PCF level.

## **6.7 Strategic Stakeholders: Local Suppliers and Eskom**

### **6.7.1 Strategy**

The relationship with Local Suppliers and Eskom is managed through an ad-hoc agreement. No formal process is in place.

### **6.7.2 Engagement/communication activities**

The municipality meets with suppliers on a bi-weekly basis to discuss matters that are impacting on service delivery. These meetings are attended by the supply chain management (SCM) department and managers. Meetings with Eskom are quarterly, primarily with the technical department.

### **6.7.3 Agreements**

The agreements between the municipality and suppliers are managed through legal contracts. Both parties are held liable as per the contract agreements. Agreements with Eskom are also managed through a service delivery agreement. Deliverables are clearly articulated.

### **6.7.4 Implementation and execution**

Implementation of agreements is monitored through contract management procedures. Suppliers are held accountable in line with service delivery standards and timelines. Eskom provides services to individual households and the municipality, according to the SLA.

### **6.7.5 Conflict and evaluation**

Conflict with suppliers is managed through service level agreements. Close out reports are provided at the end of a contract. Should conflict arise, the mechanism of dealing with disputes is through the different forums.

## **6.8 Reflective Stakeholders: Trade Unions (LLF and SALGA)**

### **6.8.1 Strategy**

The relationship between the municipality and the trade unions is managed through the labour relations legislation.

### **6.8.2 Engagement/communication activities**

The LLF and the municipality meet on the first Friday of every month to discuss all labour related matters. All strategic policies are also discussed and workshopped in the LLF. The LLF is chaired by the municipality and the LLF on an annual rotational basis and the municipality provides the secretariat for the forum. SALGA meet with the municipality at least once a quarter to discuss local government matters. The meeting is chaired by SALGA. However, ad-hoc engagements are also arranged, should the need arise.

### **6.8.3 Agreements**

The Local Labour Forum is a consultative forum comprising of representatives of the municipality and the relevant trade unions whose area of accountability includes all labour related matters, according to the various fields of bargaining. The relationship between the LLF and the municipality is governed in terms of the Local Government Bargaining Council (SALGBC).

The SALGBC is established freely in terms of the Labour Relations Act, by arrangement between the employer organisation (SALGA) and trade union parties (IMATU and SAMWU). This agreement is contained in the Council's constitution (a collective agreement), which is the

fundamental governing tool regulating the relationship between the employer organisation and trade union parties, to be read in conjunction with the Labour Relations Act.

The SALGBC comprises three parties: SALGA, SAMWU and IMATU. SALGA is the only recognised employer organisation, representing 278 municipalities in the local government sector. The trade union parties consist of SAMWU and IMATU, which represent employees in the 278 individual municipalities. The employer body and the trade unions negotiate conditions of service and matters of mutual interest, which conclude in collective agreements that become binding on the members of SALGA, on the one hand, and members of SAMWU and IMATU, on the other. Agreements with SALGA are governed through a memorandum of understanding.

#### **6.8.4 Implementation and execution**

Agreements are made at the LGBGC and the implementation and execution of collective agreements are monitored by the Local Labour Forum. SALGA decisions are implemented as per the agreement with the municipality.

#### **6.8.5 Conflict and evaluation**

Conflict is managed through the Local Government Bargaining Council. Conflict with SALGA is managed through the office of the municipal manager.

#### **6.8.6 Rating of Stakeholders**

The following section provides an analysis of how the institutions rate the relationship between them based on ten indicators. Bar charts are used to show the data in the form of bars that illustrate the relationship between the municipality and their stakeholders.

The municipalities were asked to rate the stakeholders and the stakeholders were asked to do the same. The data was derived from the survey that was sent to all five municipalities and the stakeholders, except the local suppliers.

## **6.9 Ratings of Municipalities and Stakeholders**

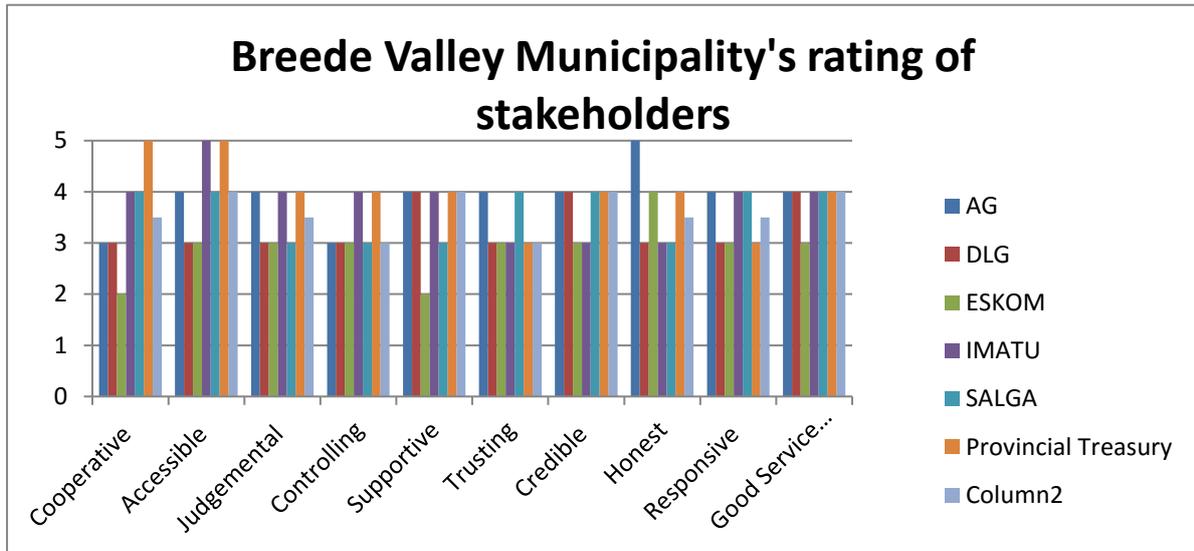
The following section will provide a synopsis of the ratings of the institutions involved in the study. Ten indicators will be investigated, namely co-operation, accessibility, judgement, control, support, trust, credibility, honesty, responsiveness and whether the relationship is easy to understand.

### **6.9.1 Breede Valley Municipality**

#### ***6.9.1.1 Rating of stakeholders***

The Breede Valley indicates that co-operation with stakeholders is relatively good, with responses ranging from poor to very good. The relationship with stakeholders from a Breede Valley perspective ranges from fair to average. The graph below confirms that the relationship with stakeholders differs, as does the interaction with stakeholders. The graph indicates a reasonable relationship with most stakeholders but it is important to note the good relationship with the Provincial Treasury, the AG and the DLG. The municipality scored four of the ten indicators at 5. The lowest rating at level two is that of Eskom in respect of support and co-operation. The overall relationship with stakeholders hovers around a level of 3,5, which is the mean.

Figure 6.2: Breede Valley’s rating of stakeholders

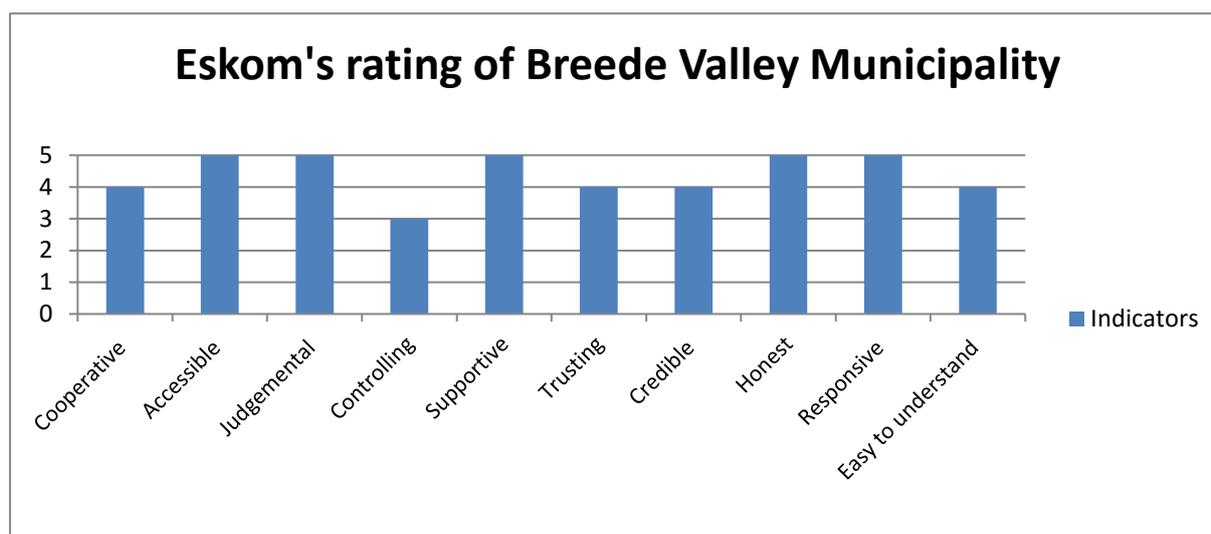


Source: Breede Valley Municipality

### 6.9.1.2 Ratings by stakeholders

#### Eskom

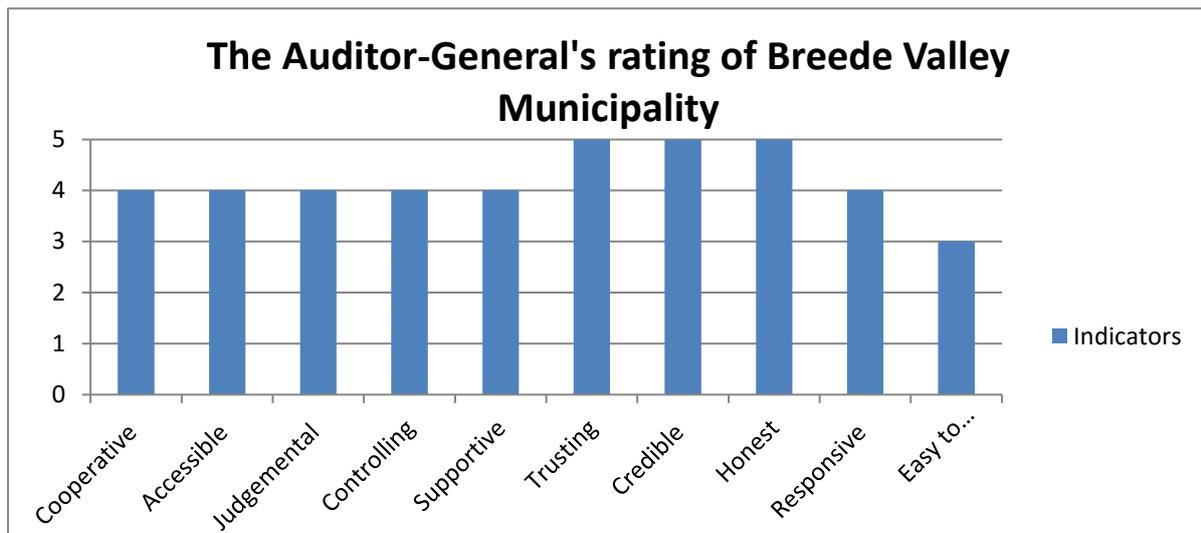
The graph reflects that the relationship between Eskom and Breede Valley ranges from average to very good. The overall impression is that there is a healthy relationship between the two organisations. Five out of the ten indicators were measured at a level 5 whilst four of the indicators were measured at a level 4. One indicator was scored at level 3.

**Figure 6.3: Eskom's rating of Breede Valley Municipality**

Source: ESKOM

### **Auditor-General**

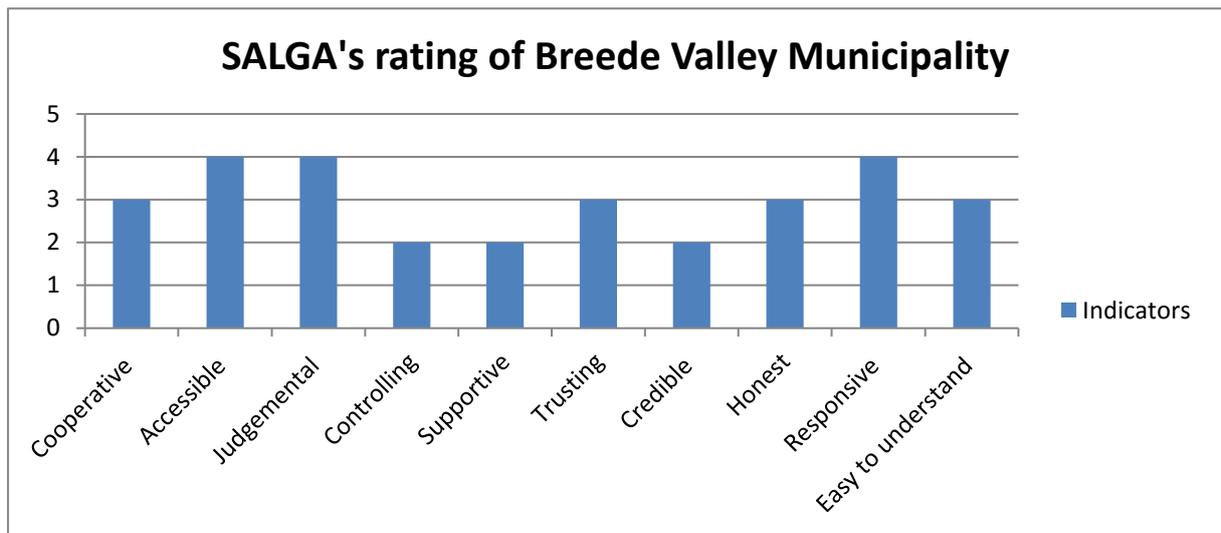
Three out of the ten indicators were scored at 5, whilst six of the ten were scored at 4. The indication from the graph is that the Auditor-General indicates that they have a very good relationship with the municipality. The three top indicators were trust, credibility and honesty.

**Figure 6.4: The Auditor-General's rating of Breede Valley Municipality**

**Source:** Auditor General Western Cape

### **SALGA**

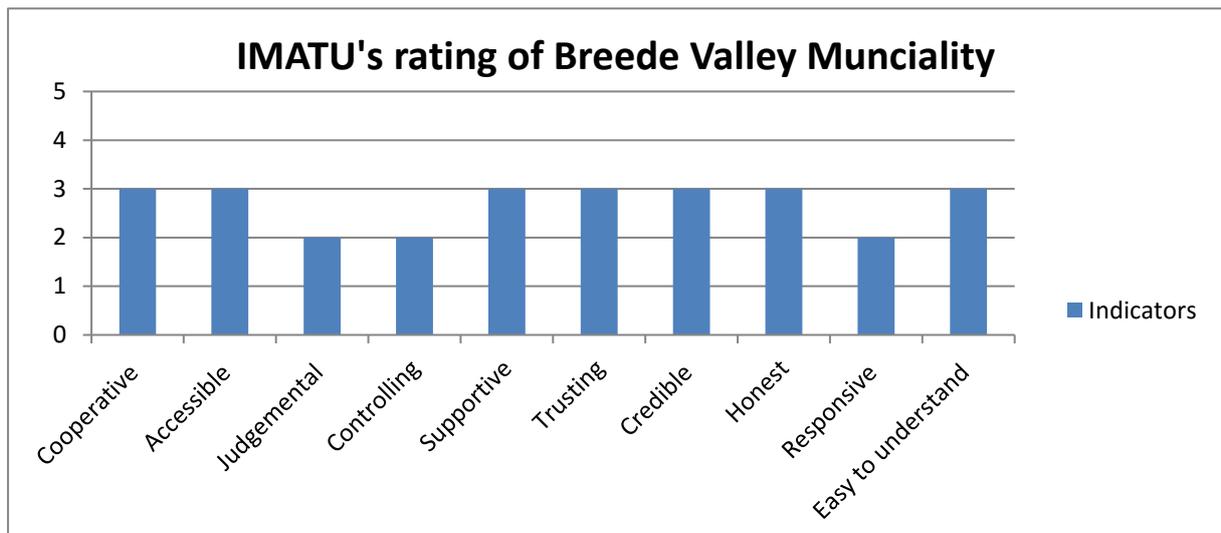
SALGA's rating of the municipality scored three out of the ten indicators at a level 4. Four of the indicators were scored at a level 3 and three indicators scored at a level 2. The graph indicates that there are serious gaps between the municipality and the organisation which is a course for concern. The three lowest indicators are control, support and credibility.

**Figure 6.5: SALGAs rating of Breede Valley Municipality**

Source: SALGA

## IMATU

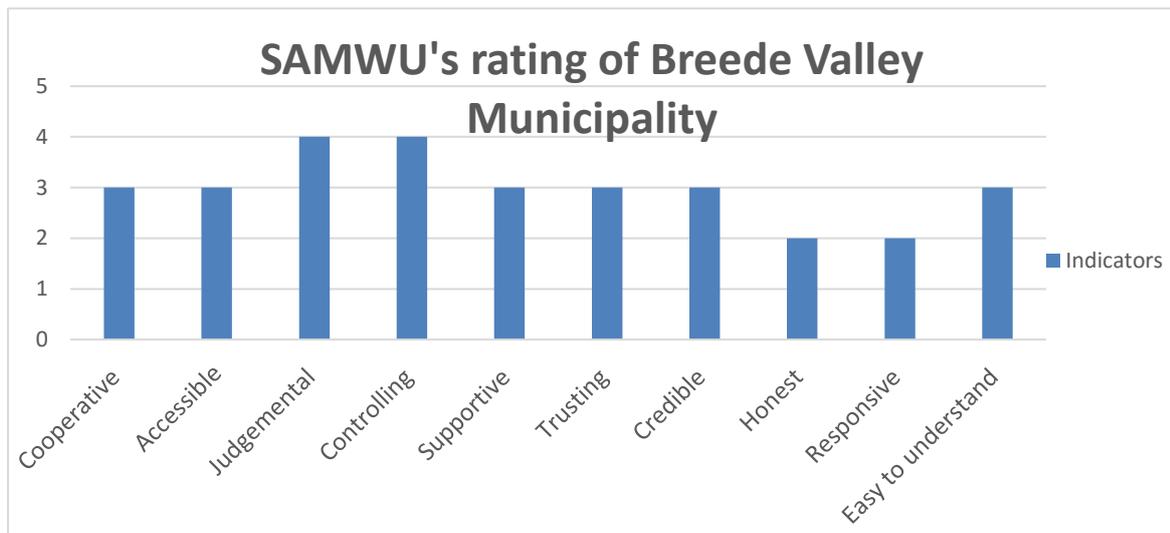
IMATU's rating of the Breede Valley (BV) municipality indicates that seven of the ten indicators are scored at a level 3 while three indicators are scored at a level 2. This is an indication that the relationship between the organisations are not healthy. There could be several reasons for the low scores. Given the nature of the relationship (labour), it could be argued that the low scores are attributable to trust issues between labour and the employer and the fact that IMATU represents the interest of its members.

**Figure 6.6: IMATU's rating of Breede Valley Municipality**

**Source:** IMATU

### **SAMWU**

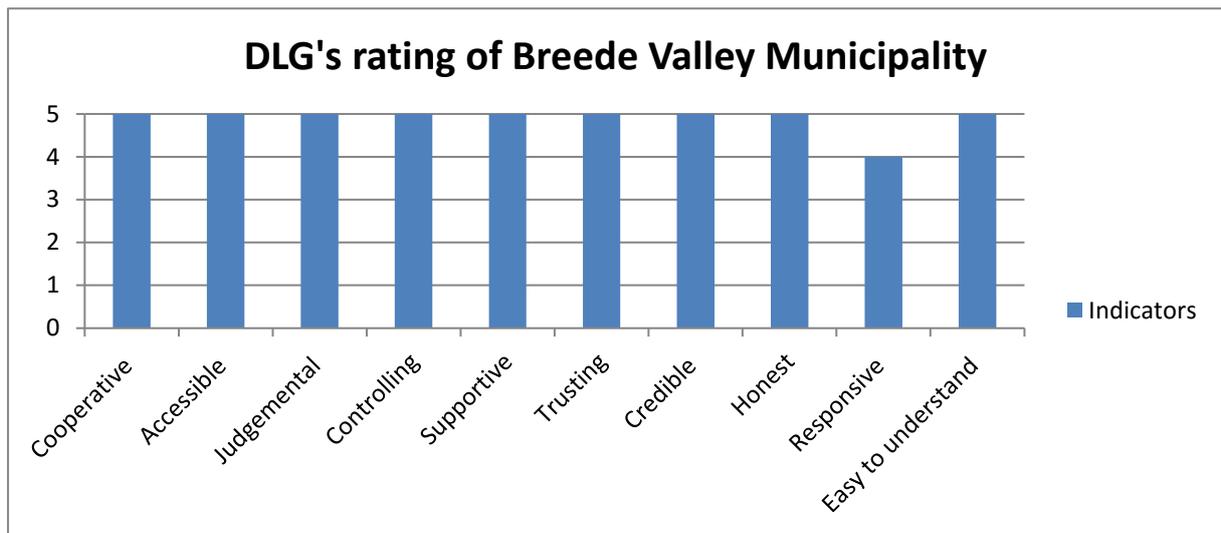
The relationship between SAMWU and the BV municipality indicates that two of the ten indicators are rated at a level four, six indicators are rated at a level three and two indicators at a level two. The picture that can be derived from the bar is that the relationship between the organisations are not at a desired level but it is slightly better compared to another labour union, IMATU. Honesty and responsiveness are the two lowest indicators that need attention.

**Figure 6.7: SAMWU's rating of Breede Valley Municipality**

**Source:** SAMWU

### **The Department of Local Government (DLG)**

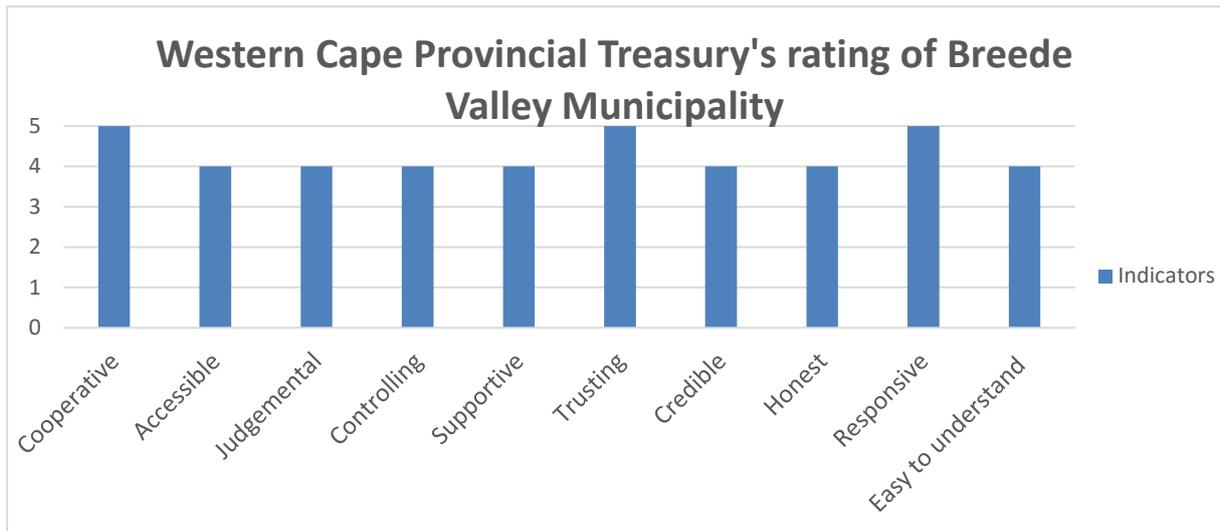
The DLG rated the Breede Valley Municipality very highly. Nine out of the ten indicators were rated at five, and one indicator was rated at a level four. The graph indicates that the relationship between the two organisations is at a very good level. The conclusion that can be made is that both institutions has worked hard at improving the relationships, especially from a co-operation perspective. Furthermore, the Department meets with leadership of the municipality from time to time and provides support in various legislative matters.

**Figure 6.8: The DLG's rating of Breede Valley Municipality**

**Source:** Department of Local Government

### **The Provincial Treasury**

From the data it can be observed that the Provincial Treasury has maintained a very good relationship with the Breede Valley Municipality. The overall rating ranges from a level four to five. This is an indication that the leadership of the municipality has ensured that the municipality complies with the legislative mandate and a solid foundation forms the basis of the relationship. According to the municipality, this improved relationship has led to a mutually beneficial relationship for both organisations.

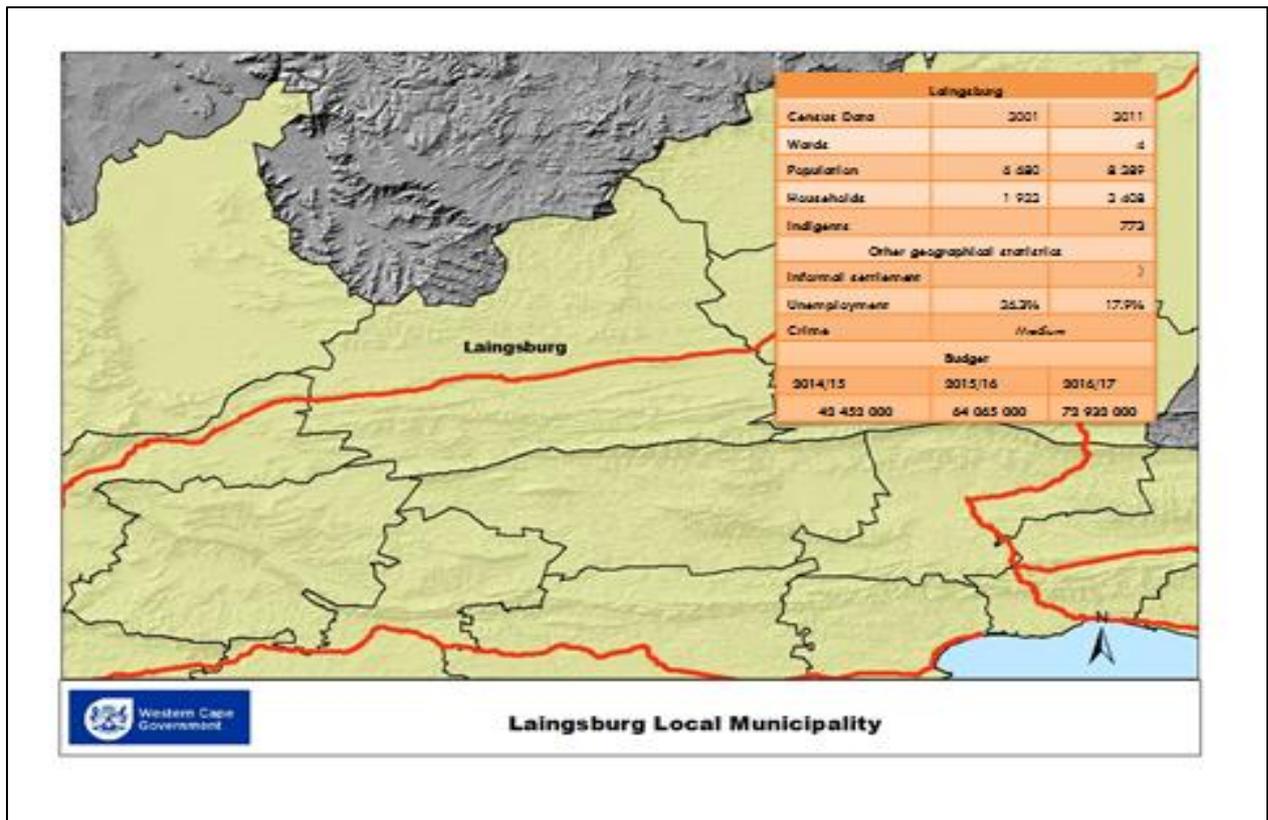
**Figure 6.9: The Provincial Treasury's rating of Breede Valley Municipality**

**Source:** Western Cape Provincial Treasury

## 6.10 Laingsburg Municipality

### 6.10.1 Demographic, geographic and socio-economic background of the municipality

“Laingsburg Municipality is categorised as a low capacity municipality. Laingsburg Local Municipality (LLM) is situated in the Central Karoo region of the Western Cape. It is the smallest municipality in South Africa, with a total population estimate of 8 889 with 2 447 households (Stats 2011 projections for 2014). The municipality’s main socio-economic challenges include the municipal inability to attract investors to the town, high unemployment and declining school enrolment. Agriculture has traditionally been the dominant sector in the region but there has been strong growth in the finance, insurance and real estate, as well as business services linked to various sectors within the Laingsburg Municipality environment, including wholesale and retail, trade, catering and accommodation. The municipality covers an area of approximately 8 800 square kilometres and the town of Laingsburg, 276 km from Cape Town, is the main centre and straddles the N1 National Road”(IDP, 2015:21).

