The effect of Key Performance Indicators on State Owned Enterprises Performance in South Africa
(A critical analysis of three national departments)

Monde Benedict Afrika (M.B.A) Ngqumeya
28584547

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ABSTRACT

The purpose of this exploratory research was to explore the effect of Key Performance Indicators (KPIs) on State Owned Enterprises' performance in South Africa. The aim of the study was to establish the impact that KPIs have on state owned enterprises, how they are currently measured and the causes of success or failure of Key Performance Indicators (KPIs) on State Owned Companies.

Fifteen respondents participated in this qualitative study. The survey method used was a questionnaire with closed and open-ended questions. The respondents were all Senior Executives including Chief Executive Officers, General Managers, Board Members and Senior Management employed by State Owned Enterprises reporting to the Department of Public Enterprises, Department of Transport and Department of Water Affairs. The research instrument that was used was a questionnaire with closed and open-ended questions.

The main impact felt of KPIs on the performance of SOCs was that it was the clearer the mandate the easier it was to achieve key targets. The understanding of KPIs and how they are linked to output and performance was determined and in order for KPIs to have a greater impact, the respondents recommended a more robust and transparent process at the outset when determining the various KPIs. It was also established that The Socio-Economic mandates of SOCs need to align to the agreed targets. Some of the most prevalent causes of failure or success of KPIs was misalignment of mandate to KPIs or failure of Shareholder departments to support the SOC. With regards to key success factors – a clear defined strategy with transparent and robust process of drafting KPIs was central in ensuring success.

KEYWORDS

State Ownership, State Owned Enterprises, Key Performance Indicators, Performance

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirement for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorization and consent to carry out this research.

Monde Benedict Afrika (M.B.A) Ngqumeya

07 November 2012

DEDICATION

This thesis is dedicated to my late brother Sipho Dominic Ngqumeya, I miss you today and I will miss you tomorrow. I will forever love you and hold dear all the memories. Greet Nomfundo and Rrangwane Eric. You were proud of me and I hope in the heavens above you will continue to support, love and guide me. Our parents Reverend and Mrs. Ngqumeya miss you dearly along with your brothers Thamsangxa and Bongani. Robala ka kgotso.

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Last but not least – to a man whose passion for knowledge and South Africa knows no bounds. Minister Malusi Gigaba – you continue to lead from the front and your light continues to shine and lead. May you continue to be the Son of the Soil. Aluta-Continua.

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1.1. BACKGROUND TO RESEARCH PROBLEM

Performance measurement is of increasing interest to managers due to the changing nature of work, increasing competition, specific improvement initiatives like six sigma and strategic planning, changing organizational roles, changing external demands, and the power of information technology Neely (as cited in Brook, 2003). The need to ensure that performance is measured and managed is the focus of this research. The role of Key Performance Indicators (KPIs) in State Owned Companies (SOC) or alternatively used as State Owned Enterprises (SOE). The researcher will interchange SOCs, SOEs and Public Enterprises.

Performance management in State Owned Enterprises needs to be reviewed and researched as SOEs are features of the public sector landscape that have existed for decades for developed and developing countries (Bernier & Simard, 2007). The impact of SOEs in the economies of both developing and developed countries continues to be the focus of interest. Similarly, the South African Government has embarked on a similar initiative of maintaining State Owned Enterprises. In addition international examples of State Ownership would be reviewed and the processes and tools used to measure performance would be discussed. State Owned Enterprises have a public mandate (Fikelepi, 2010). It is in lieu of this that it is a central feature of Government to utilise performance indicators to determine whether policy objectives are met.

Evans (2004) highlighted that performance measures are being built around the three Es' – Effectiveness, Economy and Efficiency. One could regard the three E's as potential measure that will focus the various State Owned Enterprises to the various Key Performance Indicators. This relates firmly to the role of the State Owned Enterprises as there is a common criticism of government for being ineffective, overtly bureaucratic and overburdened by unnecessary rules.

Key Performance Indicators are often aligned to the performance management as it enables organisations to identify areas of poor performance and introduce remedial measures (Fikelepi, 2010). This study will define Key Performance Indicators in State Owned Enterprise and draw correlation on the nature, depth, relevance of performance measurement tools and system implementation to the various mandates of the various enterprises.

This paper seeks to define and to examine the relationship and measurement thereof between the various Key Performance Indicators (KPIs) and the role that state-owned enterprises (SOEs) play in South Africa's economy.

1.2. RESEARCH PROBLEM

The perceived expectation of the public is that SOEs are expected to contribute positively to the economy; however there has been criticism that SOEs are failing to achieve economic and social expectations and not meeting their mandates. Furthermore Kohli (2004) argues such criticism fail to take into account the mandate and the specific KPIs for each SOE.

The lack of analysis of Key Performance Indicators has led to a myriad of challenges for public enterprises. This has a direct impact on the role played by State-Owned Enterprises in the economy. Khoza and Adam (2005) further argue that the number of countries in which government is a major participant in business – either through its shareholding in, ownership of public companies or directly through government departments or specially created government entities exists in various economies. Khoza and Adam (2005) state that as long as State Owned Companies are well managed and efficient, they are able to make a positive contribution to the economy, however getting these entities to perform optimally depends on a host of factors. The objective of the study is to illustrate the role, selection and the measurement of Key Performance Indicators, and how this process ultimately impacts on the efficiency and effectiveness of State ownership.

1.3. RESEARCH NEED

The focus of the study would ideally seek to close the gap of information that links the KPIs to the mandate per SOE. Furthermore, due to the limited research on South African State Owned Enterprises this study would be an exploratory study in nature and it would help in enhancing the scope of knowledge on how best to measure and monitor performance whilst aligning to the various mandates of the selected companies.

Khoza and Adam (2005) state that the challenges facing State-Owned Enterprises in other countries may differ from the South African case, particularly given the legacy of Apartheid, there are commonalities in the role and impact that these entities can play.

Furthermore an analysis of the Key Performance Indicators on State Owned Enterprises reporting to three State Departments namely : Department of Public Enterprises, Department of Transport and Department of Water Affairs and Forestry would aim to review the relevance of KPIs on SOEs and how these align to the mandates of the respective SOEs.

The importance of successful KPIs and how they apply in SOCs will be the focus of the research and how performance in SOCs can improve by the implementation, drafting and monitoring of performance.

1.4. RESEARCH PURPOSE

The rationale for the study is two-fold to analyse firstly the role and impact of the Key Performance Indicators on strategic mandate. Secondly to draw a conclusion on the relevance of Key Performance Indicators as an effective tool to measure performance.

In relation to the impact of the Key Performance Indicators is how best can the Key Performance Indicators per measured. The attainment of KPIs and the conditions that are required to ensure success or lead to failure would be reviewed.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter begins with the role and the history of State Owned Enterprises and the role of the state in the economic sphere. This section will contain information from case studies, theories and research. The chapter is divided into three phases that illustrate the role of state ownership, the need to measure performance and the tools that are utilised to measure such performance. Divergent views on State-Owned Companies and the numerous lessons from successful and non-successful companies worldwide.

2.2. HISTORY OF STATE OWNED ENTERPRISES

In South Africa there is a number of SOEs that were created to contribute to the social needs of the nation and at the same time were expected to operate on a commercial basis. These two objectives create tension between the commercial requirements of the entities and governments' social responsibility. (Magwentshu, 2001). This supports and follows to the inception of state-owned enterprises worldwide.

It is important to first define the concept of Key Performance Indicators and state-ownership. Secondly it is important to share benefits and costs and lastly to show how SOEs respective mandate and objectives are applied in South Africa.

In the period following the Second World War many firms were either nationalized or created under state ownership, not because of monopoly or market failure in the private sector but out of a desire on the part of governments to have these enterprises serve the broader public interest (Heath & Norman, 2004). The rationale was to ensure economic and political stability by various countries investing in manufacturing and infrastructure built to ensure employment and income generation for the public.