**Figure 6.10: Map of Laingsburg Municipality**

Source: Western Cape Department of Local Government

### 6.10.2 Service delivery in Laingsburg Municipality

The following table depicts household access to basic services in Laingsburg Municipality. The municipality has done well in the provision of services to its community. Access to basic services such as electricity, sanitation and water is above the 90 per cent mark but refuse removal is sitting at 84,5 per cent.

**Table 6:2: Household access to basic services in Laingsburg Municipality**

Water			Sanitation		Solid Waste	Electricity	
Access to improved water	Access to piped water	Water interruptions longer than two days	Access to improved sanitation	Sharing toilets	Access to refuse removal	Access to electricity	Experiences interruptions
98,9	88,1	41,5	97,9	17,6	80,6	87,5	21,7

Source: Community Survey (2016).

## 6.11 Legislative Stakeholders: The Auditor-General and the Provincial Government of the Western Cape

### 6.11.1 Strategy

The municipality does not have a Stakeholder Relationship Management Strategy. Engagements with stakeholders are governed through the Public Participation Policy, Ward Committee Policy, communication strategy, IDP budget process plans (time schedules) and on an ad-hoc basis.

### 6.11.2 Engagements

Meetings with the Auditor-General take place during the audit cycle from August to December every year. On-site meetings take place on a bi-weekly basis. However, there is also a steering committee that meets with the AG on a monthly basis.

### 6.11.3 Agreements

There is no formal agreement with the AG but the relationship is managed through an audit action plan. This plan contains information related to cost of services and timescales for the delivery of services.

#### **6.11.4 Implementation and execution**

The implementation mechanism for agreements with the AG is a collective responsibility between the municipality and the Auditor-General. The implementation and execution of agreements between the municipality and the province is guided by a memorandum of understanding and several other legal mechanisms.

#### **6.11.5 Conflict and evaluation**

Disagreements between the municipality and AG are managed through a forum of municipal officials and the AG personnel. Burning issues are dealt with on a personal level and, where necessary, the Provincial Treasury and the Department of Local Government act as intermediaries in the process. Disagreements between the municipality and provincial government are dealt with through intergovernmental forums, such as the MinMayTech and the Premier's Co-ordinating Forum.

### **6.12 Provincial Government of the Western Cape**

#### **6.12.1 Strategy**

There is no strategy in place for how municipalities should deal with the Western Cape provincial government.

#### **6.12.2 Engagements**

Provincial meetings take place on a monthly and quarterly basis, through various forums and structures. These forums include but are not limited to the PCF, MinMayTech, MinMay, the LGMTECs, MGROs, IDP indabas, JPIs, LED, IDP management forums, the Predetermined Objectives Forum (PDO), the Supply Chain Management Forum (SCM Forum). The Municipal Managers Forum (MM Forum) and the Chief Financial Forum (CFO Forum).

### **6.12.3 Agreements**

The municipality has several agreements with the province, consisting of memoranda of understanding (MOUs) or memoranda of agreements (MOAs), Back to Basics, the Joint Planning Initiative (JPI), DLG: CDW's DOC's: Community Safety, Wolwekloof, Chrysalis, Department of Local Government, the Department of Human Settlements, the Provincial Treasury and the Extended Public Works Programme (EPWP) with the Department of Transport and Public Works.

### **6.12.4 Implementation and execution**

Agreements with the provincial departments are monitored on a monthly, quarterly and annual basis. Quarterly reports are shared between the provincial departments and the municipality. The Annual Report is provided to the AG as part of the audit process.

### **6.12.5 Conflict and evaluation**

Conflict and evaluation take place through different forums, such as the PCF, MinMayTech, MinMay and MGRO meetings, engagements, compliance systems, but most of the time through meetings with role players and forum meetings.

## **6.13 Strategic Stakeholders: Service Providers and Eskom**

### **6.13.1 Strategy**

The municipality does not have a stakeholder relationship management strategy with Eskom and service providers. The relationship is managed through a service level agreement.

### **6.13.2 Engagement/communication activities**

The municipality meets with service providers on a bi-weekly basis to discuss matters that are impacting on service delivery. These meetings are attended by the SCM department and managers. Meetings are held with legal service providers as the need arises.

### **6.13.3 Agreements**

The agreements between service providers and the municipality are managed through legal contracts. Both parties are held liable as per the contract agreements. Agreements with the legal service are also managed through legal contracts. Deliverables are clearly articulated.

### **6.13.4 Implementation and execution**

Implementation of agreements is monitored through contract management procedures. Service providers are held accountable in line with service delivery standards and timelines. Issues of non-delivery are managed through meetings with the service providers.

### **6.13.5 Conflict and evaluation**

Conflict with service providers is managed through service level agreements. Close out reports are provided at the end of a contract to ascertain whether deliverables have been met and also to identify areas of concern.

## **6.14 Eskom**

### **6.14.1 Strategy**

No strategy is in place to manage the relationship with Eskom. Eskom provides the municipality with electricity and the relationship is built on trust.

### **6.14.2 Engagements**

Meetings with Eskom take place on a quarterly basis or as the need arises. The technical department deals with Eskom and issues pertaining to the electricity network, and other technical matters are also discussed in these meetings.

### **6.14.3 Agreements**

The relationship with Eskom is governed through a service level agreement and both parties are held accountable in terms of this agreement.

### **6.14.4 Implementation and execution**

The municipality monitors the SLA with Eskom on a monthly basis. The technical director is responsible for the monitoring of the SLA and meetings take place on a regular basis to address areas of concern.

### **6.14.5 Conflict and evaluation**

Matters pertaining to non-delivery of services are dealt with as the need arises. The municipality meets with Eskom to address issues pertaining to network problems.

## **6.15 Reflective Stakeholders: Trade Unions (LLF and SALGA)**

### **6.15.1 Strategy**

Municipal staff is administered in terms of various legislative enactments, e.g. the Labour Relations Act (No. 66 of 1995), the Basic Conditions of Employment Act (No. 55 of 1998), the Local Government: Municipal Systems Act (No. 32 of 2000), as well as numerous collective agreements concluded between the recognised employer and employee parties.

All negotiations between the parties are directed under the auspices of the South African Local Government Bargaining Council (SALGBC). SALGA represents the employer and the employee is represented by the Trade Unions.

The South African Local Government Association (SALGA) is the representative of the employer and interfaces with parliament and several government institutions on behalf of municipalities.

### **6.15.2 Engagement/communication activities**

The LLF meets on a monthly basis to discuss all labour related matters. The meeting is attended by the employer (municipality) and all the labour unions.

### **6.15.3 Agreements**

The relationship between the LLF and municipality is governed in terms of the Local Government Bargaining Council. The collective agreement guides the relationship and the municipality and the trade unions meet on a monthly or quarterly basis to discuss issues pertaining to the benefits and working conditions of municipal employees.

### **6.15.4 Implementation and execution**

Agreements are made at the LGBGC and the implementation and execution of collective agreements are monitored by the Local Labour Forum.

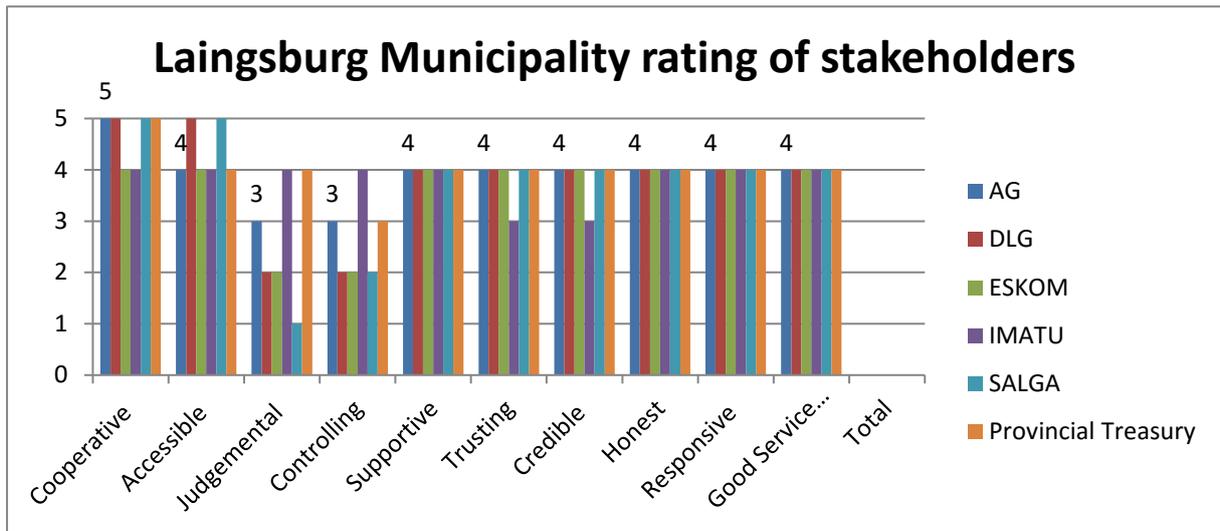
### **6.15.5 Conflict and evaluation**

Conflict is managed through the Local Government Bargaining Council.

### **Rating of Stakeholders**

When analysing the data, it is clear that Laingsburg municipality is maintaining a stable relationship with stakeholders. The graph indicates that the municipality rated its stakeholders at various levels. The lowest rating is for SALGA (on the issue of judgement) and the DLG (on judgement and control). These two indicators reflect criticism of how the institution enforces its authority and interferes in municipal matters.

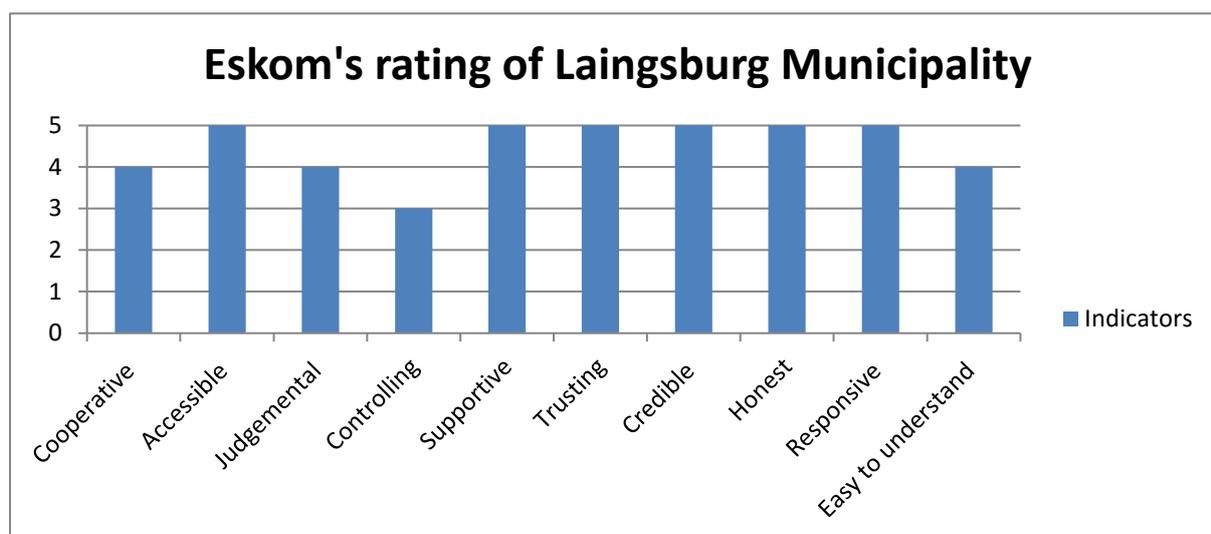
**Figure 6.11: Laingsburg Municipality’s rating of stakeholders**



Source: Laingsburg Municipality

### Rating of Municipality by Stakeholders

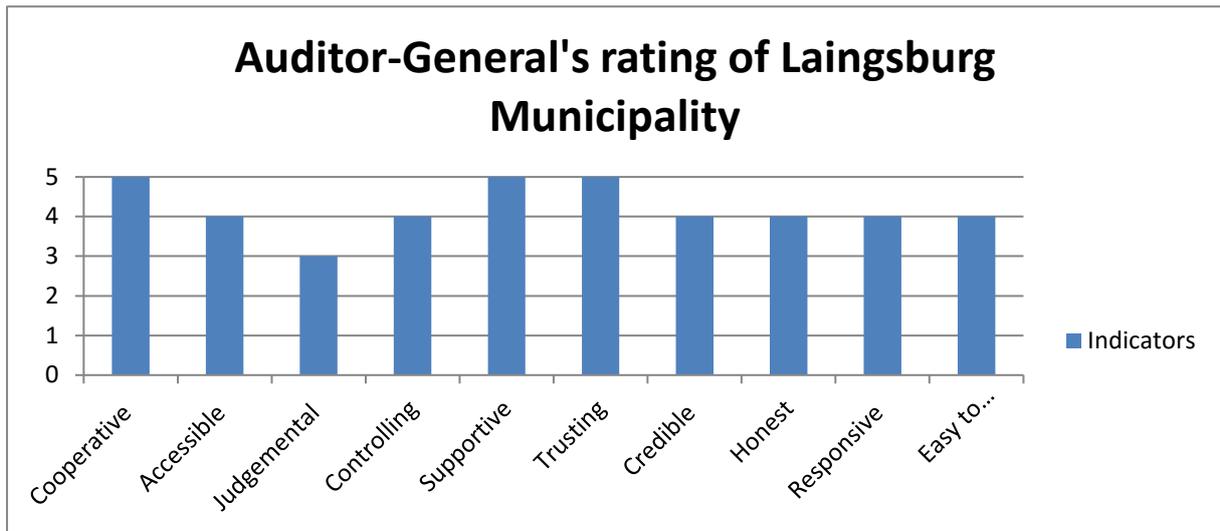
Eskom rated the municipality from three to five, which is reasonable within the context of the study. Six out of ten indicators have been rated at a level five and three indicators at level four. The picture painted is that Eskom has a very good relationship with the municipality and that issues are dealt with in a very mature and systematic manner. The advantage of such a relationship is sustainable provision of services to the community.

**Figure 6.12: Eskom's rating of Laingsburg**

Source:ESKOM

The Auditor-General indicates rated three of the ten indicators at a level five, and six at a level four. This implies that the overall relationship is very good. It is of cardinal importance that the municipality and the AG maintain good relationship in the interest of good governance.

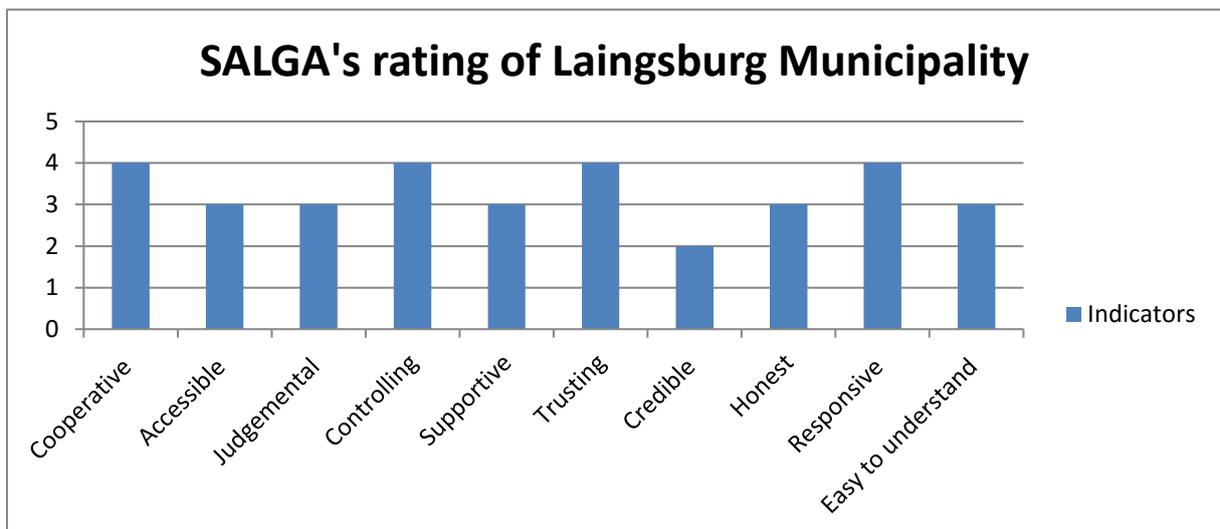
**Figure 6.13: The Auditor-General’s rating of Laingsburg Municipality**



Source: Auditor General Western Cape

SALGA’s rating of the municipalities hovers between two and four. Four of the indicators are rated at a level four, and five indicators at a level three. However, there is room for improvement on credibility, which is been rated at a level two – lower than the accepted norm.

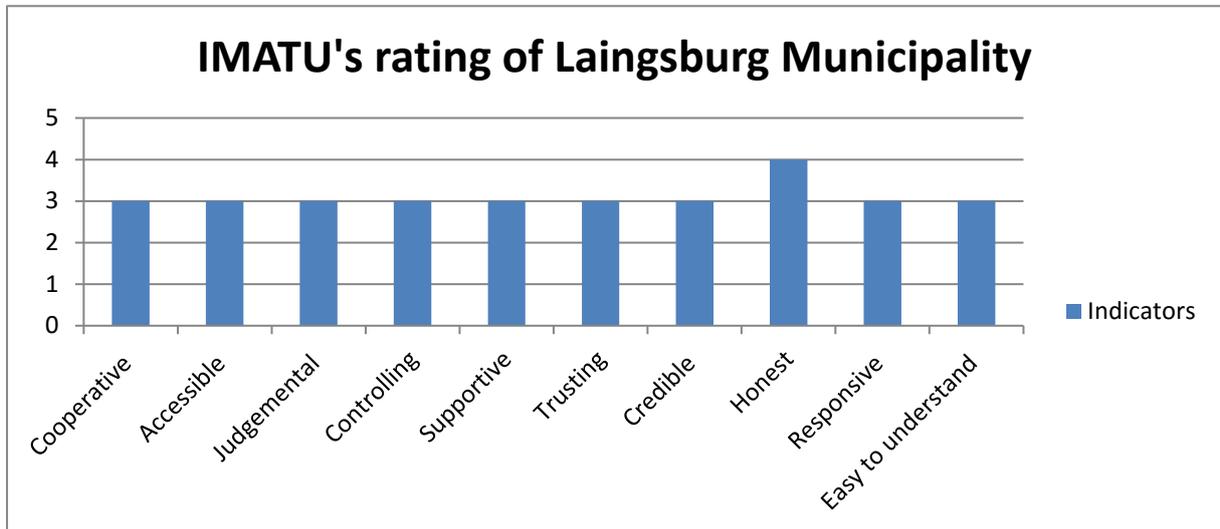
**Figure 6.14: SALGA’s rating of Laingsburg Municipality**



Source: SALGA

IMATU rates Laingsburg municipality at level three and four. One indicator is rated at level four. All other indicators are rated at a level 3, which is an indication that the relationship between the two institutions is at an acceptable level.

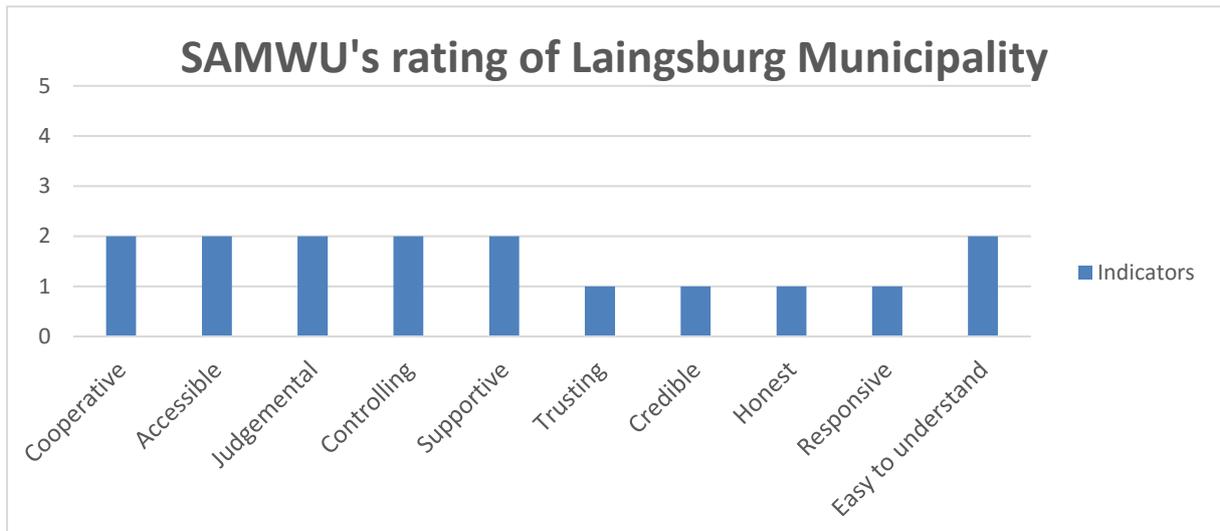
**Figure 6.15: IMATU's rating of Laingsburg Municipality**



Source: IMATU

SAMWU rated the municipality at a level two for six of the indicators and at a level one for 4 of the indicators. The graph is indicative of the quality of the relationship between the two organisations. The implication of this relationship is that labour issues will not be dealt with in an effective way.

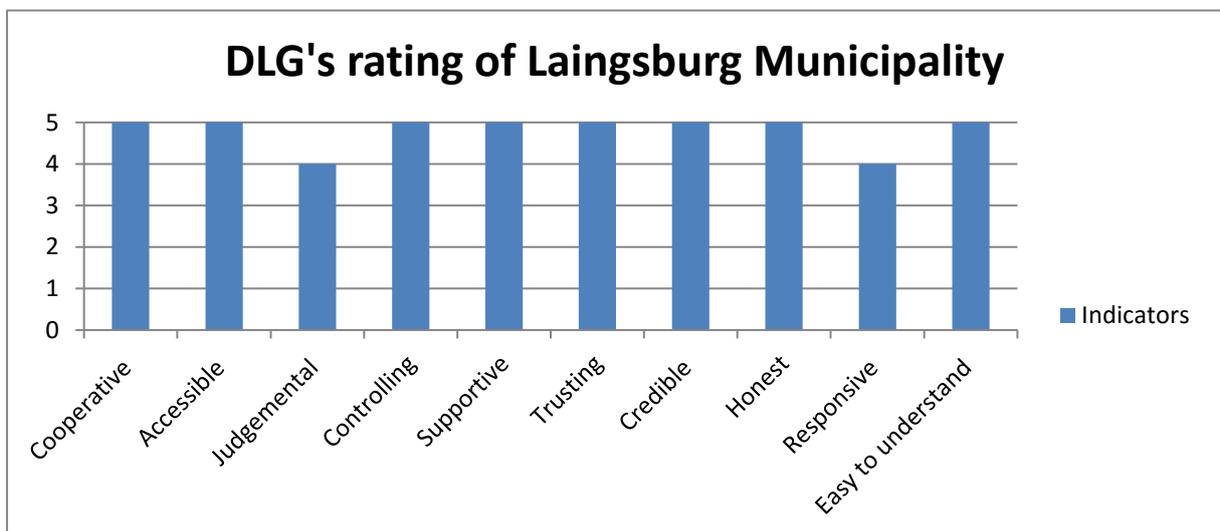
**Figure 6.16: SAMWU’s rating of Laingsburg Municipality**



Source: SAMWU

The Department of Local Government rated eight of the ten indicators at a level five, and two indicators at level four. This is an indication that the two institutions have a good relationship.

**Figure 6.17: The DLG’s rating of Laingsburg Municipality**

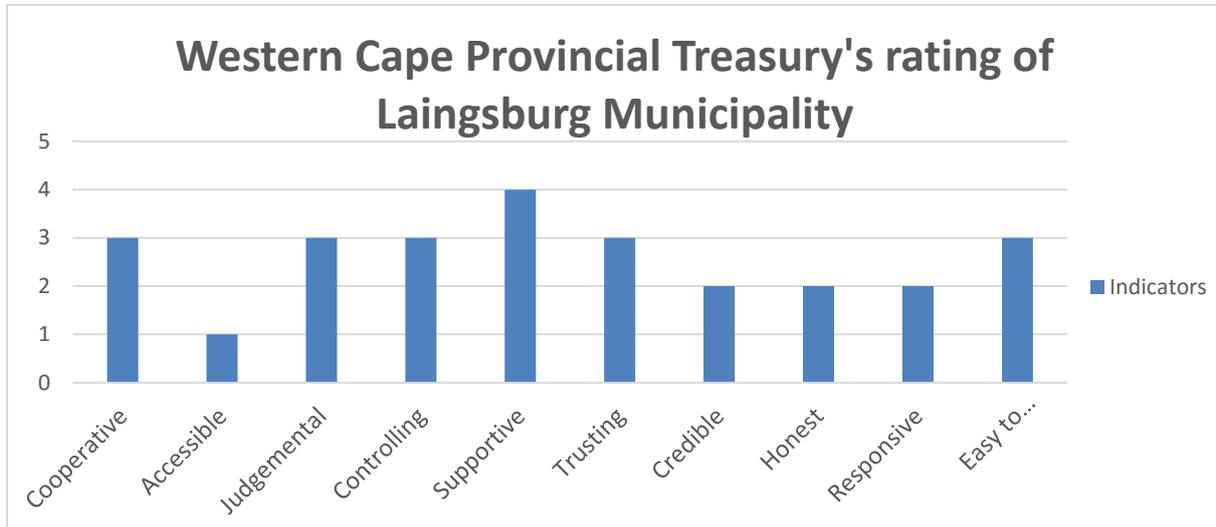


Source: Department of Local Government

The below graph reflects the relationship between the Provincial Treasury and Laingsburg municipality. One of the indicators is scored at a level four, five indicators at level three, three

indicators at level two and one indicator at a level one. From the data it is clear that a lot of work still needs to be done on the relationship between these two institutions.