2.3. SOUTH AFRICAN SOES BEFORE 1994

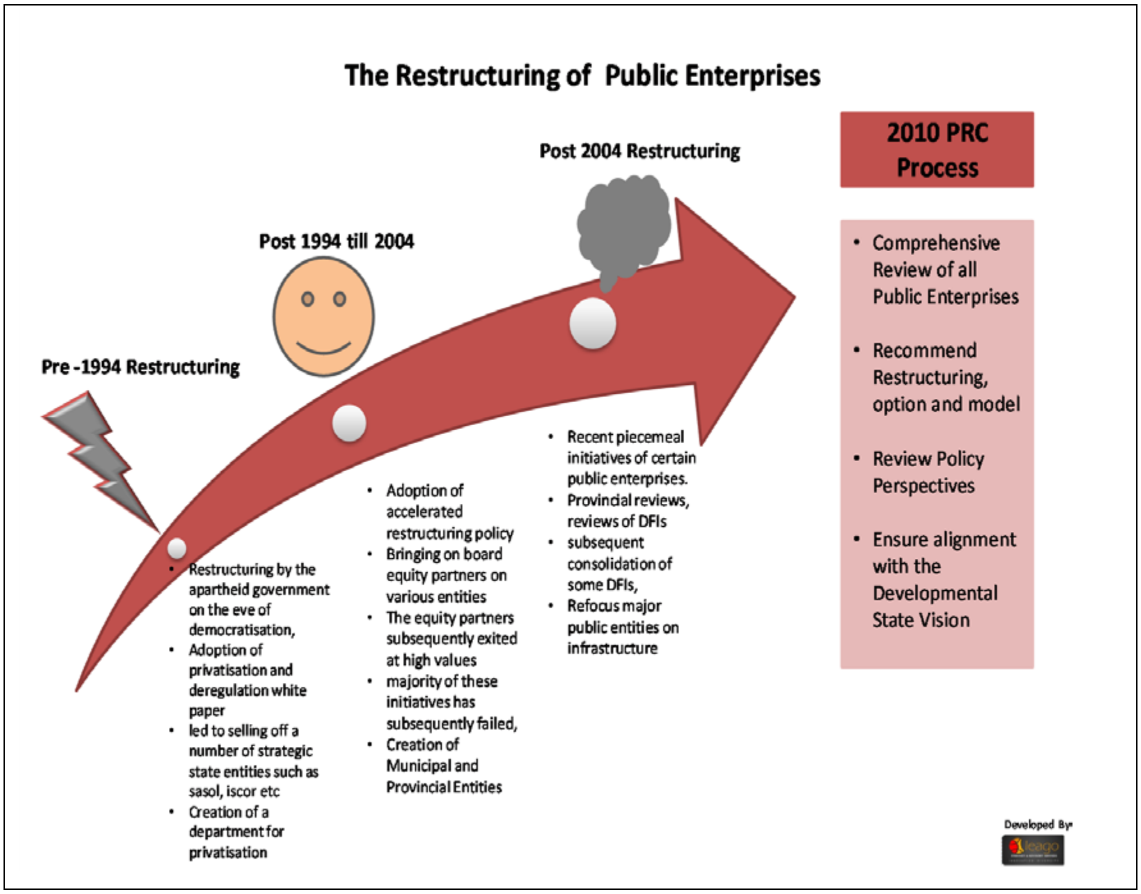

Figure 1: The Restructuring of Public Enterprises, Presidential Review Committee, 2012)

The Apartheid government used SOEs primary for three main purposes:

a) To mitigate against the implications of sanctions (particularly in fuel and energy sectors e.g. Sasol, Moss Gas and Eskom)
b) To provide the Government with critical access to arms (Denel and Armscor)
c) And to secure employment for the Afrikaner Nation
(*Transnet Shareholder Compact Presentation, 2011)*

The country has had SOC since early 20th century until the recent past. The 1980s the international pressure brought on by sanctions by major trade partners enabled the country to focus internally for some key services. In 1987 the National Party Government produced a white paper on Privatisation and Deregulation. The Presidential Review Committee: Restructuring of State Owned Enterprise in South Africa reports highlights that this white papers focus was on reducing the size of the public sector and government spending, open investment opportunities for the private sector and raise money through selling various state assets. The stance of the National Party had focused on privatisation, that view, was curtailed in the ANC led government that converted the Office for Privatisation into the Department of Public Enterprises.

2.4. POST 1994 -HISTORY OF SOES

State-Owned Enterprises in South Africa have evolved, from a policy point in 1994 where eight SOEs were on the verge of being privatised. However this position was later reviewed in 1995. The new political dispensation had led to a review of the role of state ownership. Various State-Owned enterprises were therefore retained in order to ensure the successful implementation of Growth and Employment and Redistribution Program (G.E.A.R) (Department of Public Enterprise, Annual Report, 2006).