**Figure 6.18: The Provincial Treasury's rating of Laingsburg Municipality**



Source: Western Cape Provincial Treasury

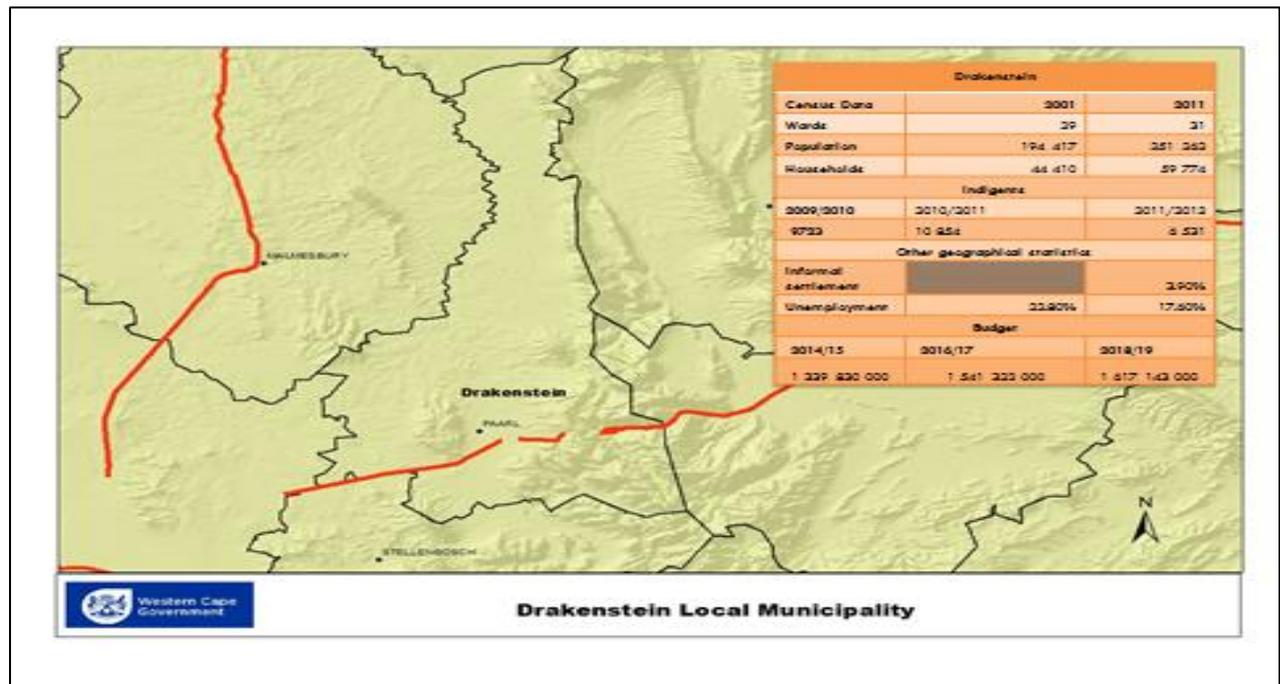
## 6.16 The Municipality of Drakenstein

### 6.16.1 Historical background

“Drakenstein Local Municipality is a Category B municipality situated in the Cape Winelands District of the Western Cape and roughly 60km east of the Cape Town Central Business District.

The municipality is strategically located on the national road and railway routes to the rest of South Africa and effectively forms the gateway to the City of Cape Town. The Municipality covers an area of 1 538 km<sup>2</sup> and comprises the towns of Paarl, Wellington, Saron, Gouda, and Hermon. It is a strong economic hub of the region and has a strong agricultural, tourism, light manufacturing industry and business services base and has recorded positive economic growth over the period 2001 to 2009”(IDP, 2015:32).

**Figure 6.19: Map of Drakenstein Municipality**



Source: Western Cape Local Government Department

### 6.16.2 Service delivery in Drakenstein Municipality

The following table depicts the household access to basic services in the Drakenstein Municipality. The municipality has done well in the provision of services to its community. The analysis shows that access to water, sanitation, refuse removal and electricity is above 90 per cent.

**Table 6.3: Household access to basic services in Drakenstein Municipality**

Water			Sanitation		Solid Waste	Electricity	
Access to improved water	Access to piped water	Water interruptions longer than two day	Access to improved sanitation	Sharing toilets	Access to refuse removal	Access to electricity	Experienced interruptions
99,8	99,5	25,0	97,8	17,8	93,6	94,5	33,1

Source: Community Survey (2016).

## **6.17 Legislative Stakeholders: The Auditor-General and the Provincial Government of the Western Cape**

### **6.17.1 Strategy**

Drakenstein Municipality does not have a stakeholder relationship policy or strategy. The relationship with stakeholders is managed through a public participation policy and ward committee strategy that primarily deals with citizen engagement.

### **6.17.2 Engagements**

Meetings with the Auditor-General take place during the audit cycle from August to December every year. On-site meetings take place bi-weekly. Meetings also take place through a steering committee that meets with the AG on a monthly basis.

### **6.17.3 Agreements**

There is no formal agreement with the AG but the relationship is managed through an audit action plan. This plan contains information related to cost of services and timescales for the delivery of services. The CFO's office primarily deals with the AG and all engagements are managed by the office of the CFO.

### **6.17.4 Implementation and execution**

The implementation mechanism for agreements with the AG is a collective responsibility between the municipality and the Auditor-General. The CFO as head of finance ensures that items are implemented and monitored on a monthly basis as per the audit plans.

### **6.17.5 Conflict and evaluation**

Disagreements between the municipality and the AG are managed through a forum of municipal officials and AG personnel. Burning issues are dealt with on a personal level and, where necessary, the Provincial Treasury and the Department of Local Government act as intermediaries in the process. Disagreements between the municipality and the provincial

government are dealt with through intergovernmental forums, such as MinMayTech and the Premier's Co-ordinating Forum.

## **6.18 Strategic Stakeholders: Suppliers and Legal Service**

### **Providers**

#### **6.18.1 Strategy**

The municipality does not have a strategy in place to deal with suppliers and legal service providers but the relationship is managed through a service level agreement.

#### **6.18.2 Engagement/communication activities**

The municipality meets with suppliers on a bi-weekly basis to discuss matters that are impacting on service delivery. These meetings are attended by the SCM department and managers. Meetings with legal service providers are held as the need arises.

#### **6.18.3 Agreements**

The agreements between the municipality and suppliers are managed through legal contracts. Both parties are held liable as per the contract agreements. Agreements with legal services are also managed through legal contracts and service delivery agreements. Deliverables are clearly articulated and timeframes are included.

#### **6.18.4 Implementation and execution**

Implementation of agreements is monitored through contract management procedures. Suppliers are held accountable in line with service delivery standards and timelines.

#### **6.18.5 Conflict and evaluation**

Conflict with suppliers is managed through service level agreements. Close out reports are provided at the end of a contract.

## **6.19 Reflective Stakeholders: Trade Unions (LLF and SALGA)**

### **6.19.1 Strategy**

The relationship between the municipality and the Trade Unions are governed by the collective agreement. The LLF meets on a quarterly basis and the municipality is represented by the Municipal Manager and selected Senior Managers and members from the Human Resource Department.

### **6.19.2 Engagement/communication activities**

The LLF meet on a monthly basis to discuss all labour related matters. Recommendations are made to Council for approval.

### **6.19.3 Agreements**

There is no formal agreement in place but the relationship is management through the collective agreement which is negotiated at the Local Government Bargaining Council. In the event of disagreement, a dispute resolution process is in place to ensure that labour issues are managed in an amicable way.

### **6.19.4 Implementation and execution**

Agreements are made at the LGBGC and the implementation and execution of collective agreements are monitored by the Local Labour Forum.

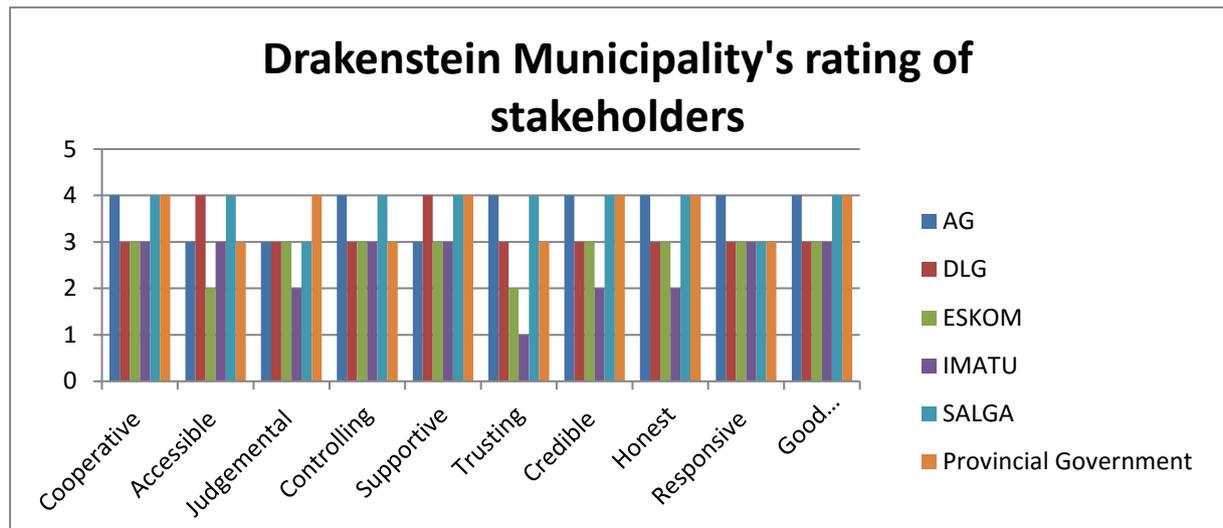
### **6.19.5 Conflict and evaluation**

Conflict is managed through the Local Government Bargaining Council. Management also meets with the labour unions on a quarterly basis to address issues that affect their respective members.

## Rating of Stakeholders

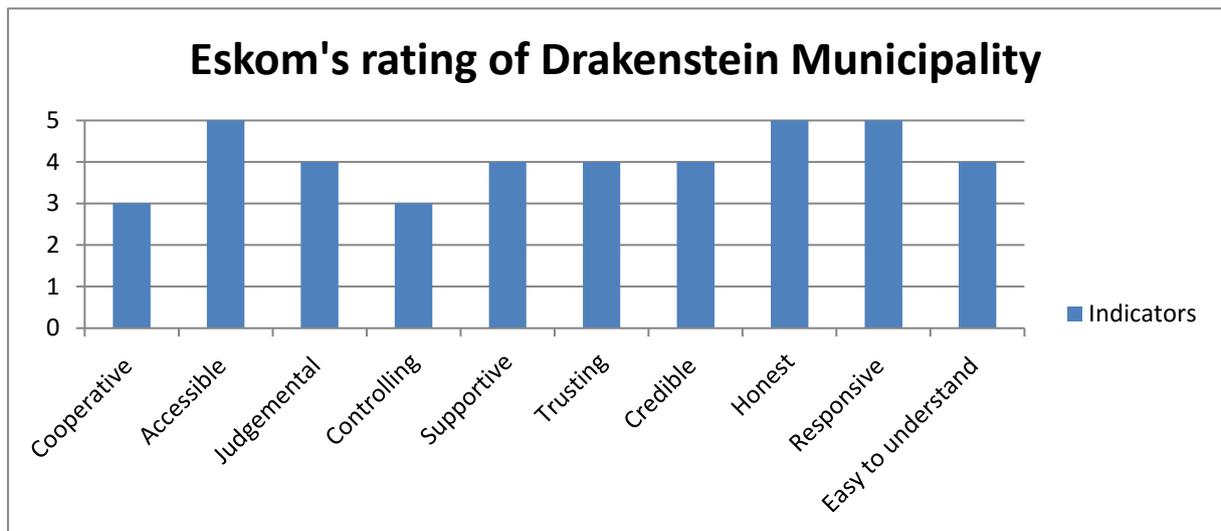
Drakenstein municipality's relationship with their stakeholder ranges from fair to good. The trust relationship between the municipality and IMATU is low and this suggests that there are issues that the parties need to address to improve their relationship.

**Figure 6.20: Drakenstein's rating of Stakeholders**



Source: Drakenstein Municipality

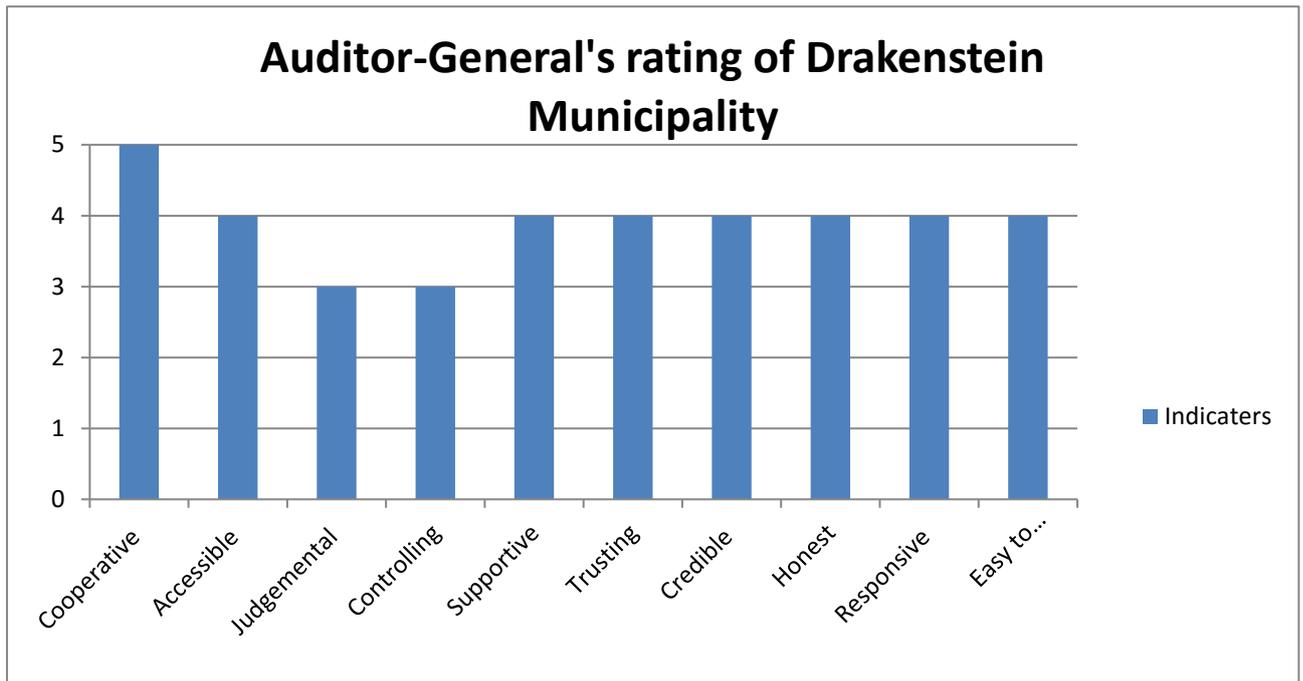
Eskom has rated the municipality a level five for three indicators, a level four for five indicators and level three for two of the indicators. The graph reflects that there is a good relationship between the municipality and the service provider. This will ensure sustainable electricity delivery to the municipality.

**Figure 6.21: Eskom's rating of Drakenstein Municipality**

Source: Eskom

The AG rated the municipality at a level four for seven of the indicators, level five for one indicator and level tree for one indicator. The graph reflects that the relationship between the Auditor-General and the municipality is very good. This is also evident when looking at the audit outcomes of the municipality the last three years – the municipality has received three consecutive audit outcomes.

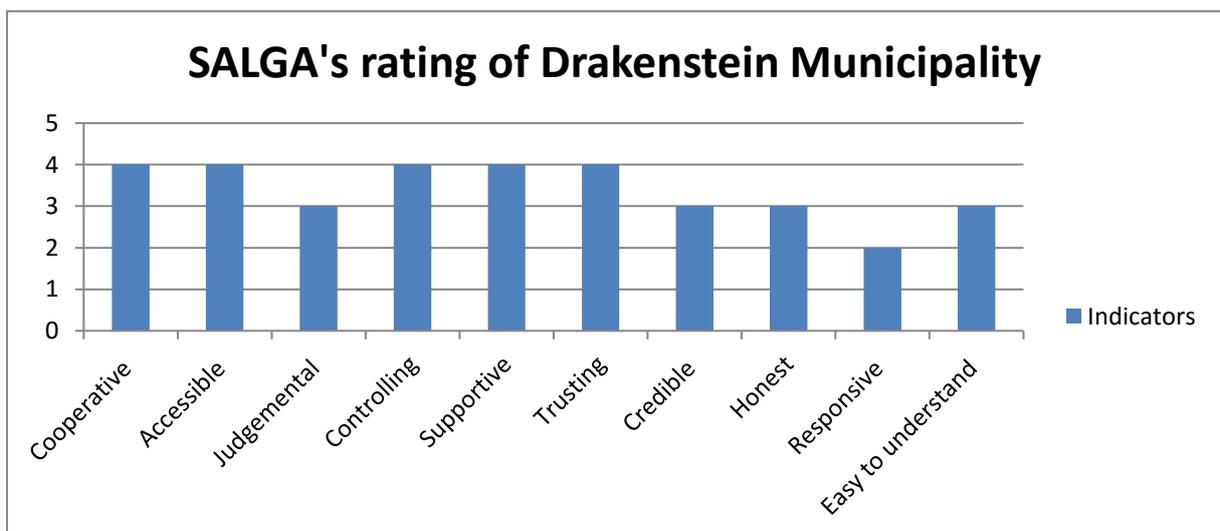
**Figure 6.22: The Auditor-General's rating of Drakenstein Municipality**



Source: Auditor General of the Western Cape

SALGA rated the municipality at a level four for five of the indicators and a level three for four of the indicators. One indicator has been rated at a level two. The graph indicates that the relationship between the two institutions is stable.

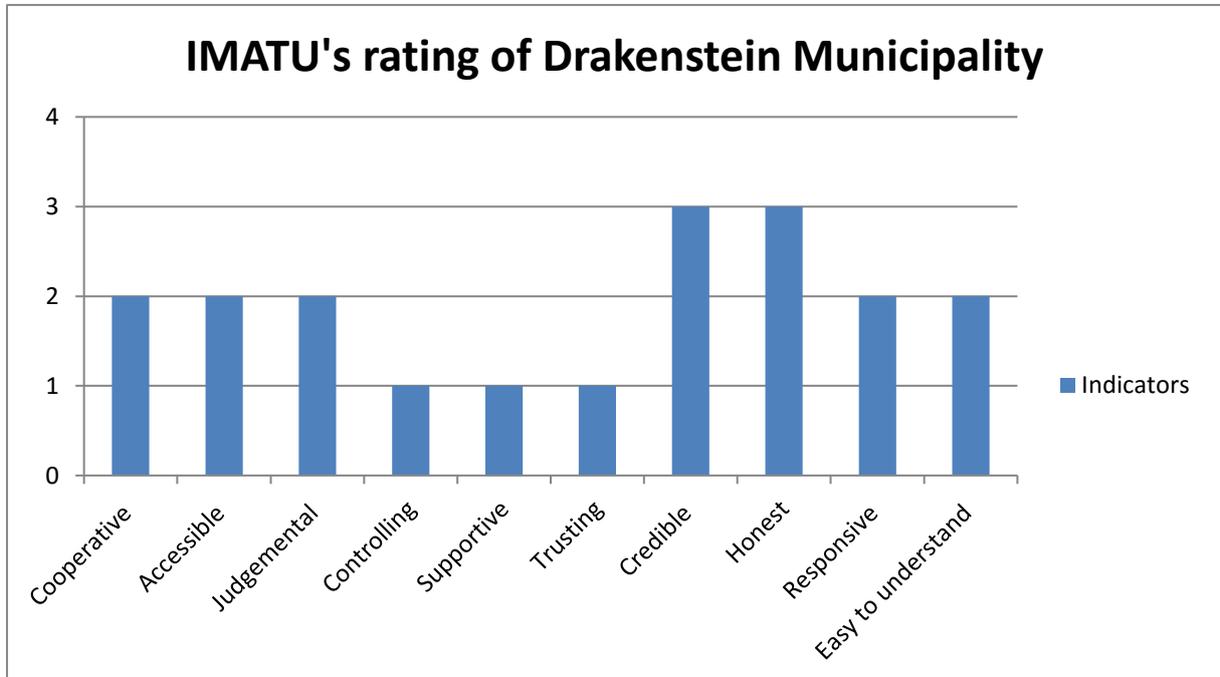
**Figure 6.23: SALGA's rating of Drakenstein Municipality**



Source: SALGA

IMATU rated the municipality at a level three for two of the indicators and a level two for eight of the indicators. The graph indicates that the relationship between the two is strained.

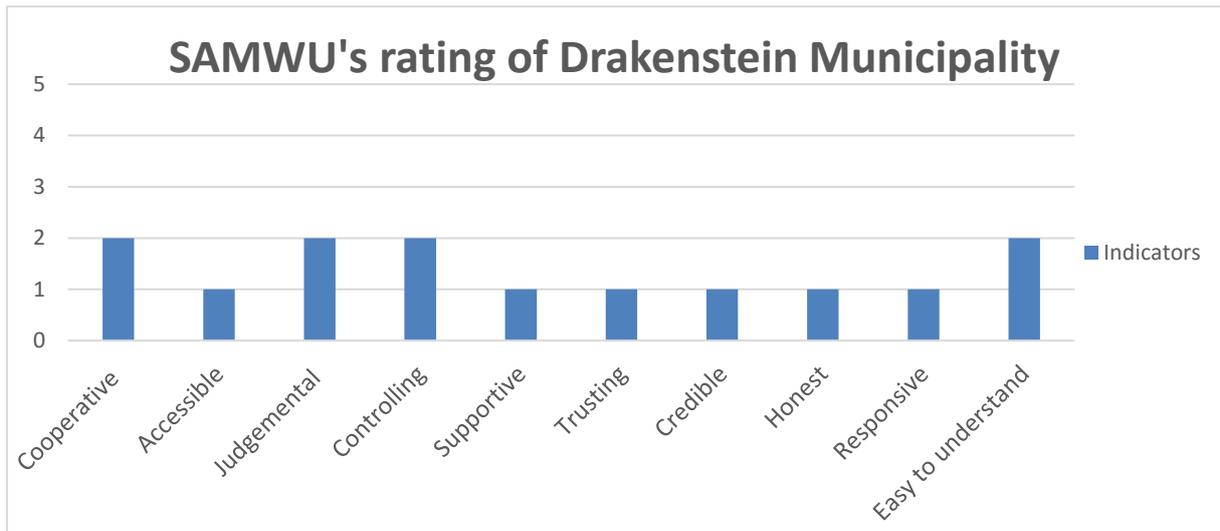
**Figure 6.24: IMATU's rating of Drakenstein Municipality**



Source: IMATU

SAMWU rated the municipality at a level one and two. This situation calls for an urgent intervention from the municipality's side. It is evident from the feedback that the relationship between the two institutions is strained and action should be taken to fix this. The graph demonstrates that there is a serious problem, which undermines the ideal of good employee and employer relations.

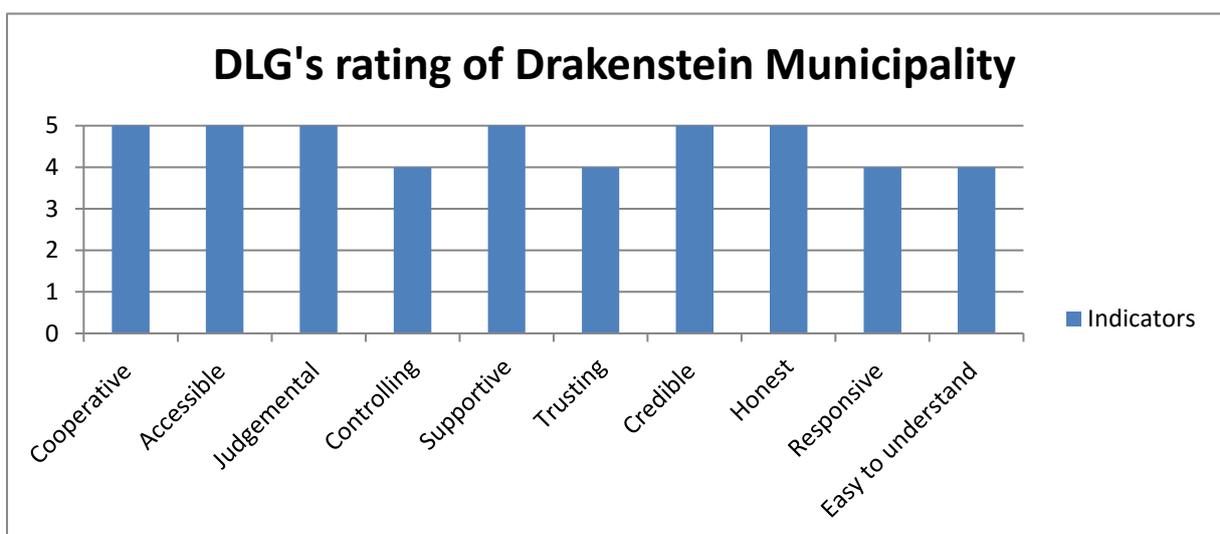
**Figure 6.25: SAMWU’s rating of Drakenstein Municipality**



Source: SAMWU

The Department of Local Government has rated the municipality at a level five for six of the indicators and at a level four for four of the indicators. The graph indicates that there is a good relationship between the two institutions. This can be attributed to the fact that there are regular engagements at leadership level and that the municipality shares its expertise and experience with the department. Officials also co-operate at an administrative level and share best practices in the municipality with other municipalities.