In the mid to late 1990's the Government focused on a policy approach to privatising SOEs. From the nearly 400 State Owned Enterprises, a limited number of entities were earmarked for privatisation and the Office of Privatisation was established led by Minister Jeff Radebe. The African National Congress (ANC) led government had a review of the privatisation and in lieu of this paradigm shift, established the Department of Public Enterprise (to address the new mandate that addressed the role of State ownership. The role of the Department of Public Entreprises (DPE) was therefore to enable privatisation; this view has since changed to being an oversight department over the various companies in its portfolio.

2.5. ROLE OF STATE OWNED ENTERPRISES

Although by definition the State owns SOEs, the State cannot operate them by itself and needs to delegate their control to the enterprises. The key for a successful SOE reform is to remove the policy burdens and to create a level playing field so that market conditions can provide sufficient information for the managerial performance of the SOE and make the managers incentives compatible with those of the state. It is necessary to improve SOE performance as this is crucial for social stability and sustained growth (Lin, 2007).

The environment in which SOEs operate has since changed and thus SOEs play an even more critical role in the economic development of South Africa. The world economy has since changed due to but not limited to the level of externalities and the inherent market dynamism.

2.6. INTERNATIONAL EXAMPLES OF SOES

The role of the state or government in economy is an international phenomenon and the common use of SOEs to manage demand and supply and strategic services is world renowned. China has for almost three decades, focused on reforming State Owned Enterprises. The reform hinged on the “opening” of the communist state to international competition and a need to undertake large-scale economic decentralization.

Since 1992 the SOE reform has unfolded in two phases known as “grasping” the big and letting go the small”. In China and Indonesia SOEs reported high profits mainly due to their monopolistic environment and not being open to market forces. Common to both the Eastern countries and South Africa the general public have not benefited from the profit enhancements of SOEs as they should have given the nature of state ownership (Zheng & Chen, 2009).

South Africa has implemented the Presidential Review that was to focus on the status of over 300 State owned Enterprises in the country. China’s policy of “Grasping the big”, means cultivating strong competitive large enterprises and developing them into large cross-regional, cross –sectional and multi-national firms. “Letting go the small” implies that the government allows small and medium size SOEs to face market forces. The ultimate goal of this strategy was for government to privatise most of the Small Medium Enterprises (SMEs), retaining control over only a limited number of large national and local SOEs. This strategy of privatization and reducing the depth and scope of state involvement in open market is similar to the Indonesian experience. Wicaksono (2008) mentions that the Government of Indonesia had been struggling to find ways to manage its more than one hundred State Owned Enterprises.

In order to deal with the poor image and weak balance sheets of SOEs Indonesia appointed Directors who would be measured by a set of Key Performance Indicators (KPIs) aimed at boosting SOEs performance. Indonesia along with other Southeast Asian counterparts such as Singapore, Malaysia and Vietnam have all set up a holding company for their respective SOEs. The Holding company structure would be the way to build a "sense of corporation" and to minimize bureaucracy that is prevalent in a government structure like the Ministry for SOEs (Wicaksono, 2005)

2.7. THE BENEFITS OF SOES

The SOE environment in South Africa covers various sectors. In South Africa various government departments have SOEs in their realm of responsibilities. South African Broadcasting Corporation (SABC) reports to the Department of Communications, Airports Company of South Africa (ACSA) and the Air Traffic Navigation Services (ATNS) report to the Department of Transport. The focus of this report would be the entities that report to the Department of Public Enterprises., Department of Transport and Water and Forestry. The rationale for undertaking these three departments is the scope of the entities reporting to them and the need to review and analyse the Key Performance Indicators on both public and private entities.