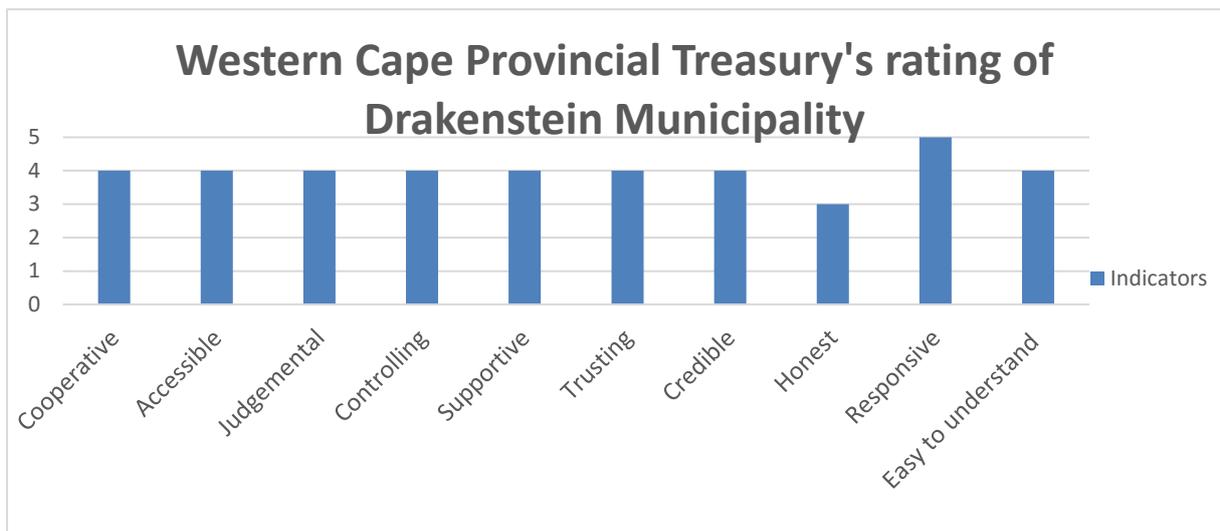
**Figure 6.26: The DLG’s rating of Drakenstein Municipality**



Source: Western Cape Department of Local Government

The graph below reflects the relationship between the Provincial Treasury and the Drakenstein municipality. Eight of the indicators have been rated at a level four, one at level five and one at level three. The PT indicates that the organisation has a good relationship with the municipality. One of the key success stories is the communication between the municipality and the PT. The PT has embarked upon an open-door policy whereby the administrative leadership can meet with the PT if needed and when assistance is needed in terms of financial governance issues.

**Figure 6.27: The Provincial Treasury's rating of Drakenstein Municipality**



Source: Western Cape Provincial Treasury

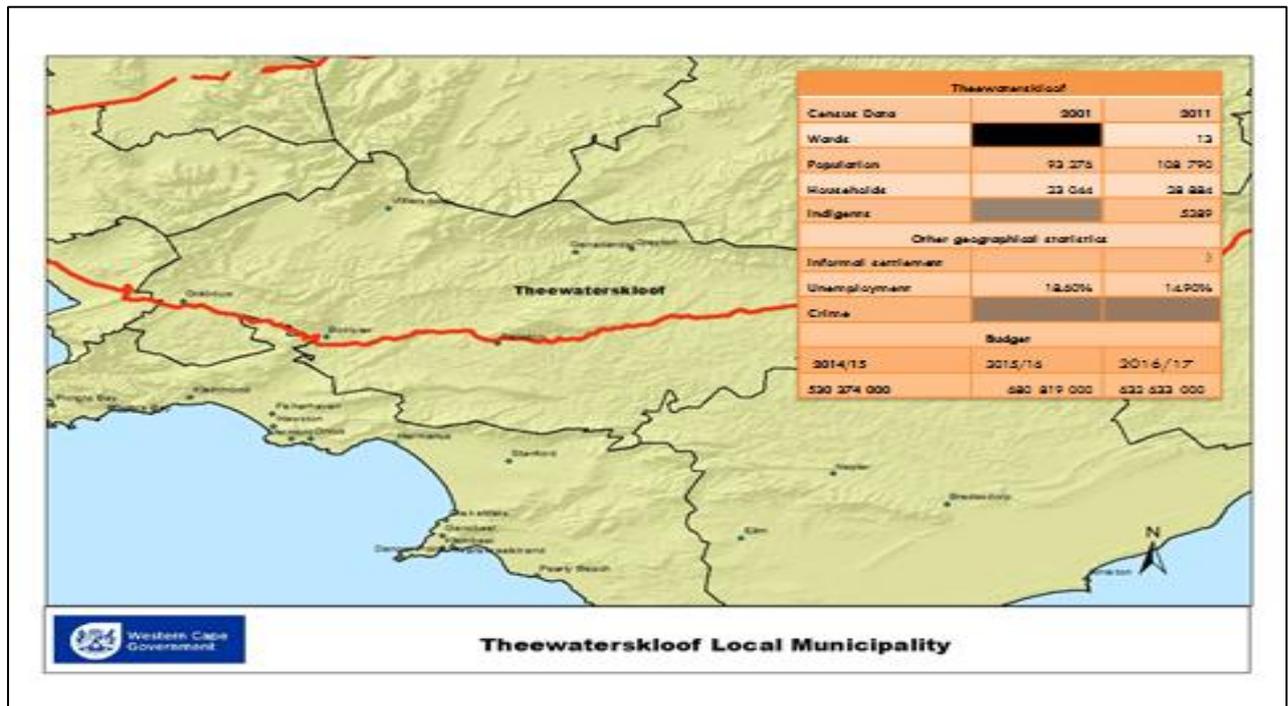
## 6.20 Theewaterskloof Municipality

### 6.20.1 Historical background

“Theewaterskloof Municipality is the largest local authority in the Overberg District with an area of approximately 3 231km<sup>2</sup> and houses 14 wards, embracing the City of Cape Town on its western boundary and sharing the eastern coastline with the Overstrand Municipality. It is the most populous municipality in the Overberg district with 42% of the total district population”(Overberg Regional Development Profile, 2013).

Theewaterskloof Municipality can be categorised as a rural area with open spaces and farming activities, as is clear from the land and areas occupied by agriculture, smallholdings and other land uses.

**Figure 6.28: Map of Theewaterskloof Municipality**



Source: Western Cape Department of Local Government

### 6.20.2 Service delivery in Theewaterskloof Municipality

The following table depicts the household access to basic services in Theewaterskloof Municipality. The municipality has done well in the provision of services to its community. The analysis shows that access to water, sanitation and electricity is above the 90 per cent mark but refuse removal is below 90 per cent.

**Table 6.4: Household access to basic services in Theewaterskloof Municipality**

Water			Sanitation		Solid Waste	Electricity	
Access to improved water	Access to piped water	Water interruptions longer than two days	Access to improved sanitation	Sharing toilets	Access to refuse removal	Access to electricity	Experienced interruptions
98,8	98,4	15,5	92,1	20,2	81,9	90,1	4,8

Source: Community Survey (2016).

## 6.21 Legislative Stakeholders: The Auditor-General and the Provincial Government of the Western Cape

### 6.21.1 Strategy

The municipality does not have a stakeholder relationship management strategy. Engagements with stakeholders are done through terms of references (TORs). The municipality has both a public participation and a ward committee policy that primarily deal with the establishment of ward committees.

### 6.21.2 Engagements

Meetings with the Auditor-General take place annually during the audit cycle from August to December. On-site meetings take place on a bi-weekly basis. A steering committee also meets on a monthly basis. These meetings are well planned and only critical issues are discussed because the cost of engagement with the AG should be controlled.

### 6.21.3 Agreements

There is no formal agreement with the AG but the relationship is managed through an audit action plan. This plan contains information related to cost of services and timescales for the delivery of services.

#### **6.21.4 Implementation and execution**

The implementation mechanism for agreements with the AG is a collective responsibility between the municipality and Auditor-General. The implementation and execution of agreements between the municipality and the province is guided by a memorandum of understanding and several other legal mechanisms. The financial department primarily deals with the AG and is responsible for monitoring of the audit action plan.

#### **6.21.5 Conflict and evaluation**

Disagreements between the municipality and the AG are managed through a forum of municipal officials and the AG personnel. Burning issues are dealt with on a personal level and, where necessary, the Provincial Treasury and the Department of Local Government act as intermediaries in the process. Disagreements between the municipality and provincial government are dealt with through intergovernmental forums, such as MinMayTech and the Premier's Co-ordinating Forum.

### **6.22 The Provincial Government of the Western Cape**

#### **6.22.1 Strategy**

The relationship between the municipality and the provincial government is managed through various provincial forums.

#### **6.22.2 Engagements**

The MGRO engagements take place on a quarterly basis and at IDP indabas at least twice a year. There is also a quarterly CFO forum between the Provincial Treasury and CFOs of all municipalities. Regular meetings are held with the Department of Human Settlements regarding the implementation of the pipeline and the Human Settlements Programme.

### **6.22.3 Agreements**

The municipality has several agreements in place with the provincial departments. This includes memoranda of understanding or MOAs, i.e. Back to Basics and the JPI agreements.

### **6.22.4 Implementation and execution**

The municipality have memorandum of agreements in place with several provincial departments. The municipality reports on the Back to Basics initiative and provide feedback on performance in respect of the MOAs on a monthly basis. Performance monitoring is conducted through a steering committee.

### **6.22.5 Conflict and evaluation**

Conflict is managed through consultation and discussion with provincial government in various forums, such as via the PCF, the MinMayTech, MinMay, MGRO and the IDP managers' forum. Meetings are held on an as-needed basis with officials from the different departments.

## **6.23 Strategic Stakeholders: Suppliers**

### **6.23.1 Strategy**

The relationship between the municipality and its suppliers is governed through service level agreements.

### **6.23.2 Engagement/communication activities**

The municipality meets with suppliers on a bi-weekly basis to discuss matters that are impacting on service delivery. These meetings are attended by the SCM department and managers. Meetings with legal service providers are held as the need arises.

### **6.23.3 Agreements**

The agreements between suppliers are managed through legal contracts. Both parties are held liable as per the contract agreements. Agreements with legal service are also managed through legal contracts. Deliverables are clearly articulated.

### **6.23.4 Implementation and execution**

The implementation of agreements is monitored through contract management procedures. Suppliers are held accountable in line with service delivery standards and timelines.

### **6.23.5 Conflict and evaluation**

Conflict with suppliers is managed through service level agreements. Close out reports are provided at the end of a contract.

## **6.24 Reflective Stakeholders: Trade Unions (LLF and SALGA)**

### **6.24.1 Strategy**

No formal strategy to deal with SALGA and Trade Unions are in place. However, the relationship is managed through a collective agreement which is finalised through the Local Government Bargaining Council.

### **6.24.2 Engagement/communication activities**

The Local Labour Forum (LLF) meets monthly to discuss all labour related matters. The LLF refers all matters to Council for approval. Meetings with SALGA are held on an as-needed basis. The municipality also attends various SALGA workshops to discuss municipal matters.

### **6.24.3 Agreements**

The relationship between the Local Labour Forum and the municipality is governed in terms of the Local Government Bargaining Council Collective Agreement. The LLF meets on a monthly or quarterly basis and IMATU and SAMWU are the trade unions representing the

employees. A third trade union (MATUSA) has recently been established but it does not have rights to be part of the LLF. However, they do have other organisational rights such as recruitment and meetings within the workplace.

### 6.24.4 Implementation and execution

Agreements are made at the LGBGC and the implementation and execution of collective agreements are monitored by the Local Labour Forum.

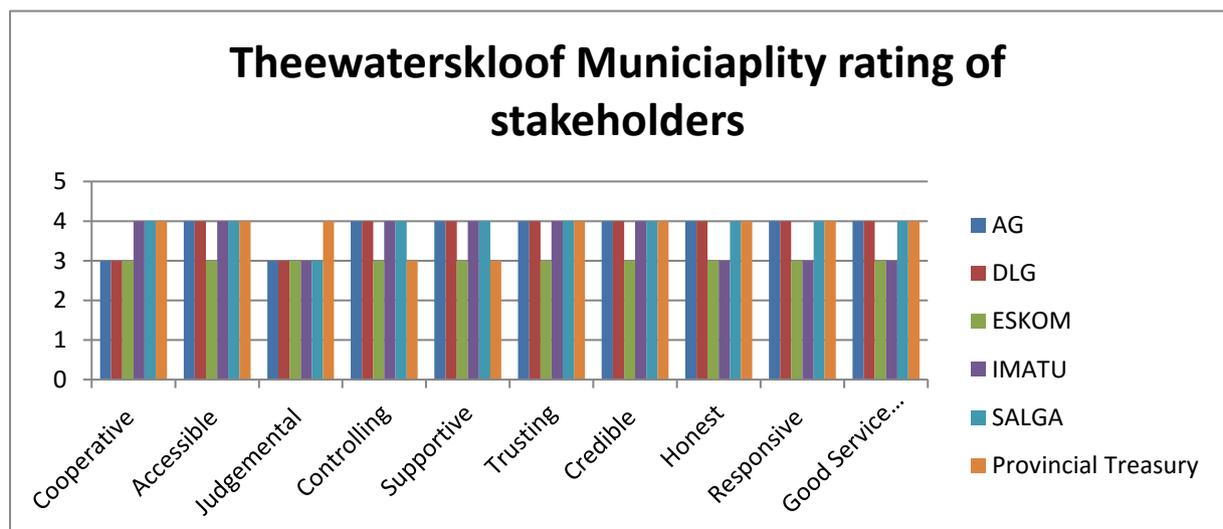
### 6.24.5 Conflict and evaluation

Conflict is managed through the Local Government Bargaining Council.

#### Ratings

The graph below indicates the relationship of Theewaterskloof with its stakeholders. The overall picture that emerges is that the municipality has a good relationship with its stakeholders. Noteworthy is the relationship of the municipality with the Auditor-General. One could argue that the improved relationship has led to improvement in the audit outcomes of the municipality. In other words, governance in the municipality has greatly improved.

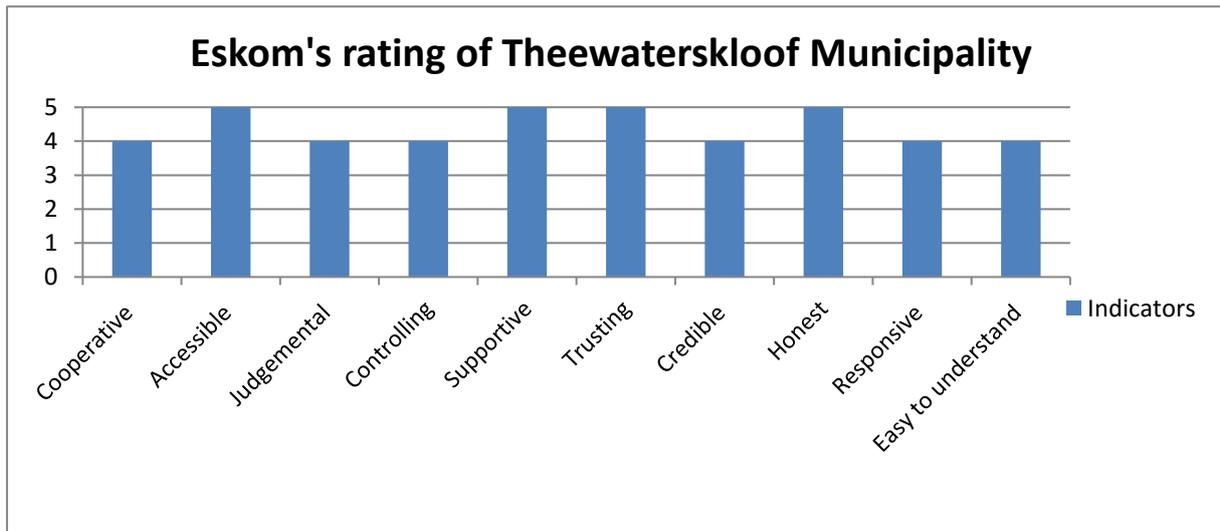
**Figure 6.29: Theewaterskloof Municipality’s rating of stakeholders**



Source: Theewaterskloof Municipality

Eskom rated the municipality at level five for four of the indicators and level four for six of the indicators. What can be deduced from this is that the relationship between the two organisations is healthy. Regular engagements between the two has ensured that service delivery is taking place in a sustainable manner and that little or no service interruption is taking place.

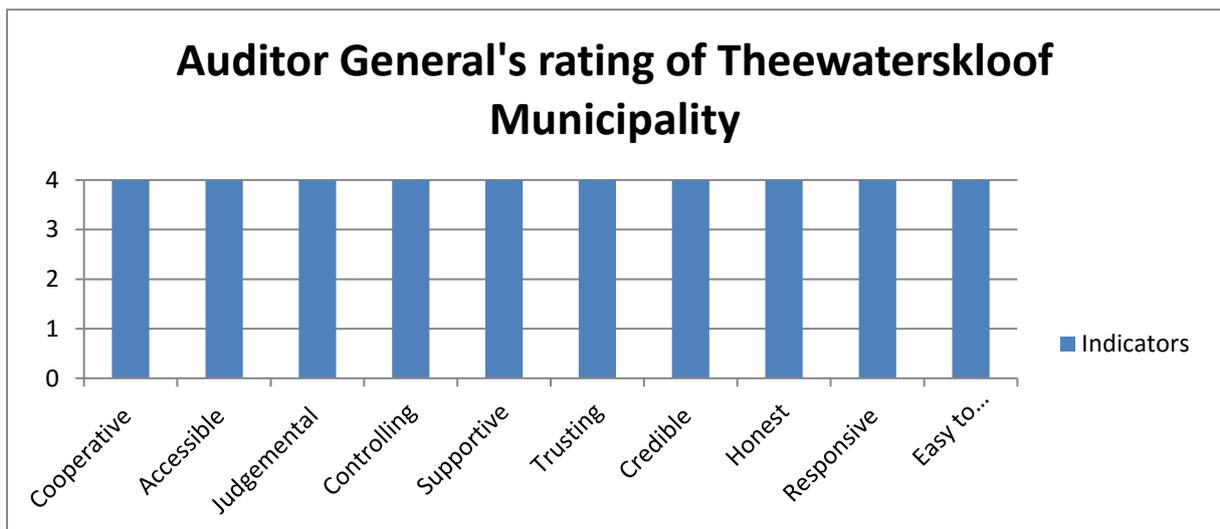
**Figure 6.30: Eskom’s rating of Theewaterskloof Municipality**



Source: Eskom

The Auditor-General rated the municipality at a level four for all of the indicators. The relationship of the Auditor-General and Theewaterskloof is in a very healthy state, as per the graph. The municipal leadership has prioritised good governance a strategic pillar and the audit outcome is proof of the progress that the municipality has made. The municipality has received four consecutive clean audits in the last four years.

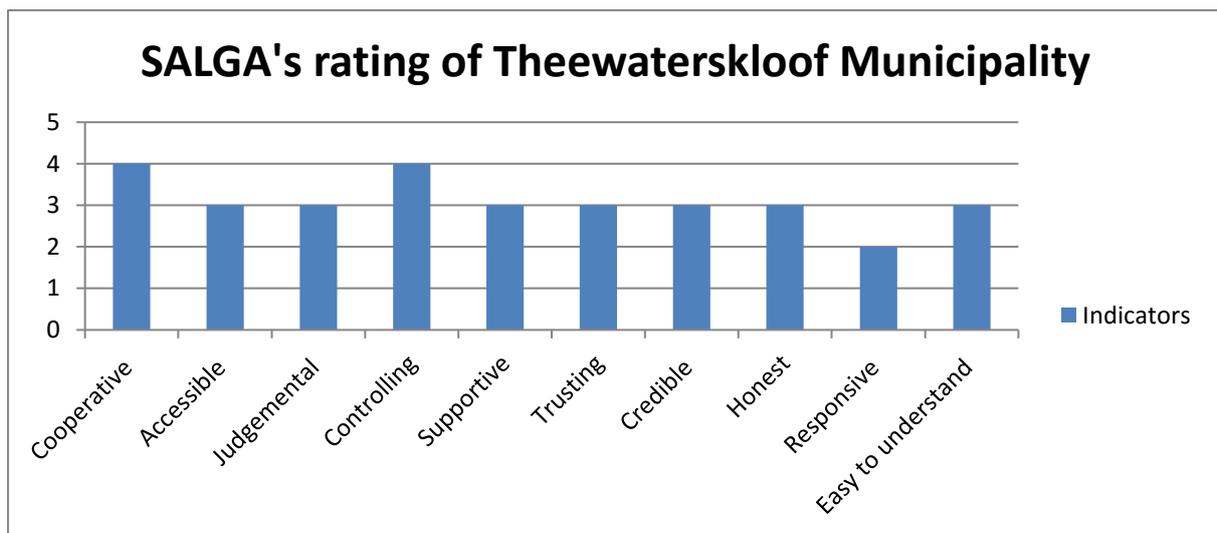
**Figure 6.31: The Auditor-General’s rating of Theewaterskloof Municipality**



Source: Auditor General of the Western Cape

SALGA rated the municipality at a level four for two of the indicators and at a level three for seven of the indicators. One indicator has been rated at a level two. The graph indicates that the relationship is a stable one but work needs to be done to address the situation. A reason for the current situation is lack of trust between employee and employer. Education has to take place to address the situation and regular engagements should take place to ensure that relationships are built that are in the interest of both organisations.

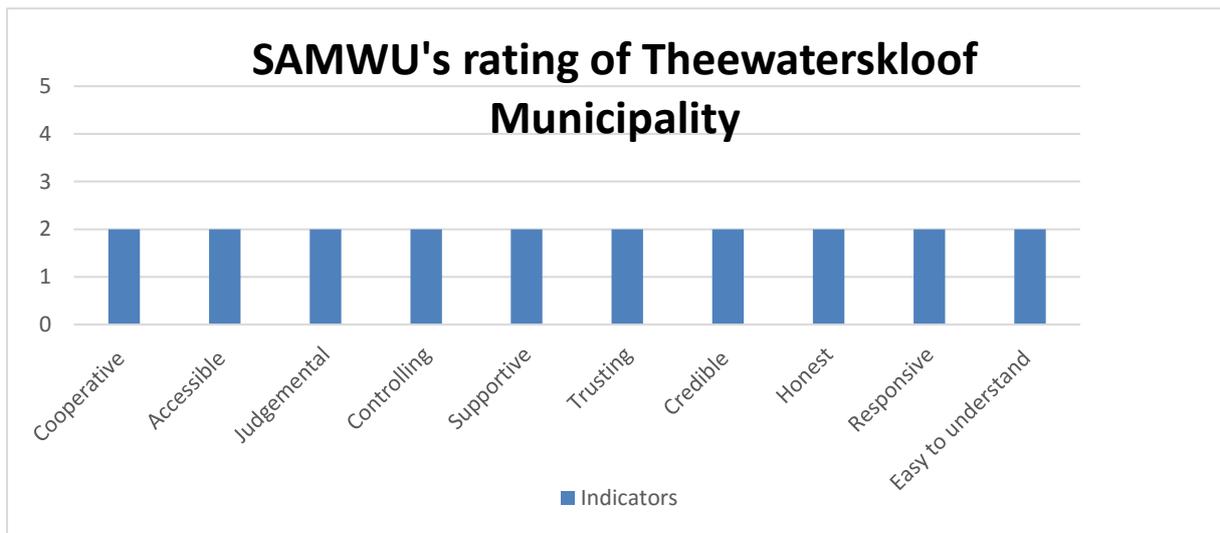
**Figure 6.32: SALGA's rating of Theewaterskloof Municipality**



Source: SALGA

SAMWU has rated the municipality at a level two for all of the indicators. What can be deduced from the graph is that the relationship between the two organisations is not what it should be and that a lot of work is needed to address the problem. The reason for this is because there is little or no trust between the employee and the employer.

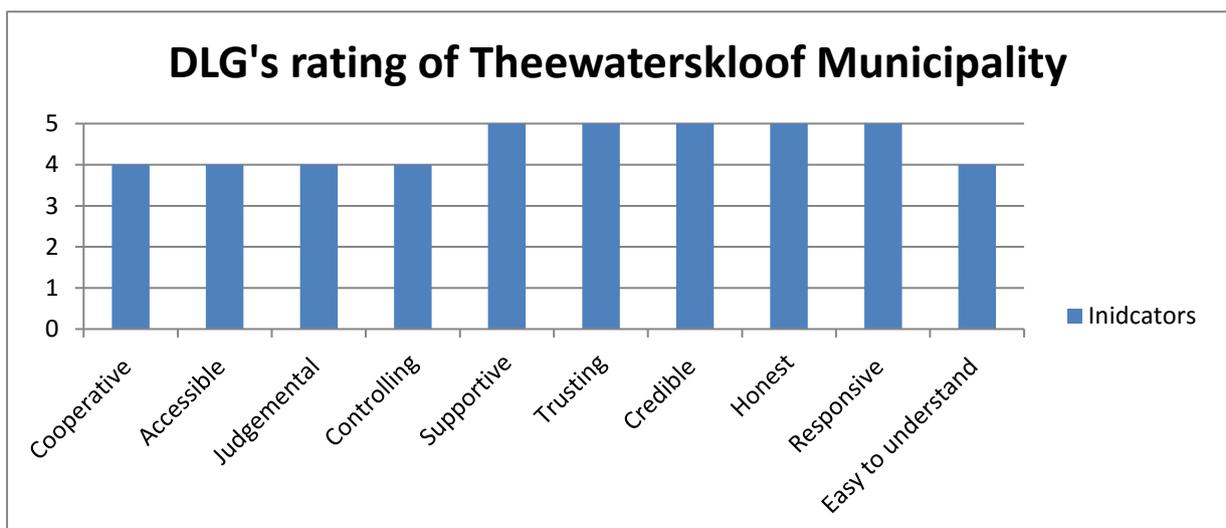
**Figure 6.33: SAMWU’s rating Theewaterskloof Municipality**



Source: SAMWU

The DLG has rated the municipality at a level five for five of the indicators and at level four for five of the indicators. The relationship between the two organisations is healthy and co-operative. The reason for this is that the municipality’s administrative and political leadership has engaged with the DLG on a regular basis and the municipality has shared its expertise and experience with the department.