The role of the State in several of these entities continues to be raised and it is due to this - that this research seeks to address some of the key benefits and challenges that are inherent in being a state-owned entity and how the current performance indicators either inhibit or assist in achieving strategic mandates. State Owned Enterprises, by their very nature have two roles namely; an economic and strategic role. Similarly , a study by Kohli (2004)., mentioned that in other developing countries, the majority of SOEs perform successfully and are profitable, resulting in the state's economic role through its SOEs to be associated both with rapid industrial transformation and enhanced equity

2.8. SOCIAL RESPONSIBILITIES OF SOES

The social responsibilities that are often been imposed upon SOEs by the state can be summarised under four general categories. Heath and Norman (2004) further highlight the role of SOEs as addressing the following:

a) Macroeconomics: SOEs were at various times called upon to engage in counter-cyclical spending to maintain employment during recessionary periods in order to smooth the business cycles; to promote full employment by creating excess capacity and engaging in "make work" projects, and to help control inflation by instituting wage and price controls., Heath and Norman (2004) These macro-economic policies were embraced by the Apartheid regime in relation to the role of SOEs.
b) National Interest: SOEs were often expected to bolster national industry by subsidized good and services to domestic firms. In addition similar to South Africa – the state was meant to retain national ownership and control industries, information and productive technology that were regarded as essential to national security.

c) Redistribution: SOEs played a significant role in helping the state to achieve the redistributive goals. Heath and Norman (2004) states that in Canada SOEs were also utilised to increase and enhance regional development.

d) Model employer: the SOEs were expected to serve as model corporate citizens, in order to put pressure on private firms to follow suit. This led to the expectation that the SOE would hire more women, or people from previously disadvantaged individuals.

It is becoming increasingly important to ensure proper corporate governance in terms of SOEs due to the strategic role that they play in the economy and their inherent developmental role (Khoza & Adam, 2005).

In addition the fact that majority of State Owned Enterprises operate in strategic and key sectors of the economy such as telecommunication, transport and energy. It is only clear that a proper engagement with all role players in this sphere of government is key as SOEs are often the catalyst for economic growth (Bouwman, 2010). The ability for the SOE to meet its targets is necessary as often the role they play in their various sectors is strategic and has a multiplier effect in benefits and value adds.

"In the era of globalisation, the nation-state, far from becoming irrelevant, has become a key player in driving the project of neo liberalism, reform and restructuring. In meeting the challenges of the global economy, "neo-liberal" governments including South Africa, have pursued a dual strategy of both rolling back the state, while being more centralised and directive" (Teer-Tomaselli, 2004, p7).

South African SOEs have a unique role as being at the forefront of all transformation strategies and initiatives in addition to the mandate of facilitating government's social delivery and economic growth objectives Msweli-Mbanga (2005). This illustrates that SOEs can achieve focused and sustainable economic development for the betterment of the economic and financial profile of the "owner" country (Kwoka, 2005). The economic policy of developing countries tend not to focus only on economic growth but also on structural changes that will lead them towards economic, social and political modernization Yang (2008) and Jones and Mason (1982) stated that there are numerous reasons for establishing or retaining public enterprises.

The inherent benefits of SOEs such as less pressure to pay dividends, the implicit government support and their ability to raise funding with more ease and the quasi-captive market (Msweli-Mbanga, 2005). In addition Jones and Mason (1982) categorized as follows: ideological predilection, acquisition or consolidation of political or economic power, historical heritage and inertia, and pragmatic response to economic problems. Many early studies described factors behind the establishment of SOEs and most of them addressed public interest rationales.

SOEs and the key socio-economic role they are to play in developmental countries such as South Africa, there is a common view that SOEs are part of a state's investment and economic development policy and are often critical for long-term investment and development, to enhance private sector activities (Chang, 2007).

According to Gigaba (2011), State Owned Enterprises (SOEs) are now viewed explicitly as vehicles for socio-economic development. This is a divergent view from the original reason for the establishment of SOEs. The best known economic argument for public ownership is the correction of market failure (Xu, 1999). Equity is another compelling argument for adopting public ownership. The common thread in the five decades that SOEs have existed is the view that they continue to perform below industry norms in terms of financial performance and the lack of visible contribution to economic development.

The Reconstruction and Development Programme (RDP) had been designed as an integrated and sustainable programme aimed at bringing together "strategies to harness all our resources in a coherent and purposeful effort that can be sustained into the future", strategies which would be implemented, *inter alia*, through the parastatals**.** (Gigaba, 2011). State Owned Enterprises occupy an important niche in this pursuit of a developmental state, expected to lead in the provision of the modern infrastructure that will result in the provision of key support to the South African economy and simultaneously provide the jobs requisite for our country to eradicate poverty and inequality. In this regard, all shareholder departments are mandated to ensure that State-owned enterprises are an effective vehicle for socio-economic development – indeed, for the pursuit of growth and development as an integrated effort

Evans (2010) states that History and development theory support the proposition 'no development state, no development'. The idea of a developmental state puts robust, competent public institutions at the center of the developmental matrix (Evans, 2010).