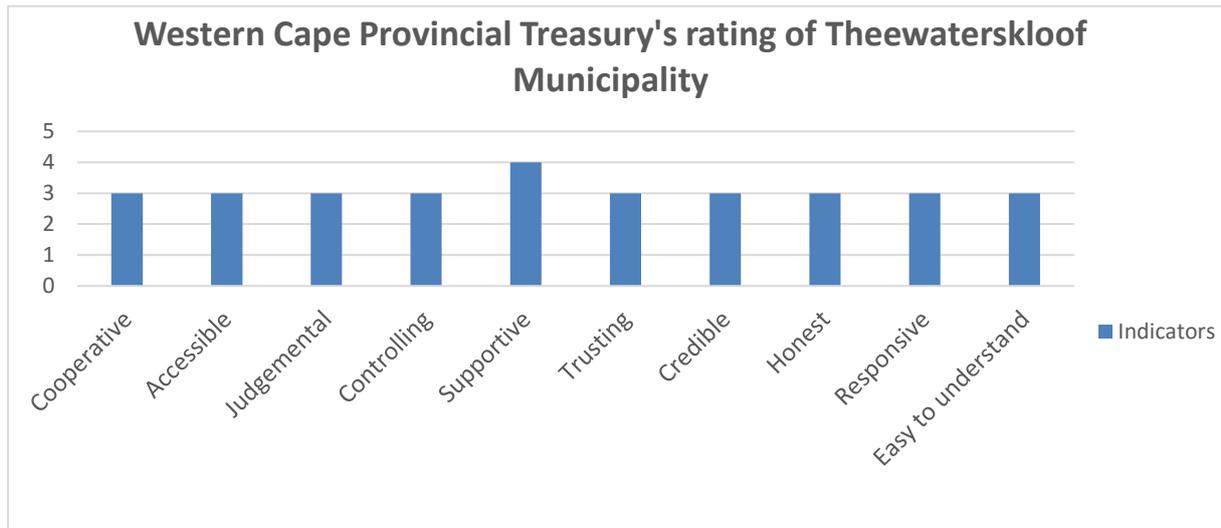
**Figure 6.34: The DLG’s rating of Theewaterskloof Municipality**



Source: Theewaterskloof Municipality

The Provincial Treasury rated the municipality at a level three for nine of the indicators and a level four for one of the indicators. It can be deduced that the relationship is stable between the two institutions. However, a lot of work still needs to be done to improve the situation. Regular engagements are needed to improve the relationship and the municipality should try to attend initiatives of the PT.

**Figure 6.35: The Provincial Treasury's rating of Theewaterskloof Municipality**

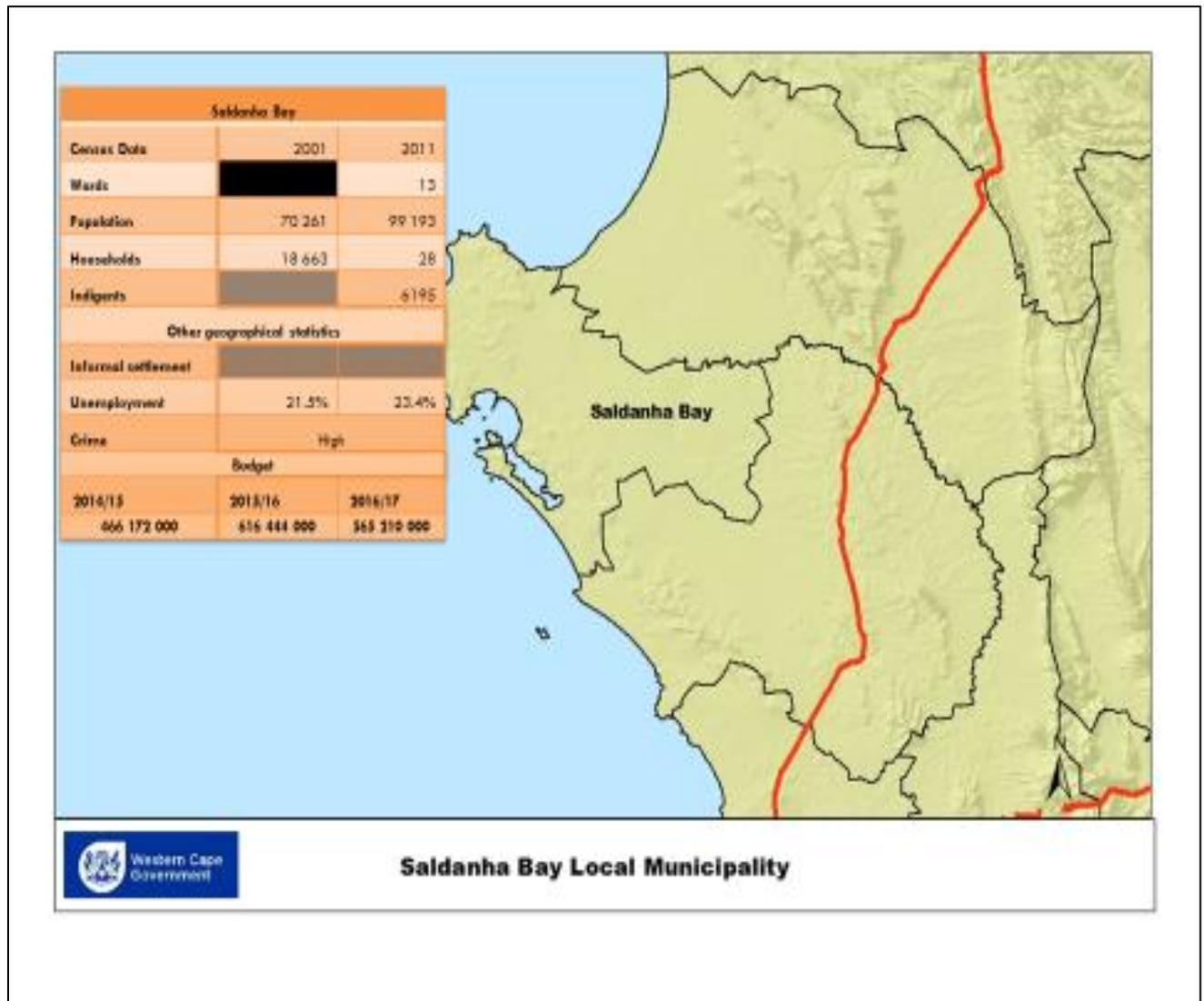


Source: Western Cape Provincial Treasury

## 6.25 Saldanha Bay Municipality

### 6.25.1 Historical background

“Saldanha Bay Municipality is a local municipality situated on the West Coast of South Africa, around 140 km north of Cape Town. The municipality covers an area of 2 015 km<sup>2</sup> and has a coastline of 238 km. In total, 6,5 of the geographical land is urban land and 93.5 rural land. The municipality is currently structured into 14 wards and consists of 111 173 people” (IDP,2016/17).

**Figure 6.36: Map of Saldanha Bay Municipality**

Source: Western Cape Department of Local Government

### 6.25.2 Service delivery in Saldanha Municipality

The following table depicts the household access to basic services in the Saldanha Municipality. The analysis shows that access to water, sanitation and electricity is above the 90 percent mark but it is of concern that the other three basic services are below this mark.

**Table 6.5: Household access to basic services in Saldanha Municipality**

Water			Sanitation		Solid Waste	Electricity	
Access to improved water	Access to piped water	Water interruptions longer than two days	Access to improved sanitation	Sharing toilets	Access to refuse removal	Access to electricity	Experienced interruptions
99,5	99,5	47,6	85,8	32,9	87,1	86,5	17,6

Source: Community Survey (2016).

## 6.26 Legislative Stakeholders: The Auditor-General and the Provincial Government of the Western Cape

### 6.26.1 Strategy

The municipality does not have a strategy to deal with the Auditor-General and the provincial government of the Western Cape.

### 6.26.2 Engagements with the Auditor-General and provincial government

Meetings with the Auditor-General take place during the annual regulatory Audit Cycle from August to December every year, as well as during key control visits. On-site meetings take place on a weekly basis. However, there is also a steering committee with senior representatives of the municipality that meets with the AG on a monthly basis. The office of CFO plays the leading role in these engagements and directors are held accountable for action items in terms of the audit action plan.

Meetings with the provincial government departments are held on a quarterly basis and ad-hoc meetings are held if needed. The forums for engagement are the PCF, MinMay, MinMayTech, MGRO, LGMTEC, IDP indabas and the JPI. The PCF and MinMayTech forums provide the municipal leadership with the opportunity to meet with the Cabinet of the provincial government, where issues of a political nature are discussed.

### **6.26.3 Agreements**

There is no formal agreement with the AG but the relationship is managed through the Audit Act and an annual audit strategy. The audit strategy includes the rates to be charged for the work and the timeframes in which the work will be completed.

### **6.26.4 Implementation and execution**

The implementation mechanism for agreements with the AG is a collective responsibility between the municipality and Auditor-General. The implementation and execution of agreements between the municipality and the province is guided by a memorandum of understanding and several other legal mechanisms.

### **6.26.5 Conflict and evaluation**

Conflict is handled at a very senior level. The municipal manager liaises with the AG and the departments, should any need arise. Disagreements between the municipality and the AG are managed through a forum of municipal officials and the AG personnel. Burning issues are dealt with on a personal level and where necessary the Provincial Treasury and the Department of Local Government act as intermediaries in the process.

Disagreements between the municipality and the provincial government are dealt with through intergovernmental forums, such as MinMayTech and the Premier's Co-ordinating Forum. In the case where departmental disputes are raised, the municipality deals with the respective department. Furthermore, there is a provincial forum between municipal managers and the Head of Provincial Department that deals with other matters.

## **6.27 Strategic Stakeholders: Suppliers and Legal Service Providers**

### **6.27.1 Strategy**

There is no formal strategy that deals with suppliers and legal service providers. The relationship is managed through a service level agreement.

### **6.27.2 Engagement/communication activities**

The municipality meets with suppliers as and when required to discuss matters that are impacting on service delivery. These meetings are attended by the various delegated officials and/or support services from legal and/or supply chain departments, as the need arises.

### **6.27.3 Agreements**

The agreements between the municipality and suppliers are managed through legal contracts for goods to be delivered or services to be rendered. Both parties are held liable as per the contract agreements. Agreements with legal service are also managed through legal contracts. Deliverables are clearly articulated.

### **6.27.4 Implementation and execution**

Implementation of agreements is monitored through contract management procedures. Suppliers are held accountable in line with the agreed standards and timelines.

### **6.27.5 Conflict and evaluation**

Conflict with suppliers is managed through service level agreements. Close out reports are provided at the end of a contract. Should a conflict arise, the municipality and suppliers will meet to resolve the matter in an amicable way. This is done to avoid unpleasant and costly court cases.

## **6.27 Reflective Stakeholders: Trade Unions (LLF and SALGA)**

### **6.27.1 Strategy**

There is no strategy in place that deals with SALGA and the Trade Unions but the relationship is managed through the collective agreements as per the South African Local Government Bargaining Council Agreement. The agreement makes provision for disputes in case of disagreements.

### **6.27.2 Engagement/communication activities**

The LLF meets on monthly or as the need arises to discuss labour related matters. Recommendations are made to Council for approval.

### **6.27.3 Agreements**

No formal agreement exists between the Municipality and the Trade Unions but the relationship is management through the collective agreement that is negotiated at the South African Local Government Bargaining Council.

### **6.27.4 Implementation and execution**

Agreements are made at the LGBGC and the implementation and execution of collective agreements are monitored by the Local Labour Forum.

### **6.27.5 Conflict and evaluation**

Conflict is managed through the Local Government Bargaining Council.

### **Saldanha Municipality**

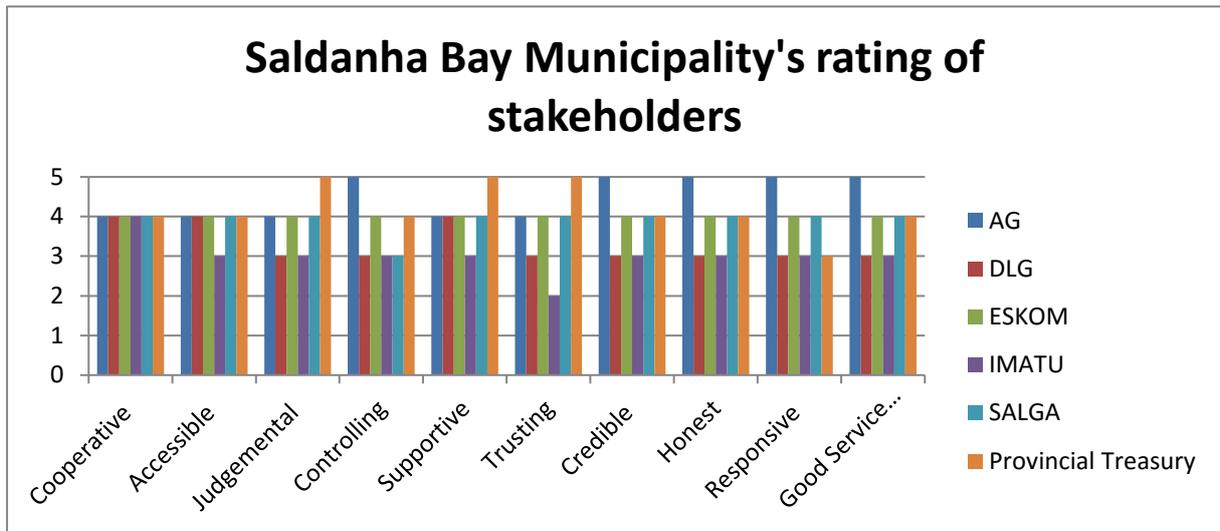
The graph below indicates the relationship of Saldanha with its stakeholders. As with the other municipalities, Saldanha maintain a good relationship with all of its stakeholders. In view of the enormity of the industrial development zone (IDZ) project it is important that the municipality builds good relationship with its professional stakeholders.

One of the primary aims of the IDZ is to provide investors in the oil and gas industry with one-stop-shop services, as the IDZ will house an offshore supply base servicing the upstream oil and gas services and logistics. Major opportunity also exists in the oil and gas industry, particularly as the price of gas in relation to electricity increases its attractiveness as an energy source. Good stakeholder relationships hinge on effective communication. To this extent management need to ensure that communication with all stakeholders in the IDZ is top priority for the successful implementation of the project.

### **Rating of stakeholders**

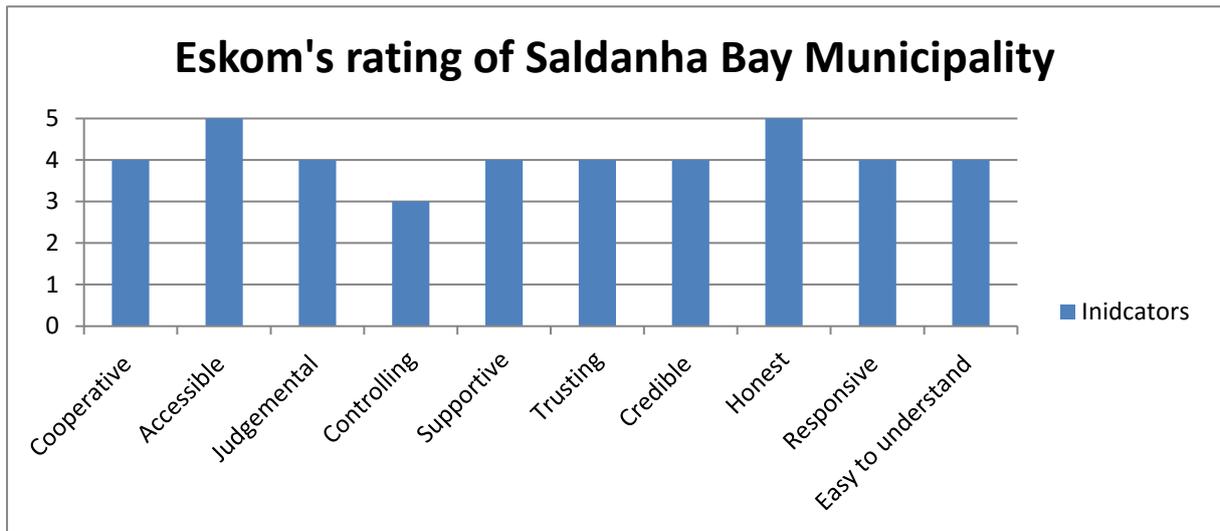
Saldanha Bay municipality has rated its stakeholders at different levels. The average rating for stakeholders is at a level 3.

**Figure 6.37: Saldanha Bay Municipality's ratings of Stakeholders**



Source: Saldanha Bay Municipality

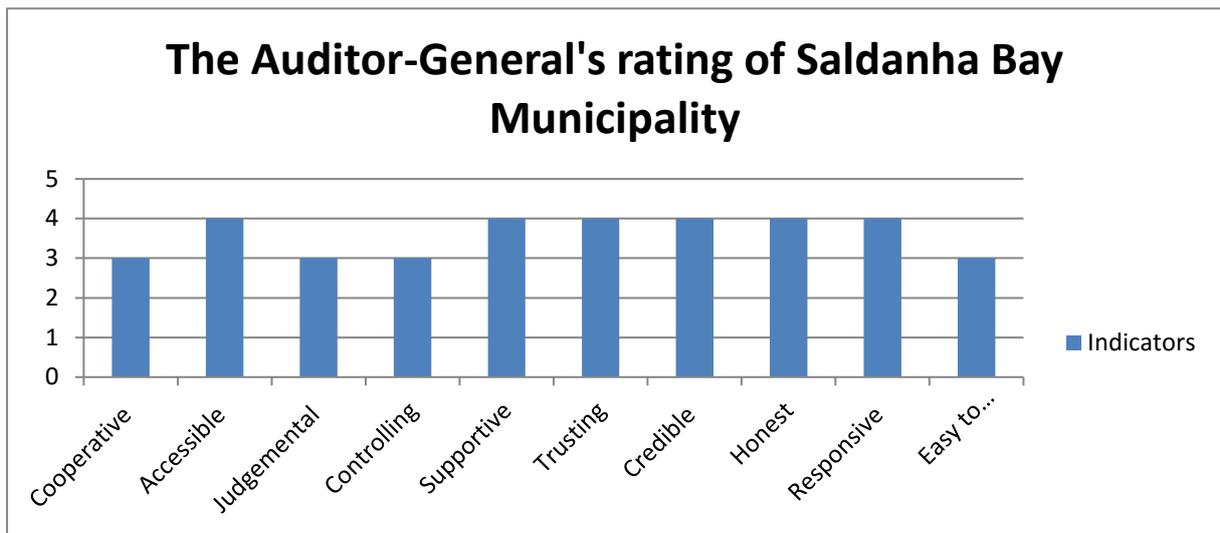
Eskom has rated the municipality at a level four for two of the indicators and at a level four for seven of the indicators. One of the indicators was rated at a level three. The picture that emerges from the graph is that the relationship between the two institutions is very good.

**Figure 6.38: Eskom's rating of Saldanha Bay**

Source: Eskom

The below graph depicts the relationship of the Auditor-General with Saldanha municipality. The AG has rated the relationship at a level four on six of the ten indicators. Four indicators have been rated at a level three. The overall picture is that the relationship looks healthy. It should be noted that the relationship has vastly improved over the last three years. Previously, this was characterised by tension, hostility, accusations and animosity. The administrative and political leadership has made great strides to ensure that the relationship improved. The audit outcomes of the last three years are indicative of the progress that has been made.

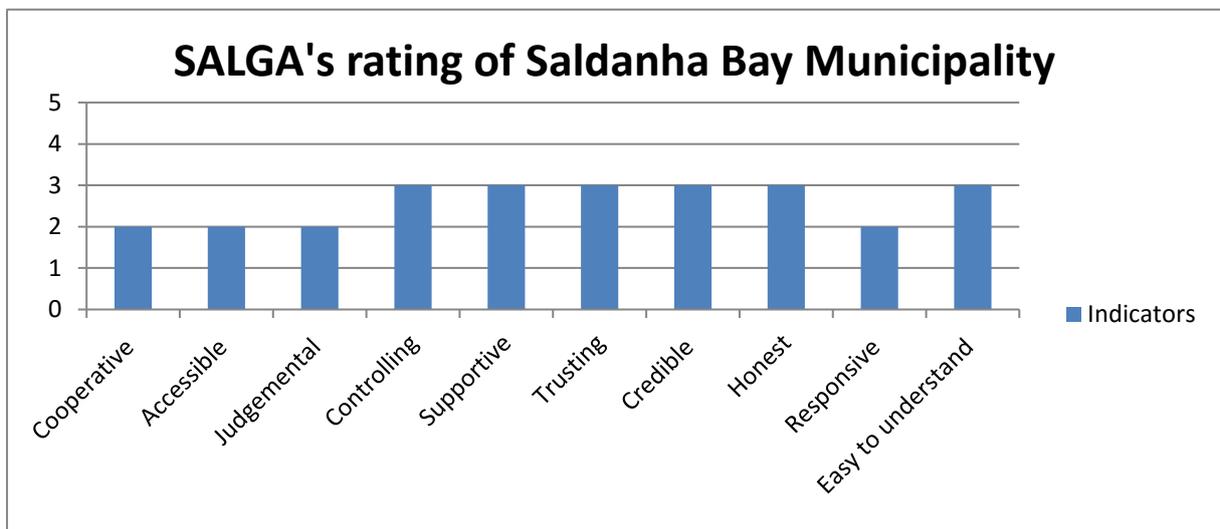
**Figure 6.39: The Auditor-General’s rating of Saldanha Bay Municipality**



Source: Auditor General of the Western Cape

SALGA has rated the municipality at a level three for six of the indicators and at a level two for four of the other indicators. This is also indicative of the tension between the two organisations. There is room for improvement through consultation and regular engagement.

**Figure 6.40: SALGA’s rating of Saldanha Bay Municipality**

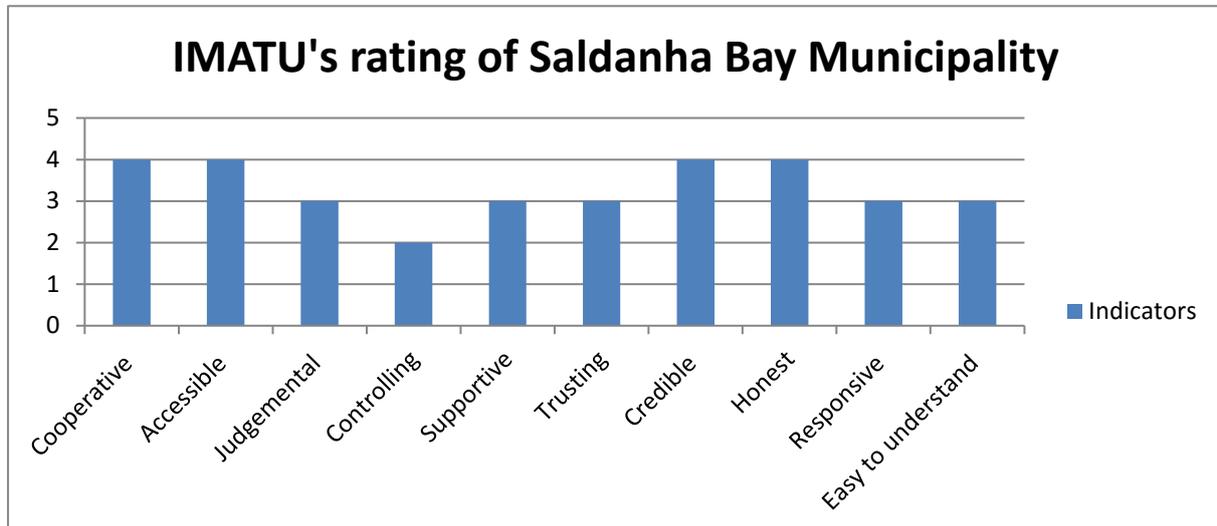


Source: SALGA

IMATU has rated the municipality at a level four in four of the ten indicators. Five of the indicators have been rate at a level three and one indicator at a level two. What can be deduced

from the graph is that the relationship is fairly stable but can be improved. It is notable that the relationship between the union and the municipality is better compared to the other labour union, SAMWU.

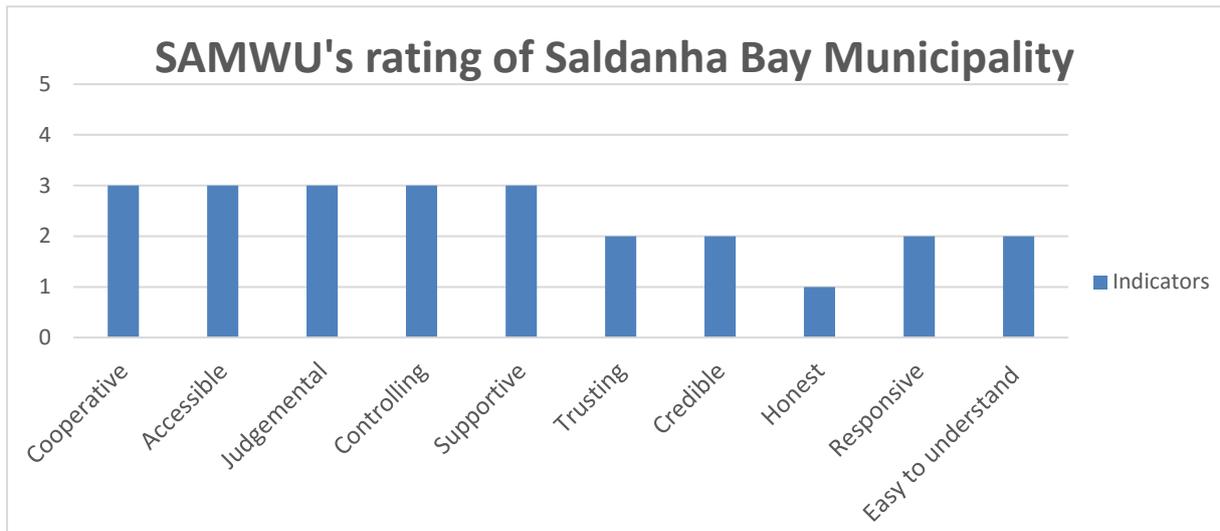
**Figure 6.41: IMATU's rating of Saldanha Bay Municipality**



Source: IMATU

SAMWU's rating of the municipality hovers between three and one. Five out of the ten indicators have been rated at a level three. Four have been rated at level two and one at a level one. It can be deduced that the relationship between the two is not what it should be. There seems to be a lot of mistrust between the organisations, which does not bode well for either. Regular engagements and role clarification will go a long way in solving the problems.