South Africa has one of the highest Gini-coefficient – an indicator that illustrates wealth disparities and has a large secondary economy which continues to struggle to enter the first economy. Weymark (1981) mentioned that the Gini coefficient was a relative index of inequality; scaling all incomes proportionally does not affect the value of the index. A closely related measure is the Gini absolute index of inequality. The value of an absolute inequality index does not change if all incomes are augmented by the same absolute amount. These two indices implicitly define a common Gini social-evaluation function which represents an ethical ordering of alternative distributions of income. The disparity in income and standard of living remains a key challenge of the current government.

The role of the SOE has been directly impacted by the New Growth Path Strategy that has a key focus on job creation and up-skilling the unskilled. In light of this there are current gap needs and current services that are currently in use or available, the research will suggest KPIs' alignment to the New Growth Path, such as job creation and socio-economic role impact of SOEs.

It is in lieu of this that SOEs have been mandated to ensure that there is an equal distribution of opportunities and skills transfer (Fikelepi, (2010).

2.9. COMMONALITY OF SOES IN VARIOUS ECONOMIES

Literature on public enterprises shows that most SOEs in developing countries are created to achieve government's goals for economic development. In China the Government used the SOEs to prevent large scale unemployment during that country's economic transition **(**Zheng Y & Chen M, 2009)

This also relates to South Africa as a new democracy. The country had to review the value of SOE in uplifting the social and economic standards utilising SOEs as key drivers in this process.

In his January 8th statement, President Jacob Zuma endorsed the developmental state and the expansion of state-owned enterprises when he stated that: "The developmental state should maintain its strategic role in shaping the key sectors of the economy. This means that we need to… strengthen the role of state owned enterprises and agencies in advancing our overarching industrial policy and economic transformation objectives." (Presidential Review Committee, 2012) To this end the President appointed the Presidential Review Committee (PRC) in 2010, to review and make recommendations, inter alias, on the role of the state-owned entities in the developmental state. The PRC report is currently being deliberated, once published, its impact on the sector is projected to be immense.

2.10 DEFINITION AND EFFECT OF KEY PERFORMANCE INDICATORS

Jochem, Menrath, and Landgraf (2010) highlighted that in the beginning of the twentieth century the performance measurement indicator e.g return on investment of DuPont was not reflecting whether or not the company could sustain itself in the highly competitive market. In the beginning of the system development, the indicators critical to organisational successes were selected from the existing performance measuring system. The basis of performance at the various industry level is based on measuring performance as found in the Balance Score Card approach.

However it is key that one takes into cognisance that McGee, Thomas, and Wilson (2005) argue that KPIs must reconcile to the organisations strategy. In support of this, Evans (2010) stated that performance measures are built around the three Es – Effectiveness, Economy and Efficiency. However Slack, Chambers and Johnston (2007) highlight five generic performance areas – cost, quality, flexibility speed and reliability. The research would advocate that these could be related as Key Performance Indicators. Research by Mcgee et al. (2005) advocates that KPI should be future orientated, this is important as it ensure the sustainability of entities.

Performance measurement is of increasing interest to managers due to the changing nature of work, increasing competition, specific improvement initiatives like six sigma and strategic planning, changing organizational roles, changing external demands, and the power of information technology Neely (as cited in Brook, 2003).

Evaluation is a valuable tool in a competitive work environment. Key performance indicators have proven to be an efficient and beneficial tool for many organizations (Reh, 2009).

Key performance indicators can be defined as quantifiable metric which reflect the performance of an organization in achieving its goals and objective (Bauer, 2004). The success of any performance management program is thus contingent on selecting the correct KPI's.