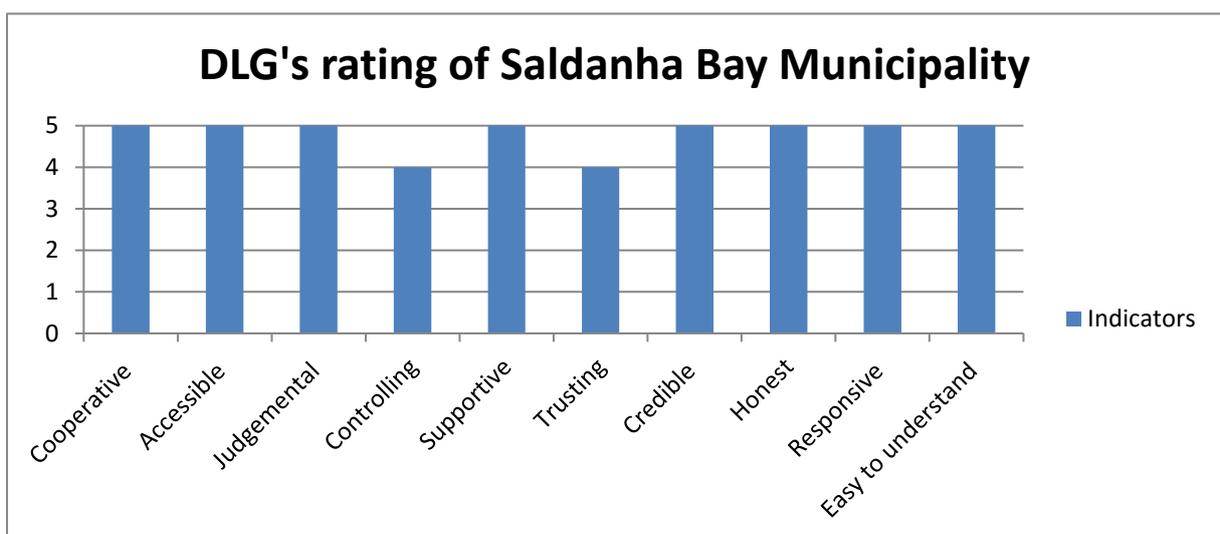
**Figure 6.42: SAMWU' rating of Saldanha Bay Municipality**



Source: SAMWU

The Department of Local Government has rated its relationship at levels four and five. Eight out of the ten indicators have been rated at a level five and two others at level four. This indicates that there is a good relationship between the DLG and the municipality. Several reasons could be cited for this. On-going engagements between the administrative and political leadership and a spirit of co-operation exist between the two institutions. It should be mentioned that the relationship between the two institutions was previously very hostile.

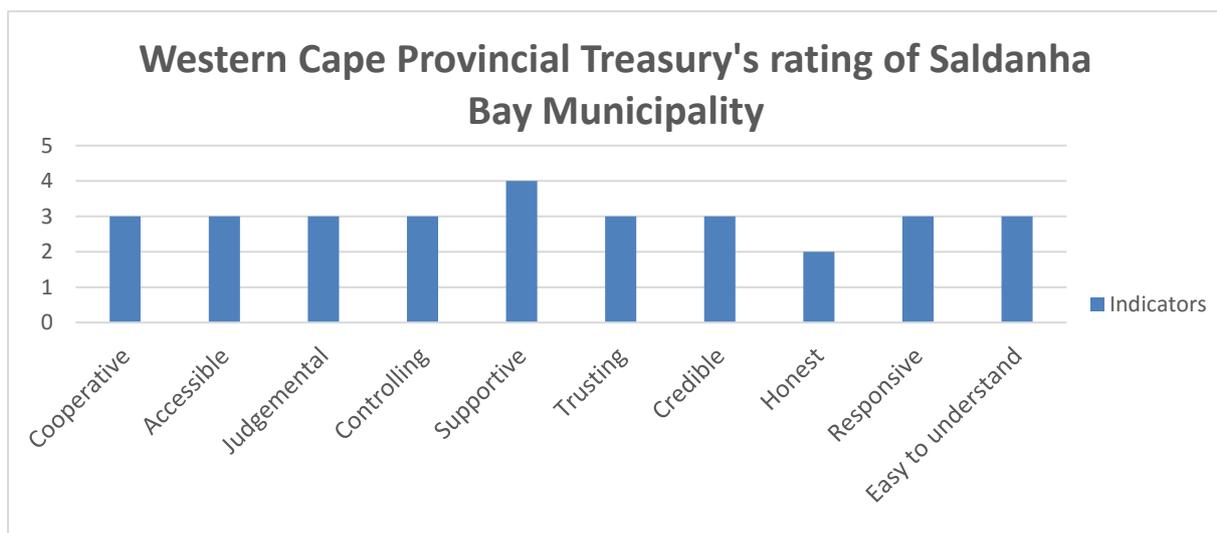
**Figure 6.43: The DLG's rating of Saldanha Bay Municipality**



Source: Department of Local Government

The Provincial Treasury (PT) has rated its relationship with the municipality as average. Eight of the indicators have been rated at a level three, one at level four and one indicator at level two. The indication is that the PT and the Saldanha Bay Municipality have an average to good relationship. As can be seen in the indicator, honesty should be strengthened. It is crucial that the relationship between the two organisations be built on trust and honesty. This needs to be at the two levels of political and administrative. Regular visits to the municipality by the Provincial Treasury could strengthen the relationship.

**Figure 6.44: The Provincial Treasury's rating of Saldanha Bay Municipality**



Source: Western Cape Provincial Treasury

## 6.28 Consolidating the Findings on the Five Cases

This section of the study summarises the cases of the dissertation. The study found that municipalities in the province have not done much in establishing a stakeholder relationship management policy or framework. There are currently no policies and strategies used by the municipalities in terms of promoting stakeholder relationship management in municipalities.

The public participation and ward committee policies form the cornerstone of engagements with citizens but no strategy is in place to deal with professional stakeholders. Engagements with professional stakeholders are done in a very haphazard way. What is needed in municipalities in South Africa is a strategy for cultivating better stakeholder relations. Studies

have shown that where there are good relationships with stakeholders the reputation of the municipality is improved and this in turn enhances the profitability of the municipality.

Stakeholder management should be part of the strategic framework of a municipality. Ackerman and Eden (2011) assert that the most significant task when developing an organisational strategy is the management of the multitude of requests from different stakeholders in relation to the organisation's objectives. However, before this task can be carried out other matters have to be taken into consideration. Ackerman and Eden (2011) point out three steps that need to be followed to start up the advancement of an organisation strategy. These steps are the process of categorising stakeholders in specific contexts, identifying the existing co-dependent stakeholder relations and knowing when to influence the stakeholder relationship.

Stakeholder relationship management is a relevant and neglected area in municipalities and evidence of this can be seen in the findings on the five municipalities. These research findings are thus important for municipalities to help them understand the influence that poor stakeholder relationship management could have on their reputation. The challenge for municipalities is therefore to prioritise stakeholder relationship management and to recognise that financial resources should be committed to the process.

### **6.28.1 Analysis of the five cases and the responses**

The following section provides an analysis of the five cases using the five themes. The information was obtained during the municipal governance review and outlook process and during the local government medium-term committee meetings and the VPUU and RSEP engagement meetings with Theewaterskloof, Breede Valley, Saldanha and Drakenstein municipalities.

### **6.28.2 Communication units within the five municipalities**

Four out of the five municipalities have communication units in place. Only Laingsburg municipality does not have a communications unit. However, Theewaterskloof, Saldanha and Laingsburg each only have one member, whereas Breede Valley and Drakenstein have three and four members respectively. Municipal managers assert that the lack of money to have fully

dedicated communication units to keep up with the demands of their stakeholders is the one big problem they face. Therefore, the financially stronger Breede Valley and Drakenstein each have a team that drives the communication units whereas the other three only have one official who is also fulfilling other roles. The primary role of the three officials is to liaise with the community and very little work is done in respect of building relationship with professional stakeholders. In the same breath the municipalities do not have the necessary skill set and are reliant on consultants to help with the development of a stakeholder relationship management strategy. It is noteworthy that all five municipalities have allocated budgets for public participation.

**Table 6.6: Communication units of the municipalities**

<b>District</b>	<b>Municipality</b>	<b>Communications Official</b>	<b>Dedicated Unit</b>	<b>Members</b>
Overberg	Theewaterskloof	Hugo Geldenhuys	Yes	1
Cape Winelands	Breede Valley	Johan Botha	Yes	3
Cape Winelands	Drakenstein	Bradley Fortuin	Yes	4
West Coast	Saldanha Bay	Ethne Julius	Yes	1
Central Karoo	Laingsburg	Gwen Harding	No	1

**Source:** The Five Municipalities

**Question 1: Does the municipality have a stakeholder relationship management strategy?**

With respect to question 1 of the questionnaire, there is evidence that the five municipalities do not have a stakeholder relationship management strategy or policy but have different ways of engaging stakeholders. All five municipalities have public participation policies or a ward committee policy but these exclusively deal with citizen engagement. Very little attention is given to the management of professional stakeholders. Theewaterskloof Municipality uses terms of references (TORs) as a tool to engage with Stakeholders. These TORs guide relationship engagements with stakeholders.

The Breede Valley Municipality does not have a specific strategy or a policy that deals with the management of professional stakeholders. The municipality does, however, have a public participation policy that makes provision for mechanisms by which citizens may participate in

the affairs of the municipality. The relationship between the municipality and professional stakeholders is governed through an ad-hoc arrangement. The relationship with the province is managed through fora such as the Municipal Governance Review and Outlook (MGRO), The Premier's Co-ordinating Forum (PCF), the MinMayTech, the Local Government Medium-Term Expenditure Committee Framework (LGMTEC), the Provincial Public Participation and Communication Forum and the Integrated Management Forum (IDP Managers' Forum).

Laingsburg Municipality does not have a stakeholder relationship management strategy. Engagements with stakeholders are governed through the public participation policy, ward committee policy, communication strategy, IDP budget process plans (time schedules) and on an ad-hoc basis.

Drakenstein Municipality does not have a strategy that deals with professional stakeholders. Engagements with stakeholders are done through the ward committee policy that deals primarily with citizen engagement. Theewaterskloof Municipality also does not have a stakeholder relationship management strategy. Engagements with stakeholders are governed through terms of references.

Saldanha Municipality also does not have a Stakeholder Relationship Management Strategy. However, the municipality does have a public participation Policy that deals with how the municipality engages with citizens.

## **Question 2: How often does the municipality meet with its stakeholders?**

There is general evidence that the five municipalities have different ways of meeting with their stakeholders. All five meet with the Auditor-General during the annual audit cycle from August to December. This is primarily because the financial statements are submitted to the AG on 31 August and the process of verification happens from August to the end of November.

Engagements with the provincial department are the same for all five municipalities, with the PCF, MinMay, MinMayTech, MGRO, LGMTEC, IDP indaba and Joint Planning Initiative. Laingsburg also meet with the sector departments because they are part of the provincial Back to Basics Programme, which is mainly a national government project to assist municipalities

who do not have the necessary capacity. Engagements with provincial departments also take place on an as-needed basis.

BV Municipality indicates that engagements with Eskom take place if there is a need, such as a new project and it is primarily with the technical department and the developer. BV Municipality meets with their service providers on a bi-weekly basis and the SCM department and line managers attend these meetings.

Laingsburg's Technical Department meets with Eskom as the need arises and also during their quarterly technical meetings. Engagements with service providers take place bi-weekly.

Drakenstein's Electrical Department meets with Eskom as needed. Typical problems that occur have to do with the network. Examples of this are when Eskom switches malfunction. Such an occurrence can impact on the network and 90% of the municipal area will not be able to receive electricity. Service provider meetings happen on quarterly basis to discuss issues pertaining to service delivery.

Theewaterskloof municipality meets with Eskom on a weekly basis. The municipality uses the town model and provides electricity to Grabouw, Villiersdorp and Middleton. The biggest problems experienced are access to the Control Centre, especially over weekends when it is difficult to get hold of Eskom officials. The Control Centre furthermore works on a reference system and it can take hours for an Eskom technician to attend to a problem.

Saldanha municipality meets with Eskom on an as-needed basis. The municipality experiences very little problems with Eskom and one or two meetings per annum is the norm. There is not a structured arrangement with Eskom. The municipality indicates that they have a very good working relationship with Eskom.

**Question 3: Is there a formal agreement in place that manages the relationship between the municipality and stakeholders?**

The municipalities indicated that they do have formal agreements but other arrangements are also in place to manage the relationship. The relationship with service providers is governed through legal contracts. The municipalities have no formal agreements with the AG but the relationship is managed through an audit action plan and terms and conditions are addressed

upfront in an engagement letter, accepted and signed by both parties. Other agreements in place depend on the type of service that is delivered e.g. the relationship with Eskom is managed through a service level agreement. The relationship with the provincial government is governed through various mechanisms, e.g. memorandum of understanding, memorandum of agreements and/or transfer agreements for grant funding and service level agreements.

BV municipality has a service level agreement with Eskom. The agreement makes provision for electricity supply to areas such as De Doorns, Touwsriver, Worcester and Rawsonville. Laingsburg municipality has an Electricity Supply Agreement with Eskom where certain deliverables are listed.

Drakenstein municipality has an agreement with Eskom to supply electricity to areas such as Gouda, Saron, Simondium, Paarl and Wellington. Theewaterskloof municipality has a Terms of Reference that holds both the municipality and Eskom responsible for certain deliverables. Saldanha Municipality has an Electricity Supply Agreement with Eskom that entails information and arrangements around the provision of electricity to the surrounding towns within the municipal area.

**Question 4: How are the agreements between the municipality and the stakeholder implemented and executed?**

Constant implementation and monitoring of agreements are important for all municipalities. To this extent it is incumbent for municipalities to ensure that agreements are implemented and that challenges are addressed. Further analysis on the implementation shows that municipalities use different mechanisms and tools to monitor implementation of agreements.

The Breede Valley Municipality indicates that the implementation mechanism for agreements with the AG is a collective responsibility between the municipality and the Auditor-General with the Audit Committee as the assurance provider. Section 56 managers are responsible for certain deliverables in regard of the audit action plan.

Laingsburg municipality indicates that both the Municipal Manager and Director: Finance together with the AG's office is responsible for the monitoring of audit action plans. Drakenstein municipality holds all Directors responsible for the implementation of the AG's

actions. Theewaterskloof and Saldanha Municipality have the same mechanisms in place to ensure that agreements are implemented. Directors are held accountable for non-compliance and consequence management is applied within the municipality.

### **Question 5: How is conflict between the municipality and the stakeholders managed and evaluated?**

Conflict is managed through various forums and processes. Legislative stakeholders, such as the AG and PGWC, have various platforms on which to engage. In the case of the AG the municipalities engage with the office of the AG, the Department of Local Government and the Provincial Treasury. The Provincial Treasury and the Department of Local Government act as intermediary between the AG and municipalities and try to solve problems in an amicable way.

At a provincial level, the PCF, MinMayTech and MinMay provide the municipalities with the platform to engage at a higher level. Political issues are dealt with at this level. At an administrative level, conflict and disagreements are dealt with via forums such as the MGRO, LGTMECT, PPP comms, IDP Managers' Forum, IDP indaba, PDO Forum, the Supply Chain Management Forum and other applicable forums.

Conflict between Eskom and suppliers are dealt with in accordance with the different agreements. Reflective stakeholders are dealt with through the various legislative measures in place. The Local Labour Forum is dealt with through the Labour Relations Act. Conflict is dealt with through the SALGBC. In cases where issues are not dealt with in an amicable way, parties revert to the courts.

### **Analysis of the survey questionnaire on how the municipalities view their relationships with stakeholders**

All five municipalities provided feedback on how they rate their relationship with the stakeholders. The survey focussed on ten elements, namely co-operation, accessibility, judgement, control, support, trust, credibility, honesty, responsiveness and understanding.

The survey found that municipalities have different views on their relationships with stakeholders in the study. What came out of the study is that a culture of trust and responsibility is important when dealing with stakeholders. Therefore, the development of a stakeholder management strategy or policy is essential. In order to build good relationships with stakeholders, a plan is needed that will guide the process of relationship building. The results underline the importance of communication between the municipality and its stakeholders. The critical factor in stakeholder management is trust. Trust between a municipality and its stakeholders leads to better governance outcomes. Trust between the different actors in a network is crucial for the network to be successful. Network relationships are dynamic and robust; hence trust is critical to solve problems.

## **6.29 Municipal Stakeholder Relationship Management**

### **Framework**

This section provides a description of the proposed framework for improving stakeholder management in local government to address the challenges identified in the research. Given the challenges experienced by the local government as depicted in the chapter and the findings of the dissertation, the framework is recommended for municipalities to improve the stakeholder management process.

The framework provides a basis or structure for the institutionalisation of stakeholder relationship management in municipalities. A framework for the institutionalisation of stakeholder management can provide a frame of reference that ensures that stakeholder management is embedded in decision making and behaviour. For example, principles developed by the OECD (2007) are intended to maximise the benefits of engagement, consistent with sound public processes and delivering public value.

The framework can be utilised by other municipalities in the country with minor adaptations. The framework should be applied within the context of service provision in local government and cannot be a one-size-fits-all approach; challenges faced by a municipality should be taken into consideration when implementing the framework. Considering the vast divergence in capacity, skills and resources across municipalities in South Africa, municipalities should

customise their framework for their specific setting. The framework should be implemented within the prescripts of the law pertaining to local government in South Africa.

The purpose of this framework is to institutionalise stakeholder management as an integral part of governance within municipalities in a uniform and coordinated way. The model provides a set of principles and practices that will assist to institutionalise stakeholder governance in municipalities.

The framework sets out a strategic approach to stakeholder engagement that includes:

- (a) Key values/principles to ignite the engagement process;
- (b) A five-step model for directing the engagement activities; and
- (c) A matrix that will help to assist in the engagement process.

### **6.30 Contextual Setting/Introduction**

The literature on stakeholder management emphasises the importance of stakeholder involvement in municipal governance processes. In Chapter 1 the context of the challenges faced by municipalities in South Africa were described. Municipalities operate in a complex cultural and political context. Notwithstanding the many achievements of municipalities, many challenges exist that erode much of the good work done to date. The influence of different stakeholder groups within a municipal context has been researched in this study showing mixed results. The involvement of various stakeholders has not often been studied in local government although scholars have underlined the importance of citizen involvement.

This chapter begins with an overview of the stakeholder management approaches in the five cases in the Western Cape. The five cases highlight that the management of stakeholders is a key activity of a municipality. Of significance is the importance of meeting regularly with stakeholders and constant monitoring is critically important.

In the previous two chapters, the cases were described and the different techniques that municipalities can apply were discussed. This chapter will provide detailed information regarding specific activities that must be in place for the MSMF to be functional. This study argues that the current stakeholder management practices in municipalities are inadequate,

which is largely due to the inability of municipal councils to understand the importance of stakeholder management. The following section discuss the thirteen elements of the framework:

### 1. Defining Stakeholder Management

Stakeholder management is defined in Chapter 2 of the study. “Freeman (2005:122) refers to stakeholder management as the need for an organisation to manage its relationships with stakeholder groups on an action-oriented basis (through clear actions). Instead of merely identifying stakeholders, it implies creating relationships with them. Freeman (in Friedman & Miles, 2006:1) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives”.

### 2. Applicability

The principles of the framework and the processes associated with it are readily applicable at both the strategic and operational level and the framework is readily transferable across municipalities in South Africa.

### 3. Constitutional and legislative requirements

In this section the constitutional and legislative requirements are explained. The Local Government Municipal Systems Act (No. 32 of 2000) emphasises community and stakeholder involvement in municipal governance in Chapter 4 (Community participation. Specifically, Section 16 (1) provides that a municipality must develop a culture of municipal governance that compliments formal representative government with a system of participatory governance.

### 4. Aims and objectives

The framework aims to:

- (a) Define a strategic approach and stakeholder engagement strategy;
- (b) Identify all stakeholders;
- (c) Identify categories of existing stakeholders to enable prioritisation;
- (d) Define roles and responsibilities for stakeholder management; and

- (e) To provide a communication plan that will provide clear communication lines and promote accountability and transparency by providing accessible and accurate information.

## 5. Benefits and scope of the stakeholder management strategy

Chapter 5 of this dissertation speaks to benefits of consulting with stakeholders. There are many benefits that could arise out of stakeholder consultation:

- Promotion of a democratic society and enhancing transparency and accountability;
- Opinions of stakeholders as a whole and individuals are reflected in the IDP;
- Increases stakeholder cohesion; and
- Generates creative and sensible ideas and solutions that may be incorporated in the IDP.

## 6. Guiding principles

When engaging with stakeholders it is important to take the following principles into account:

**Principle 1:** Municipalities should recognise and actively monitor the concerns of all legitimate stakeholders and should take their interests properly into account in decision making and processes.

**Principle 2:** Municipalities should attend to and openly connect with stakeholders about their respective fears and contributions and about the risks that they assume because of their involvement with the corporation.

**Principle 3:** Municipalities should assume processes and modes of behaviour that are sensitive to the concerns and abilities of each stakeholder community.

**Principle 4:** Municipalities should identify the interdependence of efforts and rewards among stakeholders and should attempt to achieve a fair circulation of the benefits and burdens of corporate activity among them, considering their individual risks and weaknesses.

**Principle 5:** Municipalities should work willingly with other entities, both public and private, to ensure that risks and harms arising from corporate activities are reduced and, where they cannot be avoided, appropriately rewarded.

**Principle 6:** Municipalities should circumvent altogether activities that might jeopardise inalienable human rights (e.g. the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

**Principle 7:** Municipalities should recognise the potential struggles between (a) their own role as corporate stakeholders, and (b) their legal and moral responsibilities for the interests of all stakeholders and should address such conflicts through open communication, appropriate reporting and incentive systems and, where necessary, third party review.

## 7. Identification and analysis of stakeholders

Stakeholder identification and salience theory specifically focus on manager-stakeholder relationships and defines three major stakeholder attributes as power, legitimacy and urgency, as per the discussion in Chapter 2. The following five major steps for stakeholder analysis are discussed in Chapter 5:

- 1) *Identifying stakeholders* involves describing, classifying and listing stakeholders and deliberating why and how they are critical for the policy being developed;
- 2) *Prioritising stakeholders* is based on deliberating their attributes and deciding how critical they are in the policy development process. This process will help to outline communication and engagement activities with the people most likely to affect policy processes and outcomes;
- 3) *Understanding and managing stakeholders* necessitates an assessment of stakeholders' attitudes and risk factors associated with their engagement in the process. It also requires the development of a communication plan that ensures engagement will minimise any risks and will increase their appreciation and commitment in the process;
- 4) *Setting targets and identifying costs of stakeholder engagement* involves designating responsibilities for each communication task and setting appropriate timelines; and
- 5) *Evaluating and revising* needs regular updates in order to explore potential new stakeholders, changes in current stakeholder position or influence or changes in observations.

## 8. Strategic approach and engagement strategy

It is necessary for a municipality to be clear on how and under which circumstances a specific group should be engaged to ensure the best outcomes for the municipality. Three categories of stakeholders are identified in Chapter 5. Municipalities can use these categories to identify or group their stakeholders.

The first group is legislative stakeholders, which includes the Auditor-General, the Public Protector, the Electoral Commission and NERSA. The second group is strategic stakeholders, such as waterboards and local business that play a pivotal role in service delivery. The third group is reflective stakeholders, such as SALGA, trade unions and universities who provide feedback to municipalities on various aspects. This feedback includes research reports, discussion papers and local government sector information.

## 9. Change management and communication management

There is a traditional view that change in itself is very difficult. However, there is a growing mindset change and the researcher advocates that change management and communication is absolutely necessary for any new approach or strategy.

When stakeholders are identified and general stakeholder management strategy is developed, it is important to think about the change management process and how this will be communicated to stakeholders and employees. Part of this is the development of a communication plan. It is important to know what to communicate, how to communicate and when and where to communicate.

## 10. Structures and processes

All municipalities in South Africa need to develop structures and processes that will provide a framework for decision making, participation, policy making and implementation of services within their municipal jurisdiction. Integrated planning is critical in a municipality and as a process it requires the deliberate inclusion of the different disciplines at key junctures in the planning process.

There is no one right stakeholder engagement method and municipalities may choose a number of different methods at different stages of the policy or project process. Selecting the appropriate method of stakeholder engagement and the relevant tools and techniques to facilitate the engagement process can vary according to the situation, time, skills and budget.

All engagement methods have their benefits and limitations and it is important to select the right one for the particular context. To ensure the success of an engagement process, it is important to conduct engagement processes in a manner which is consistent with the following values:

- (a) Trust;
- (b) Respect;
- (c) Openness; and
- (d) Transparency.

## 11. Leadership and management

Leadership is a very important element of stakeholder management and is discussed under Section 5.5 in Chapter 5, under the building blocks of stakeholder management. Leadership plays a key role in ensuring success in almost any initiative within organisations, including municipalities. Strong leadership in support of stakeholder management is critical because this is important for the sector. Everyone in local government sector leadership, management at all levels and all employees should be enabled to understand the importance of stakeholder relationships. Strong political and administrative leadership is crucial for the success of any municipality.

## 12. Institutional arrangements

The municipality may also establish internal forums to ensure that all stakeholders are engaged with relevant forums. Furthermore, stakeholder consultation should take place to share information, seek advice or to collect input on any matters as may be determined by the municipality. Municipalities should ensure that officials responsible for stakeholder management deal with planning, arranging and co-ordinating and record keeping.

The following graph depicts the Municipal stakeholder management framework.

**Figure 6:45: The Municipal Stakeholder Relationship Management Framework**



**Source:** Researcher's Own

## 6.31 Summary and Deductions

The data collected through this study identified certain tendencies over time. The first is that the five municipalities all engage with their stakeholders in an unstructured way. Not one of the municipalities has a dedicated stakeholder management department. Stakeholder management is done through the communication unit or the office of the municipal manager. The success and failure of a municipality depends on the relations with stakeholders and this lack of a strategy can lead to a legacy of weak stakeholder management as engagement with stakeholders takes place haphazardly.

It is important to note that there is no single engagement strategy that will work for all municipalities. Laingsburg is a very small municipality with a small population and budget. They serve a rural community and will have different needs and requirements vis-à-vis Drakenstein is much bigger and serves a huge population. Theewaterskloof has its unique model (town model), hence they will have a different engagement strategy.

It is neither possible nor desirable to engage with every possible stakeholder on every conceivable issue, thus appropriate planning is necessary to engage strategically, in a way that will benefit the municipality. Municipalities therefore should work out a strategy that will best fit their needs. The core principle is that there should be a strategy in place to guide the municipality. District municipalities and local municipalities differ in operations and will therefore require different types of relationships or engagements with stakeholders. It is furthermore important that municipalities deliver value to all stakeholders. The activities of municipalities can deliver value if there are agreed expectations between the two parties.

It is very difficult to measure the impact of stakeholder relationship management on public value creation, but what is needed is an approach that will make both stakeholders and the municipalities happy. Municipalities should therefore value inputs made by stakeholders as this will lead to increased confidence in the organisation and foster long-lasting and mutually beneficial relationships.

Chapter 7 cumulates the results from the field observation and questionnaires to develop a stakeholder management framework that can be used to manage stakeholders in municipalities.

# CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

## 7.1 Introduction

This dissertation aims to answer the research question: How can municipalities engage with stakeholders for improved service delivery contributing to substantive public value? The theoretical foundations of the study are public value theory and stakeholder management theory. The results from the study show that stakeholder management has a profound effect on service delivery in municipalities. This chapter provides a summary of the study and presents its findings. The first section deals with the introduction; the second gives a synopsis of the key results underpinned by the research objectives. The third section gives a summary of the studies contribution to the body of knowledge and practice. The fourth section provides a synopsis of the methodology used in the study and presents the limitations of the study. The final section presents recommendations based on the study.

## 7.2 Attainment of Research Objectives

**Research Objective One (1): To provide a background of the study and a problem definition.**

The first objective was to provide a background of the research problem. The chapter started with the overview of the municipal sector that is facing an increasingly pluralistic stakeholder landscape due to a range of political, economic, social and technological factors, all of which require public sector organisations to develop new ways of understanding and responding to diverse and complex stakeholder needs.

**Research Objective Two (2): To examine stakeholder relationship management by means of a literature review by describing stakeholder management, service delivery and public value.**

The literature revealed that stakeholder involvement in the operations of municipalities can yield substantial benefits. Municipalities are facing several environmental, social and economic challenges; hence, the role of stakeholders is becoming more important to address these challenges. Stakeholders play an important part in the creation and maintenance of general standards of life and they thus need to integrate their relationships with municipalities.

According to the stakeholder theory, the assessment and management of the stakeholders is critical for the success of an organisation. Most publications on stakeholder management highlight the benefits of involving stakeholders in the business of an organisation.

**Research Objective Three (3): To provide a summary of the process involved in the research, from the research question to answering the research question.**

A qualitative research approach, known as participatory action research, was adopted. This required strong involvement with the five municipalities, contributing to the development and application of the stakeholder management process and also to the findings. Information gathering occurred through a variety of methods, including focus groups, team meetings, interviews, document analysis and workshops.

**Research Objective Four (4): To establish how service delivery is conducted in Western Cape municipalities in actual practice.**

The study found overall service delivery in the five municipalities to be satisfactory. The biggest challenge that all five municipalities face is the delivery of sanitation to all residents. All five municipalities have shown that involving stakeholders in the affairs of the municipality can improve service delivery outcomes. Better communication with stakeholders leads to fewer problems and this in turn leads to increased stability. An issue is that some citizens are staying in the outlying farm areas that belongs to private owners. This is a serious problem because of the issue of asset ownership.

**Research Objective Five (5): To establish how stakeholder management is conducted in South African municipalities in actual practice.**

It was determined that the relationships between municipalities and the stakeholders involved in the study are overall satisfactory. Even though the municipalities do not have a stakeholder management strategy, they do liaise with their stakeholders even though this is in an unstructured manner. However, because engagements are unstructured there is a greater possibility of unresolved issues. A process of structured engagement can create a culture of shared governance, inclusivity and transparency. The problem of ‘us and them’ will thus be curtailed. The negativity from municipalities stems from the fact that municipalities regard themselves as autonomous units who do not have to account to anybody. This create unnecessary tension between municipalities and stakeholders. This study provides suggestions for human resources and municipal managers on how to help their organisations become stakeholder-focus oriented and create public value.

The findings of the study points to a situation where stakeholder management is done in a haphazard way. Engagements do not take place in a structured manner but on an as-needed basis. This is mainly because of a lack of expertise together with lack of capacity and little or no understanding of the King III principles. In this regard it can be expected that adherence to the King III principles is implemented by the mayor and municipal manager.

**Research Objective Five (6): To establish guidelines for a stakeholder management framework with which South African municipalities can develop a stakeholder management strategy.**

A municipal stakeholder management framework is proposed for municipalities. This framework is built from the literature review and information collected from the municipalities. This framework provides municipalities with guidelines on how to develop a strategy for stakeholder management.

## **Research Objective Six (7): Provide recommendations to municipalities that can be made to enhance stakeholder management.**

Several recommendations to institutionalise stakeholder management within municipalities are made. The municipal council is ultimately responsible for the implementation of good governance within the municipality.

### **7.3 Summary of Key Findings**

#### **7.3.1 How is stakeholder management conducted in the five municipalities in the Western Cape?**

The information gained from the literature study, semi-structured interviews and questionnaires provided input to answer the general research question. To achieve a high-quality, sustainable and responsive municipality, municipalities must work collaboratively and form and maintain inclusive relationships with stakeholders. Relationships with stakeholders reduce conflict and develop social capital, which in turn creates intellectual capital.

Moreover, municipalities operate in a particular environment and have certain legislative responsibilities to adhere to. Stakeholders like the Auditor-General of South Africa, the Public Protector, and the Human Rights Commission play an important role in how municipalities are perceived by public and financial institutions. Accountable and transparent governance is thus key in such a relationship.

The first thing that emerged from the study is that none of the five municipalities have a stakeholder management strategy in place to manage stakeholder relations. Moreover, even though all five do have communication units, they do not see their role as engaging with professional/external stakeholders. One manager pointed out their primary function as “to engage with the different departments within the municipality and to convey information to the community on what the municipality does with the ratepayers’ money, the municipality must keep its customers happy”. It is thus clear that municipalities focus too much on citizens as their primary stakeholders and neglect their external stakeholders.

Secondly, it is evident that the municipalities do not have a dedicated resource to manage stakeholders and communication, nor does their management have time allocated to these tasks; therefore, there is a need for a strong strategic approach toward communication with stakeholders to guide relationship building even when management rotates every five years. Thirdly, the study revealed that stakeholder management is not a top priority in these municipalities. Although there are engagements with stakeholders, it is not high on the agenda. There is thus a need for a more robust stakeholder management approach to improve relationships and also service delivery outcomes of municipalities.

The fourth observation is that the leadership and management of the municipalities do not realise that they have an obligation to invest necessary resources to build a strong relationship with stakeholders. The fact that there is no strategy attests to the fact that stakeholder management is not taken seriously at top level. The fifth finding presented in Chapter 7 was that municipal staff and others involved in the process do not necessarily have expert knowledge in the subject of stakeholder networking and, therefore, there is an opportunity to engage with a service provider to develop a stakeholder networking development programme for the municipality.

Finally, it is observed that there is often a clear link between the regularity of contact stakeholders have with an organisation and how favourably they view its performance. The more often stakeholders engage and review performance, the more favourable they tend to be, as can be seen in the audit outcomes of the five municipalities. Breede Valley, Drakenstein, Saldanha and Theewaterskloof have seen a remarkable improvement in their audit outcomes over the last three years. This can be attributed to a better relationship with the Auditor-General. All four these municipalities have progressed from unqualified audit findings to clean audits. Laingsburg is the only municipality that has not receive a clean audit outcome; this, however, can be attributed to the limited capacity in the municipality.

There is evidence that there is a need for better stakeholder management from the five municipalities. Municipalities should develop strategies to communicate effectively with stakeholders and understand their stakeholder's expectations. In particular, they should focus on their communication with stakeholders who have a major impact on how the municipality is viewed and perceived by the public and municipalities should consider taking advantage of

new media as it readily available and accessible. The absence of this could hamper the credibility of the municipality and its long-term sustainability.

At an operational level, municipalities should create more of a continuum in their management structure in order to create increased accountability in the organisation and improved execution of their strategies. In addition, municipalities should have a section or unit within the MM's office dealing with stakeholders (a public relations office), which will improve the municipality's communication with stakeholders. The municipalities are also held accountable by the public, thereby strengthening legitimacy and encouraging greater transparency and openness. Furthermore, the study revealed that continued deliberation and discussion is essential and that perceptions are different during different stages in those processes.

In the final analysis it is observed that stakeholder management in the five municipalities is not at a desired level. More could be done to get stakeholders involved in the business of the municipality. Municipalities should realise that the environment in which they operate requires them to have a robust approach to stakeholder management if they want to stay in business. Stakeholder relationships are ultimately about day-to-day working relationships; therefore, the quality of working relations make a huge difference.

### **7.3.2 Is the current approach appropriate to manage stakeholders?**

The approach taken by the five municipalities is a more a reactive approach and it is not conducive for stakeholder management. There is no strategy to deal with stakeholders and this is done in a very haphazard way. The approach taken by the five municipalities is not conducive and is not optimal for the municipalities. The research indicated that there is a positive correlation between public value and stakeholder management, which should provide a strong incentive for municipalities to pursue better stakeholder relations. The development of a strategic partnership with external stakeholders based on the dual incentive of benefiting business and society is an essential element of public value creation. A more proactive approach is required in the management of stakeholders.

### **7.3.3 What are the factors that influence stakeholder management?**

During the study, it became apparent that there are several factors that influence stakeholder relations: (i) the corporate culture of the municipality; (ii) the quality of leadership; (iii) availability of financial resources; (iv) strategy; (v) skills and competence of the municipality's team; (vi) stakeholder power; and (vii) level of trust. The concepts of power, legitimacy and urgency are valuable for identifying important stakeholders in order to recognise and show the power and communication ties within the stakeholder community (Mitchell, Agle & Wood, 1997).

What also emerged is that these relationships are dynamic in nature. The kind of relationship at any particular point in time is determined by the level of compliance with the agreements reached by the various stakeholders.

## **7.4 Dynamics Influencing Stakeholder Management**

### **7.4.1 The historic legacy of local government**

South Africa's history of racial segregation is a dynamic that cannot be ignored in local government. The period before 1994 made provisions for race-based municipal authorities. The white local authorities were established institutions with strong political and administrative capacity, whereas management boards and local affairs committees governed Coloured and Indian areas. African communities fell under the jurisdiction of black local authorities. The new councils find it hard to shake off the apartheid legacy and, despite political changes, the legacy of apartheid is still embedded in many municipalities. Many of the municipalities still hang on to traditionally driven bureaucracies, are inward looking and have not adapted to technological, economic and policy environments.

### **7.4.2 Leadership**

Leadership is one of the biggest challenges to municipalities. The Council is responsible for provide strategic guidance. This is a time-consuming exercise but the Council should take accountability for what is happening in a municipality. The Council should take the responsibility when a municipality is not functional. The reality is that many performance

failures in municipalities can be directly linked to poor political and administrative leadership. When municipalities are performing well this can also be attributed to good political and administrative leadership. The consistent message from the AG is that the leadership of public institutions must be at the forefront of efforts to engender good governance. In fact, they should be the ones who rise or fall on the basis of the performance of the institutions they lead.

### **7.4.3 Finance**

A very important dynamic in the implementation of a stakeholder relationship strategy is that of finance. The financial position of councils varies from larger population councils in metropolitan/regional areas with a typically strong rate income and economic bases and more sophisticated asset management and financial governance systems, to rural/remote councils with typically small populations and extremely restricted own-source revenue streams compounded by problems associated with declining populations, unemployment, as well as skills shortages.

Substantial money is required to drive stakeholder management within and smaller municipalities find it difficult to fully commit to such a project. Money is also needed to ensure that all systems and procedures are in place to ensure good governance. In this regard Laingsburg finds itself in the category of a rural council. Laingsburg is the smallest municipality in South Africa and has a very low skills base. Unemployment and poverty are rife and the municipality relies on grants to run its operations. Little money is available to have a fully functional stakeholder management unit. This is also true for the other three municipalities in the Karoo.

### **7.4.4 Political party in control**

Placing the political situation at the centre of service delivery has implications for the role of managers, the prevailing public service ethos, the realisation of the public interest, the public service ethos, preferred systems of delivery and, overall, the conceptualisation of the relationship between administration and the democratic process. Some councils are dysfunctional due to political conflict between parties and between members of the governing parties. These conflicts can impact on good governance and service delivery and often require political intervention.

### **7.4.5 Councillor's level of education**

Another dynamic is the level of education of councillors. There are no specific requirements in South Africa for the election of councillors. The challenge in municipalities is that some councillors have very little or no education and sometimes do not understand strategic issues. Budget documentation and strategic documents are sometimes written in highly technical English and councillors with a low level of education can find these hard to understand.

The situation in urban areas is a little better but rural areas have a serious problem regarding low levels of education. In a municipality where councillors have a high level of education there is a greater chance of implementing strategic projects, whereas in municipalities with a low-level infighting and a lack of seeing the bigger picture is a challenge. It is therefore incumbent upon political parties to improve their selection processes in respect of councillors and to make sure that councillors have the necessary skills and education to add value to local government.

### **7.4.6 Socio-political differences**

Socio-political differences amongst councillors makes it difficult for municipalities to govern effectively. The new dispensation has made it possible for the farmer, farm labourer and general labourers to become equal participants. The challenge is that cultural and historical divisions still exist given South Africa's non-democratic history. The result is hatred and internal divisions in councils. Municipalities have also absorbed former municipal officials from the previous regime and some of these officials have significant experience in municipal affairs. New councillors find this hard to accept given that these officials are the same ones who administered apartheid policies. This creates animosity and tension.

### **7.4.7 Cadre deployment**

The deployment of people with little or no capacity to municipalities is a problem and it undermines the status of local government. Municipalities need skilled, capable and ethical people and often those deployed loot municipalities. They often have little or no regard for good corporate governance and hence do not want to engage with stakeholders like the AG.

The appointment of personnel is an important part of the politics in municipalities. Municipalities use this as a form of electioneering. Parties appoint officials who voted for them and sometimes these officials do not have the necessary skills. Although national government has introduced regulations to deal with this at a senior level it still occurs. The result is that personnel appointed through their political parties only serve the interest of their party and sometimes refuse to work together with other parties or bluntly refuse to execute policy if it is not in line with their party policy. Co-operation between administrative personnel and elected officials is a huge challenge in municipalities as a result of political and ideological differences.

#### **7.4.8 The municipality's relationship with the national and provincial government**

In order for municipalities to respond to the challenges of development they need to have a good relationship with the national and provincial government. In cases where municipalities are non-compliant or in conflict with government very little support is provided, hence the municipality will struggle to reach its development objectives. When leadership is continuously fighting with national and provincial officials and when they fail to succeed in finding a modus operandi to work together, this relationship becomes difficult. Councils with a synergistic relationship with government and that are not internally divided are more focused on the task at hand.

#### **7.4.9 Ideological differences**

Ideological differences in municipalities can derail the implementation of good governance. Many councillors who were fighters against apartheid believe the introduction of good governance will curb their political power and is a method of oppression. This leads to a culture of ill-discipline and fighting, especially between white and black councillors.

#### **7.4.10 Coalition councils**

Some municipalities have coalition councils, which make it very difficult to govern. Laingsburg is a good example where there is no party with an outright majority. These coalitions can create instability in municipalities as smaller municipalities that hold the power can decide to work with another party should they get a better deal. When coalitions are in

place it becomes even more difficult to manage relationships. Laingsburg Municipality has a coalition government and this makes things extremely difficult, especially when it comes to implementation of policy and other strategic projects.

## **7.5 Does Stakeholder Management Yield Better Service Delivery Outcomes?**

A critical question in the stakeholder management discourse is whether it yields better service delivery outcomes. The answer is not straightforward. Where it is implemented properly it does create better outcomes. The contrary is also true. Where it is not implemented properly and where it is only a compliance exercise, it becomes difficult. The study provides evidence that where stakeholder management is seen as a game changer for improvement outcomes, it is vigorously driven and resources are channelled to improve outcomes. The involvement and commitment of the municipal leadership is a very important element in ensuring successful stakeholder relations. Likewise, is the commitment of municipal officials in the process. Therefore, the outcomes of stakeholder management are dependent on certain factors, which are listed below:

- Leadership;
- Resource allocation;
- Trust;
- Communication; and
- Innovation

Municipalities are not dependent on the stakeholder groups in the research for their survival. Such groups can, however, cause significant damage to a municipality's reputation.

## **7.6 Public Value Creation in the Five Municipalities**

The analysis shows that the five municipalities are all equally serious about creating public value for their citizens. Stakeholders demand accountability from them and the municipalities are in pursuit of public value creation through the delivery of quality services to their citizens. For example, the provision of electricity without interruption, the provision of potable water

and safe and healthy environments for their children are key services required by communities. The provision of housing and infrastructure to communities is furthermore high on the service delivery agenda in the five municipalities. Drakenstein, Breede Valley and Saldanha seem to be at the forefront of delivering quality services to their communities and thereby creating public value. Even though there are some variances in the structuring of the municipalities (due to their differing sizes), all of the municipalities take their service delivery mandate very seriously.

In this study it is illustrated that municipalities and public service providers can work together to produce public value outcomes. The stakeholder relationship approach views public value management as a way to involve different actors in the decision-making process to create public value. This study also gives attention to stakeholder strategy and the idea is that municipalities had to continually re-position themselves in a complex, dynamic, changing environment. Municipalities therefore need to adapt to the changing political, economic and social conditions that might create new or different political demands.

It is furthermore important that both municipalities and stakeholders focus on the larger vision they share seeing as they need one another for survival. This understanding should propel them to work together towards a mutually beneficial relationship. Municipalities can create public value through proficiency in service delivery; this will create value because citizens will feel that they get value for money. Secondly, municipalities can make it easier for citizens and businesses to do business with the municipality; this can create value for citizens in terms of the municipalities' better economic conditions that in the long term can contribute to an increase in the citizens' well-being and quality of life. Moreover, the public value approach can help municipalities to better understand the stakeholder management paradigm.

It is noteworthy that municipalities are not aware that they are creating public value through the delivery of services. Municipalities do not realise that the improvement of access to services makes them more responsive to the needs of citizens. Whilst service delivery is the core business of a municipality, efforts of municipalities should focus on delivery to those who do not have access to basic services. Public value happens in a very unstructured way and is seen as part of the normal business activities of the municipality. By applying the Batho Pele principles, municipalities could also ensure the creation of public value. These principles were specifically introduced (see Chapter 5) to create public value.

## **7.7 Contribution to Policy and Practice**

This research contributes to academic and practitioner audiences by furthering understanding of stakeholder management and how it can be used effectively by municipalities to improve credibility and its long-term sustainability. It draws on the experience of practitioners who have worked in the local government field over many years and the thrust is that positive relationships with stakeholders contributes towards the success of a municipality. The research further advocates that a focus on relationships needs to be at the core of strategic thinking in municipalities. Where municipalities fail to invest in relationships it can have a profound damaging impact on municipal sustainability. The arrival of networked governance also implies a different way of working for politicians, as well as public sector managers or administrators.

## **7.8 Implications and Policy Recommendations**

The study highlights that, despite a legislative push from government to encourage municipalities to liaise and work together with certain key partners, the relationship between municipalities and stakeholders is not what it should be compared to the rest of the world. Further advances are needed to ensure that a partnership approach is established. A new differentiated approach is required to address stakeholder management gaps within the municipal landscape. The current approach is not working after 25 years of democracy.

The relationship between municipalities and some stakeholders is very hostile and creates tension. The focus of stakeholders like the AGSA, LLF, Eskom and SALGA should be to improve service delivery and accountability in municipalities and not to act as policemen.

In networks such as this, government and other institutions should come together to address problems that affect them. It is impossible to address these complex problems effectively without proper partnering. A prominent example is the issue of audit outcomes of local government and the issue of wall-to-wall municipalities advocated by the Municipal Demarcation Board. If municipalities, the Auditor-General and MDB do not have a co-operative relationship, issues of governance and municipal boundaries will not be addressed.

## **7.9 Contribution to the Literature**

The emerging field of stakeholder management may benefit from this study. It strengthens stakeholder management scholarship in favour of a more networked government, one that engages with different players in the local government field.

The study has provided empirical knowledge about the outcomes of stakeholder management and public value creation in the service delivery process in five municipalities in the Western Cape. It makes important contributions to knowledge, especially in relation to the advancement of the public value debate and the stakeholder debate and theory. It proposes that municipalities implement a stakeholder management strategy and that this should be driven by the municipal council. It further proposes that municipalities identify stakeholders based on their relationship with the municipality. Such a relationship with stakeholders is deemed crucial in determining stakeholder salience. The study also reveals the different challenges and complexities of managing stakeholder relationships in the municipal sector that cause these relationships to be dynamic in nature.

The study postulates that time and effort is required to work on relationships. It proposes that stakeholder management should be embedded into the contracts of senior managers to demonstrate the high value placed on relationship management. Each of the five case studies shows that relationship building requires a champion to drive the process. A key contribution of this dissertation is the proposed stakeholder management framework, as presented in Chapter 8.

## **7.10 Reflection on the Methodology**

The core aim of the study was to examine how municipalities manage their stakeholders to deliver better services that will lead to public value creation. The design theory is the chosen method as the focus was "... on a contemporary phenomenon within some real-life context" (Yin, 2003:1). Therefore, the researcher adopted a mix method approach to provide evidence on the process and outcomes of stakeholder management in its natural setting (Yin, 2003; Creswell, 2007). The design theory method with a model construction in this study enabled the

researcher to develop a rich understanding into the stakeholder management practices of the five municipalities in the Western Cape.

## **7.11 What Can Municipalities Do Better to Improve Stakeholder Management?**

Effective and efficient stakeholder management requires municipalities to make a paradigm shift in the way they manage their stakeholders. The lack of a proper stakeholder management system is contributing to poor stakeholder management. If municipalities work more systematically, they can do better. A well-crafted stakeholder management strategy will go a long way in addressing the deficiencies in municipalities. Stakeholders are managed in a haphazard way and this leads to various challenges, such as misunderstanding of mandates, roles and responsibilities.

Municipalities can enhance stakeholder management and their communication with stakeholders through the use of a variety of digital solutions, for example in the form of an up-to-date interactive website or a stakeholder management application where information is shared on a daily basis.

## **7.12 What can Municipalities do Better to Improve Service Delivery?**

The dissertation provides some insight into the practice of stakeholder management in the five municipalities in the Western Cape. A very important observation is that the concept of stakeholder management is not fully understood. This lack of understanding means that municipalities are unaware that they are alienating stakeholders, which makes them reluctant to partner with municipalities. On the other hand, politicians also do not regard stakeholders as important partners rather than people who are interfering in municipalities.

## 7.13 Study Limitations

This study had several limitations. One is that required information was not always available. It was not possible to speak to all key personnel and officials in the five municipalities. Participants that were interviewed were reluctant to give more detail for fear that the researcher could use it against them and that the information would be provided to municipal managers. The fear was therefore that it could be used as a punitive measure against them. Municipal managers were also not readily available due to their busy schedules and other commitments. It was also cumbersome to get feedback from external stakeholders involved in the study.

## 7.14 Challenges Experienced by the Five Municipalities

The main challenges that the five municipalities face include the following.

### 1. Not having a stakeholder management strategy

None of the municipalities in the study have a distinct strategy for stakeholder management. Municipalities need to have a good relationship with their stakeholders to ensure that basic services are provided and to address their internal developmental issues. A stakeholder management strategy is key to the creation of a municipality that is socially, economically and environmentally friendly.

### 2. A corporate culture that does not support stakeholder management

The culture that exists in the five municipalities does not support stakeholder management and, despite the fact that some of the municipalities have communication units, there is no dominant focus on stakeholder management. Involving stakeholders in the decision-making process and in organisational activities will strengthen municipalities' ability to deliver on their social contract with the community.

### **3. A lack of an implementation plan for the King III principles**

Implementing the King III principles will give impetus and importance to corporate governance, corporate citizenship and corporate sustainability. However, based on the interviews with the municipal officials, there is an indication that the King III principles are not prioritised. To ensure successful implementation of these principles it is important that a proper implementation plan be developed.

### **4. Inadequate strategic thinking at a managerial level and a disconnect with stakeholders**

Senior municipal officials often lack the ability to think strategically. This entails that officials be able to think outside of the box and be innovative. Officials sometimes lack the ability to see the bigger picture and to position the municipality strategically. This is often because of a lack of awareness and the inability to adapt to an ever-changing municipal environment.

### **5. The need for more dedicated units to deal with stakeholders**

There is no dedicated strategic management unit in any of the five municipalities under discussion. In order for municipalities to build strong relationships with stakeholders, they should establish dedicated stakeholder management units that act as a link between the municipality and stakeholders. Although there is some evidence that the communication units are trying to instil and inculcate a new approach to stakeholder management, this is still done haphazardly.

### **6. Not enough resources for communication**

Two of the municipalities in the study, namely Laingsburg and Theewaterskloof, are relatively small and have limited budgets. This makes it nearly impossible to establish fully dedicated units. Drakenstein, Breede Valley and Saldanha are, however, in a better financial position to establish such units. Given the current economic climate, the establishment of strategic management units is a challenge for financially strained municipalities.

### **7. Ad-hoc engagements with stakeholders and insufficient skills**

The current culture in the five municipalities is that engagements with stakeholders are done in a very ad-hoc manner. These engagements are not prioritised and this creates trust issues. Regular engagements should be put on the calendar to ensure ongoing stakeholder collaboration. A change in the mindset of councillors and senior officials of municipalities is required to ensure successful stakeholder management.

## **8. Inability of municipalities to respond to the needs of communities**

Each of the five municipalities has its own individual challenges. All participants in the municipalities agree that engaging stakeholders is a continuous exercise in a constantly changing landscape. However, municipalities need to be responsive to the needs of their stakeholders to ensure public value creation. A sustainable relationship is beneficial to both the municipality and its stakeholders.

The following recommendations are made to combat the above challenges:

### **1. Do a bespoke research study amongst stakeholders**

It is recommended that municipalities conduct stakeholder management research so that they understand the issues that affect them. A checklist of questions for assessing the power and influence of stakeholders can be included in the research. This research can identify key trends impacting on the municipality. Furthermore, research will help to obtain input for the development of solutions.

### **2. Develop a stakeholder relationship management strategy to help prioritise relationships and ensure that stakeholder needs are met**

It is not always possible to satisfy all stakeholders; hence, it is important to develop a stakeholder relationship management strategy and prioritise stakeholder needs with the aim of knowing the impact of attending to some of them. The roles of stakeholders should be unpacked in this strategy.

### **3. Develop an implementation plan for the King III principles**

The development of an implementation plan for the King III principles is critically important for a municipality. King III impact must be included in the KPAs of senior managers to measure the social impact on stakeholders. This will also help to address corporate governance gaps within a municipality. Municipalities cannot ignore stakeholders' perceptions because these can have an impact on the municipality's reputation.

**4. Drive strategic thinking at senior management level and include a copy of the stakeholder relationship management strategy on the municipality's intranet and distribute it to all stakeholders**

The success of a municipality depends largely on its leadership. Leadership is required to give direction so that the municipality can attain its goals. Strategic thinking is required to respond to corporate challenges, therefore managers with a futuristic mindset are a critical asset for any municipality. Municipalities must publish their stakeholder relationship management strategies online to ensure access to the broader stakeholder community and the public. This will ensure stakeholders feel comfortable that their views have been considered in the development of the municipal strategy.

**5. Establish dedicated stakeholder units and build and sustain a long lasting, mutually beneficial relationship with stakeholders**

The establishment of dedicated stakeholder units within municipalities can enhance stakeholder management. The primary focus of these units will be to act as the link between the municipality and stakeholders. Municipalities can further expand on the ward committee system to ensure a broader participation of stakeholder groups. The business sector is not engaging municipalities through the ward committee system, so additional mechanisms must be created.

**6. The CoGTA could assist municipalities with a grant to establish stakeholder communication units**

Municipalities are cash-strapped and do not always have the budget for stakeholder engagement. The metros and secondary cities are in a better financial position to have stakeholder management budgets; however, rural municipalities and those in the smaller

towns are not always in a position to engage stakeholders due to budgetary constraints. A conditional grant will assist these municipalities to engage with their stakeholders more regularly. The grant should have specific outcomes as a condition.

**7. Establish and institutionalise stakeholder negotiation to the extent that these are not viewed as an ad-hoc event but rather as a continuous process**

Having regular (annual, quarterly, monthly) engagements with individual stakeholder groups, and including these on the annual municipal calendar, could be an effective way of improving the reputation and brand of the municipality. Work groups consisting of municipal officials and stakeholder representatives engaging on a regular basis could improve the trust relationship between the municipality and stakeholders. Constant engagement with stakeholders will also reduce the risk of confrontation.

**8. Listen to the views of stakeholders and act on these views – taking stakeholder fears and interests into account can improve relationships**

Municipalities should form strategic alliances with stakeholders and engage with them on a regular basis. It is however important for municipalities to listen to and act on proposals from stakeholders. Stakeholders also expect municipalities to be responsive to their needs. Therefore, municipalities need to be sensitive to these needs and respond timeously if stakeholders require assistance. By doing this, the relationship can improve as mutual trust is earned and stakeholders feel that their inputs are important for municipal governance. This can in turn advance the integrity of the municipality.

## **7.15 Summary and Deductions**

The results of this study found that not all of the municipalities have incorporated the concept of stakeholder management and, although they seem to be aware of their stakeholders, little information exist on stakeholder management activities. Moreover, stakeholder management is not embedded in the business activities of the municipalities. Stakeholder management can be used as a tool by municipalities in the service delivery process and can create public value through access to better services, inclusion, transparency, trust, respect and accountability.

The findings indicate that through engagement, stakeholder relations management:

- (a) Can help municipalities to improve their reputation;
- (b) Can improve governance outcomes of municipalities;
- (c) Allows for a municipal stakeholder relationship management strategy that is proactive, innovative and increases transparency by providing access to understandable information and platforms for meaningful and purposeful dialogues;
- (d) Supports deliberative and participatory governance;
- (e) Builds collaborative partnerships immersed in inclusive planning for the delivery of programs and services;
- (f) Addresses challenges to internal collaborative discussions by increasing consciousness across the organisation, enlightening participants of their shared roles and building trust; and
- (g) Creates public value by including stakeholders in the planning and delivery of programs and services. This provides an opportunity to improve the value of life of citizens, emphasise customer service, increase communication and shift the focus to outcomes.

The second area of responsibility is where stakeholder relations management, or bringing opinions and information from outside in, relates to council leadership. The council of a municipality can play a significant role in making sure that an outward looking approach including transparency, integrity and win-win relationships is valued within the municipality and that these values are implemented. The following are key steps as to how the council can embed stakeholder management in the municipality's governance:

- (a) Define stakeholder relationship management as a core value of the municipality;
- (b) Identify, discuss and list key risks associated with changing societal expectations;
- (c) Determine the council's financial and non-financial information needs for decision making, management oversight, and monitoring key stakeholder relationships associated with generating value and wealth;
- (d) Discuss; identify and approve key performance indicators for social, environmental and financial performance;
- (e) Approve a strategy or policy for external reporting to the community and stakeholders (a monthly or quarterly newsletter);

- (f) Integrate stakeholder issues into quarterly or monthly council meetings;
- (g) Discuss the risks and impacts of projects and operations and provide transparent disclosure information to civic groups and other key stakeholder groups; and
- (h) Convene stakeholder forums and invite key stakeholder representatives to address council meetings. (Public Protector, AG, SALGA, Human Rights Commission, Eskom)

Just as the municipal council should ensure proper oversight, it is also responsible for ensuring that management is aware of risks within the municipal landscape. In this regard, stakeholder management provides a wider view of potential risks. Municipal councils should consider reputational and relationship issues as fundamental to municipal actions, so stakeholder management should be given as much consideration as negotiations with other institutions.

By adopting a better stakeholder relations approach, municipalities can create public value for the broader society in which they function. The research shows that the sustainability of a municipality is dependent on stakeholder relationships and that sound, structured stakeholder relationships strengthen the resilience of a municipality and its ability to adapt to the increasing demands placed on municipalities amid the uncertainty of the current business environment.

Whilst the research undertaken was limited to the stakeholder management practices in five municipalities, it can be regarded as a starting point for new research in the future. Future research could be broadened to develop a stakeholder relationship management maturity model for municipalities.

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# **ANNEXURE A: QUESTIONNAIRE TO MUNICIPALITIES**

1. Does the municipality have a stakeholder relationship management strategy?
2. How often does the municipality meet with its stakeholders?
3. Is there a formal agreement in place that managed the relationship between the municipality and stakeholders?
4. How are the agreements between the municipality and the stakeholder implemented and executed?
5. How is conflict between the municipality and the stakeholders managed and evaluated?

# ANNEXURE B: QUESTIONNAIRE

## Stakeholder Evaluation Questionnaire

Rank your relationship with the municipality on each of the ten scales

Please complete a questionnaire for each of the following Municipalities:

Breede Valley Municipality, Drakenstein Municipality, Laingsburg Municipality, Theewaterskloof and Saldanha Bay Municipality

Name of the Municipality: .....

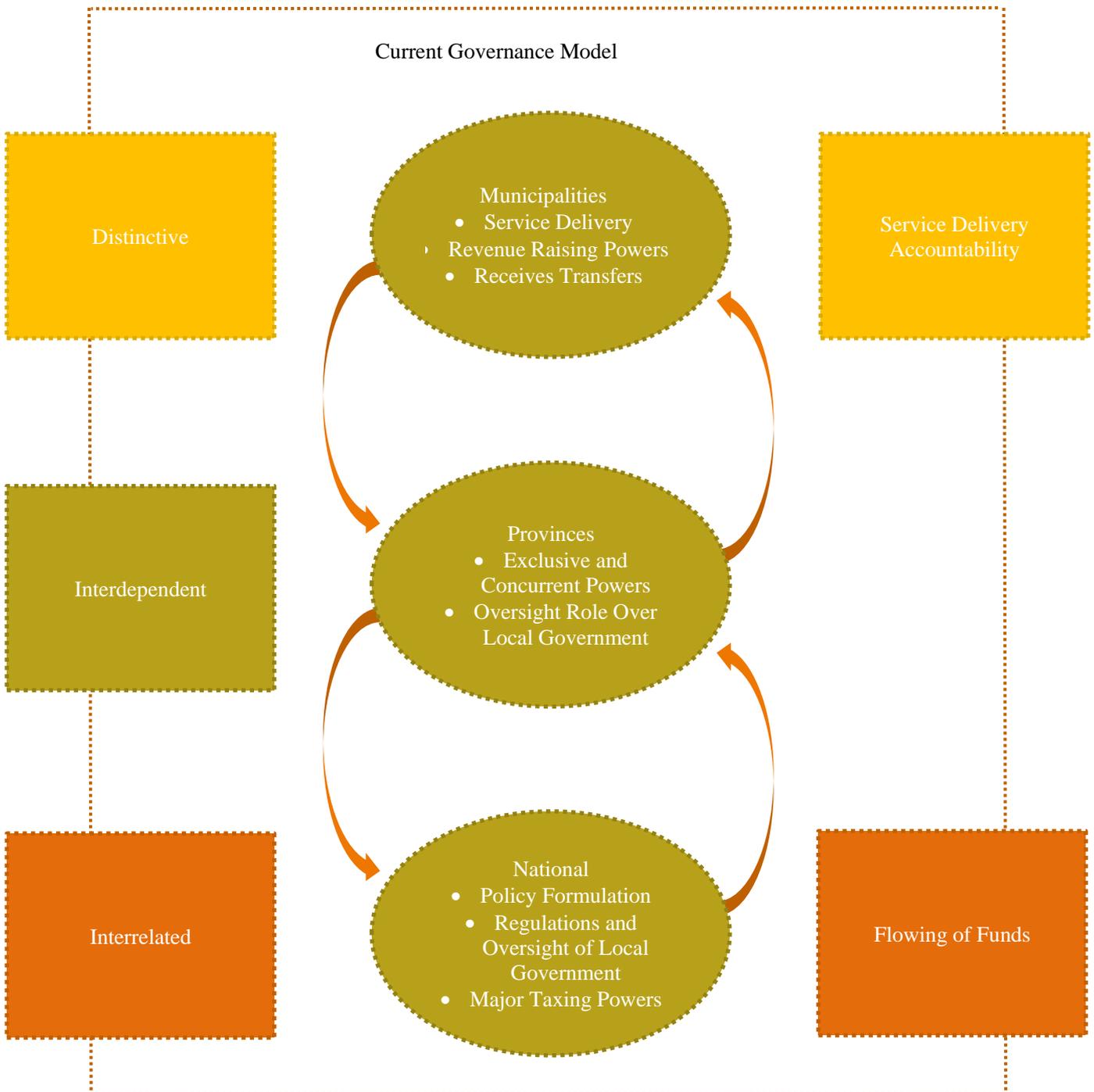
Please rate your municipality’s relationship with the municipalities using the scale of 1 to 5: (1) poor, (2) fair, (3) good, (4) very good and (5) excellent.

Cooperative	1	2	3	4	5	Non-cooperative
Accessible	1	2	3	4	5	Not accessible
Judgemental	1	2	3	4	5	Non-judgmental
Controlling	1	2	3	4	5	Problem orientated
Supportive	1	2	3	4	5	Defensive
Trusting	1	2	3	4	5	Suspicious
Credible	1	2	3	4	5	Not credible
Honest	1	2	3	4	5	Dishonest
Responsive	1	2	3	4	5	Non- responsive
Easy to understand	1	2	3	4	5	Not easy to understand

Note: Please complete an evaluation questionnaire for each of the five municipalities.

# ANNEXURE C

**Figure 1: Spheres of Government**

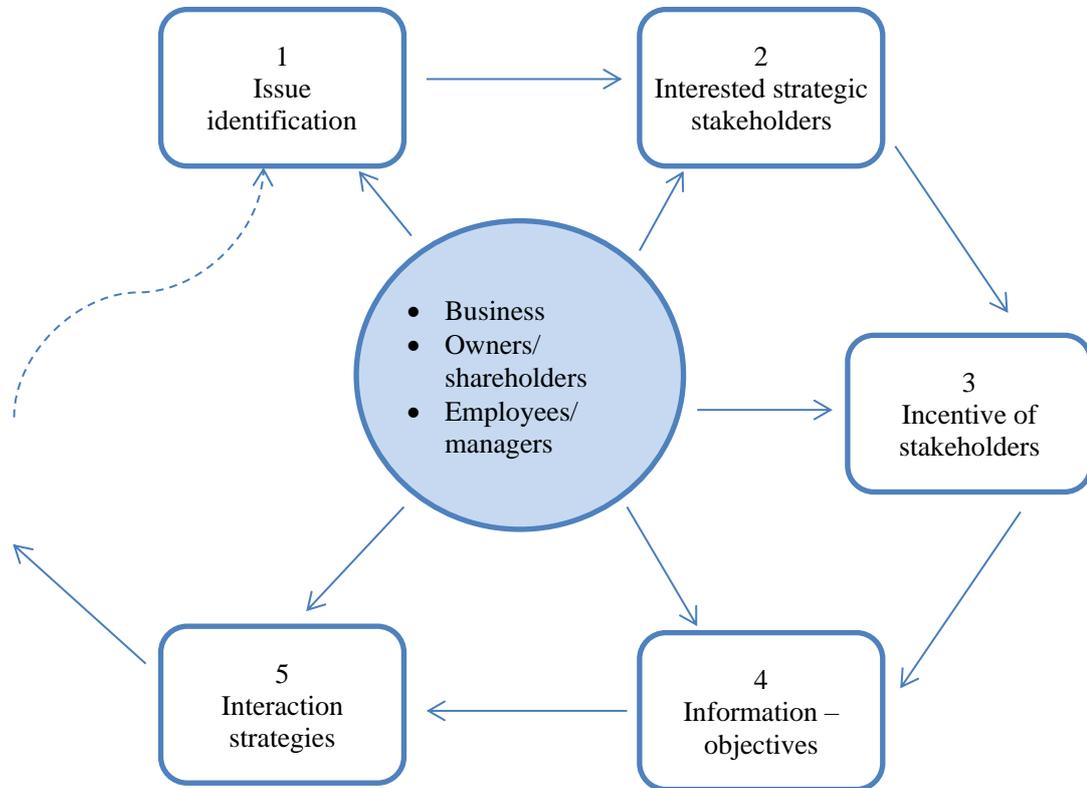


## ANNEXURE D: STAKEHOLDER INCENTIVES AND POWERS

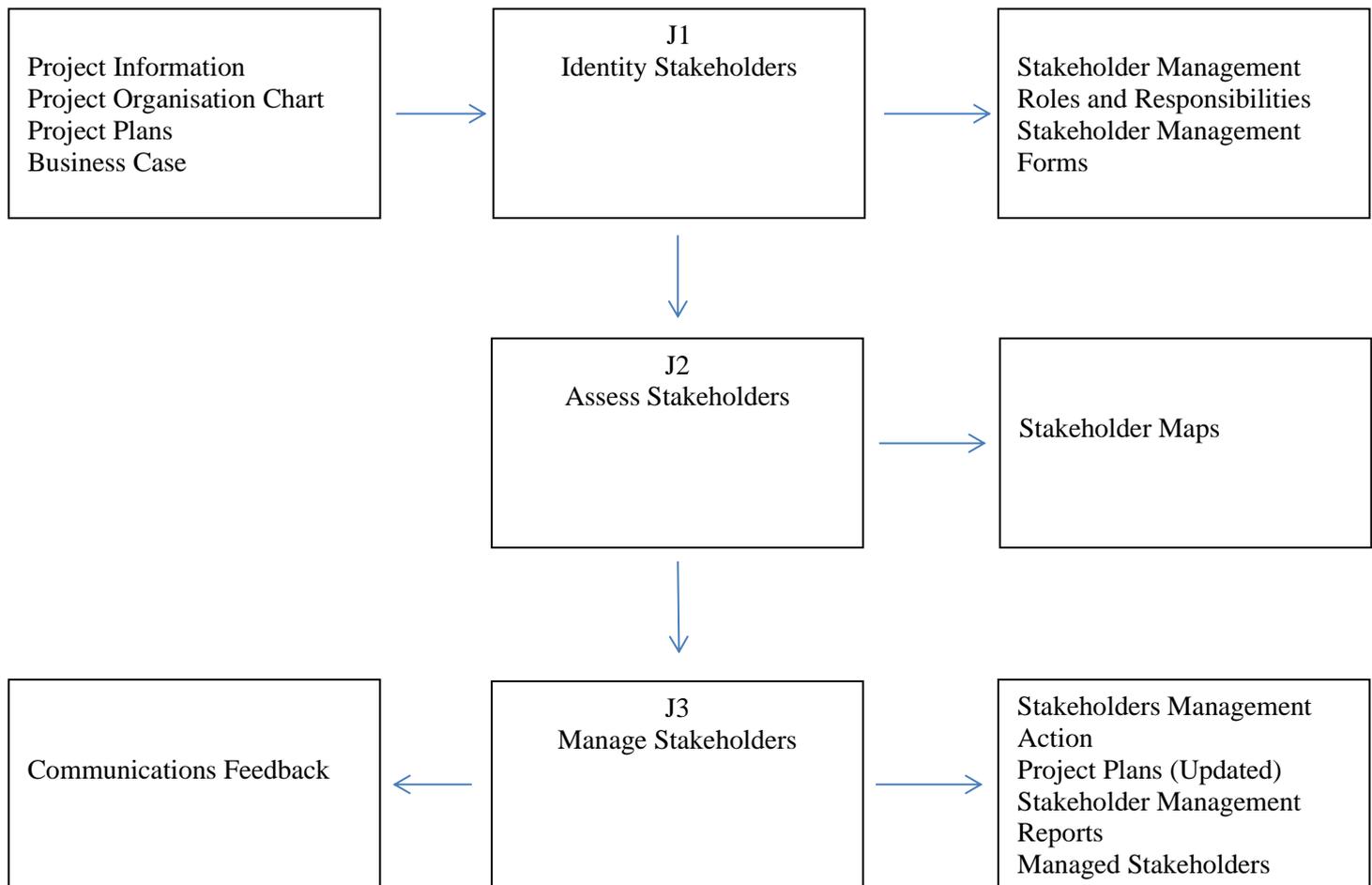
Stakeholder	Incentive – Measure of costs vs. benefits	Power – strategic action stakeholder might take
<b>Market Environment</b>		
Stockholders	Sales and profits Fair return on investment – dividends Increased value of stock	Vote for board of directors Pressure board and managers
Managers/Employees	Compensation (wages and benefits) Job security and opportunities Working conditions	Union/collective bargaining Work slowdown – call in sick Strike
Customers	Price Quality Safety	Buy from competitors Boycott if products or policies do not meet expectations
Suppliers	Gain or lose, sales to firm Payment, in full and timely Relationship, ethical	Provide needed products Refuse to sell to firm Slow down delivery Sell to competitors
Competitors	May face same issue Fair competitive practices	Complain to regulators File lawsuits
<b>Nonmarket Society Environment</b>		
Societal Interest Group	Monitor firm to ensure compliance with its interest	Picketing Organise demonstrations and rallies Boycott Appeal to press Appeal to government File lawsuits
Business Associations	Provide research and information Business creation of value	Provide staff and resource help Provide political and legal help

Community and Consumerism	Not hurting environment	People are part of other stakeholder group power
<b>Nonmarket Society Environment</b>		
News Media	Inform community of issues Shape public sentiment Shape nonmarket agenda	Provide positive news coverage Provide negative news coverage
<b>Nonmarket Government Environment</b>		
Legislative	Make laws to help business and society	Make firm practices legal (can do) or illegal (cannot do)
Executive	Enforce laws Make and enforce regulations to help business and society	Tell firm what practices it can and can't perform and make firm comply Can close down business
Judicial	Interpret the law Determine litigation outcome	Can change laws Decide who wins lawsuits

## ANNEXURE E: STRATEGIC ANALYSIS STEPS



# ANNEXURE F: STAKEHOLDER MANAGEMENT PHASES



## ANNEXURE G

	<b>Old public administration</b>	<b>New public management</b>	<b>New public service</b>
<b>Primary theoretical and epistemological foundations</b>	Political theory, social and political commentary augmented by naïve social science.	Economic theory, more sophisticated dialogue based on positivist social science.	Democratic theory varied approaches to knowledge, including positive, interpretive critical and postmodern.
<b>Prevailing rationally and models of human behaviour</b>	Synoptic rationality, 'administrative man'.	Technical and economic rationality, 'economic man' or 'self-interested decision maker'.	Strategic rationality, multiple tests of rationality (political, economic, organisational).
<b>Conception of the public interest</b>	Politically defined and expressed in law.	Represents aggregation of individual interest.	Results of a dialogue about shared values.
<b>To whom are public servants responsive?</b>	Clients and constituents	Customers	Citizens
<b>Role of government</b>	Rowing (designing and implementing politics focusing on a single, politically defined objective).	Steering (acting as a catalyst to unleash market forces).	Serving (negotiating and brokering interest among citizens and community groups, creating shared values).
<b>Mechanisms for achieving policy objectives</b>	Administering programmes through existing government agencies.	Create mechanisms and incentive structures to meet policy objectives through private and non-profit agencies.	Building coalitions of public, non-profit and private agencies to meet mutually agreed needs.
<b>Approach to accountability</b>	Hierarchical – administrators are responsible to democratically elected political leaders.	Market-driven – the accumulation of self-interest will result in outcomes desired by broad groups of citizens (or customers).	Multi-faceted – public servants must attend to law, community values, political norms, professional standards and citizen interests.
<b>Administrative discretion</b>	Administrative officials allowed limited discretion.	Wide latitude to meeting entrepreneurial goals.	Discretion needed but constrained and accountable.
<b>Assumed organisational structure</b>	Bureaucratic organisations marked by top-down authority in agencies and control or regulation of clients.	Decentralised public organisation with primary control remaining with the agency.	Collaborative structures with leadership shared internally and externally.
<b>Motivational basis of public servants and administrators</b>	Pay and benefits civil service protection.	Entrepreneurial spirit ideological desire to reduce size of government.	Public service, desire to contribute to society.

# ANNEXURE H: STAKEHOLDER INCENTIVES AND POWERS

Stakeholder	Incentive – Measure of Costs vs. Benefits	Power – Strategic action stakeholder might take
<b>Market Environment</b>		
Stockholders	Sales and profits Fair return on investment – dividends Increased value of stock	Vote for board of directors Pressure board and managers
Managers/Employees	Compensation (wages and benefits) Job security and opportunities Working conditions	Union/collective bargaining Work slowdown – call in sick Strike
Customers	Price Quality Safety	Buy from competitors Boycott if products or policies do not meet expectations
Suppliers	Gain, or lose, sales to firm Payment, in full and timely Relationship, ethical	Provide needed products Refuse to sell to firm Slow down delivery Sell to competitors
Competitors	May face same issue Fair competitive practices	Complain to regulators File lawsuits
<b>Nonmarket Society Environment</b>		
Societal Interest Group	Monitor firm to ensure compliance with its interest	Picketing Organise demonstrations and rallies Boycott Appeal to press Appeal to government File lawsuits
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<b>Nonmarket Government Environment</b>		
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Executive	Enforce laws Make and enforce regulations to help business and society	Tell firm what practices it can and cannot perform and make firm comply Can close down business
Judicial	Interpret the law Determine litigation outcome	Can change laws Decide who wins lawsuits

# ANNEXURE I: ETHICAL CLEARANCE

**University of Stellenbosch**  
**School of Public Leadership**  
**Bellville**

Dear Municipal Manager

## **Ethical clearance on the use of municipal information**

Stakeholder Relationship Management in local government is an important new development in South Africa. The South African Constitution requires municipalities to facilitate the involvement of various stakeholders to jointly decide on planning, budget allocation and service delivery.

As a student, I am undertaking a PHD on how municipalities in the Western Cape manage their stakeholders and how it assists in creating public value. The research aims to:

- Examine by means of a literature study by describing stakeholder relationship management, service delivery and public value;
- Establish how in actual practice how service delivery is conducted in Western Cape municipalities;
- Establish how in actual practice stakeholders are managed in five municipalities in the Western Cape;
- Develop a stakeholder management framework for municipalities in South Africa, and
- Provide recommendations to municipalities that can be made to enhance stakeholder relationship management.

I kindly seek your approval to use the information obtained from your Municipality and other national and provincial data in my study.

Your assistance and cooperation will be highly appreciated.

Kosie Haarhoff

Work number: 023 414 8195

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Cell number:083 628 9681

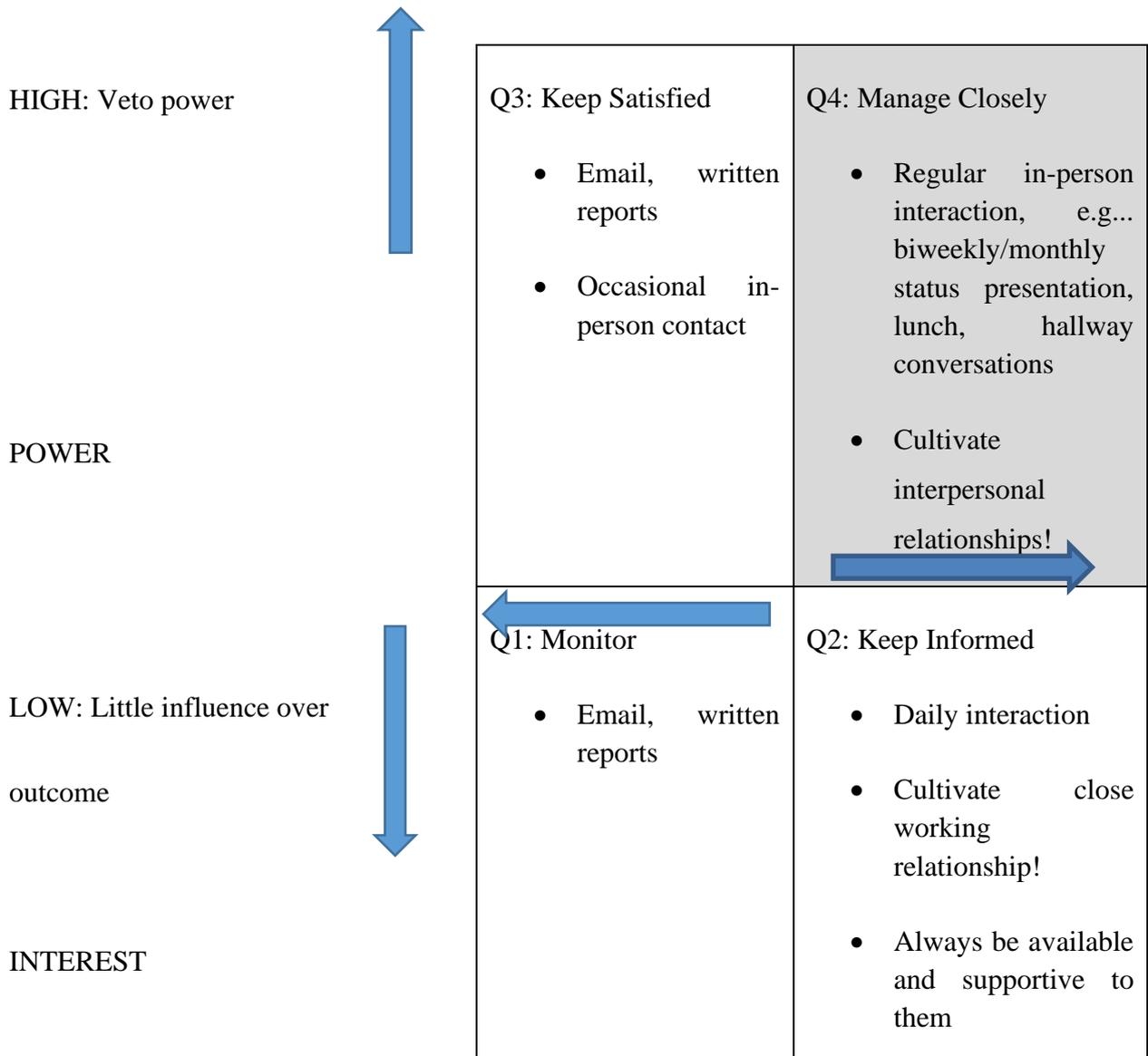
Email: [apjb@sun.ac.za](mailto:apjb@sun.ac.za)

# ANNEXURE J: STAKEHOLDER ENGAGEMENT PROCESS



Stakeholders Power/Interest

Authority vs. Interest



Power interest grid

**Source:** Eden & Ackerman (1998:122)