According to Parmenter (2007) KPIs represent a set of measures focusing on those aspects of organizational performance that are the most crucial for the current and future success of the organization. As identified by Parmenter, the best way to use this definition for the development, implementation, and evaluation of key performance indicators is through the seven characteristics indicated in the figure below;

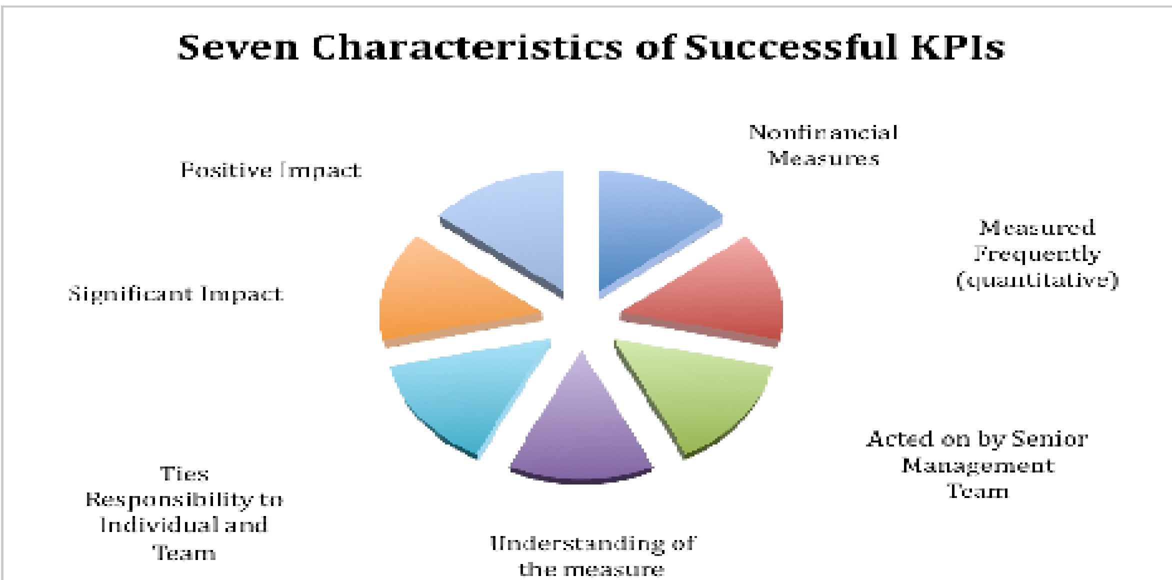

Figure 2: Seven Characteristics of Successful KPIs (Parmenter, 2007, p5)

Key performance indicators help an organization define and measure its goals. Once an organisation has analysed its mission, identified all its stakeholders and defined its goals, it needs a way to measure progress toward the goals, Key performance indicators are those goals (Reh, 2005).

According to Reh (2005), key performance indicators are quantifiable measurements agreed to beforehand, that reflect the critical success factors of an organization. A business may have as one of its KPIs the percentage of its income that comes from return customers. A key performance indicator for social service organization may be the number of clients assisted during the year.

Whatever KPIs are selected, they must reflect the organisations goals, they must be key to its success, and they must be measurable. KPIs are long term considerations. The goals for a particular key performance indicator may change as the organizations goals change or as it gets closer to achieving its goal.

2.11 SELECTION OF KEY PERFORMANCE INDICATORS

Key Performance Indicators are ideal to ensure sustainability of an enterprise Zaherawati (2011). It is light of this that the selection of these Key Performance Indicators are as broad as possible to ensure a focused output with as much buy-in from various stakeholder as required. Keeble, Topiel and Berkeley (2002) have a questionnaire with four questions as a basis –

a) What is critical and relevant to the organisation?
b) What commitment does the organisation need to support?
c) How will they benchmark performance?
d) What do stakeholders expect of them?

Although these questions were applied to a specific company as a case study – it is able to be implemented to the selection and establishment of Key Performance Indicators in SOEs. It is necessary that the indicator should be critically related to the core activities of the business and the indicator should be relevant to stakeholders concerned (Keeble 2003).

Furthermore, a process similarly to Keeble (2003) – a fit to company matrix would need to be selected in drawing down the pool of Key Performance Indicators. This would be done through a facilitated process of dialogue with the company. The drawing down of the various ideas for Key Performance Indicators would equip the entity with substantial information – it is necessary to select a concise amount of performance indicators to enable ease of monitoring and enhancing the impact of monitoring and measuring performance.

2.12 THE IMPACT OF PERFORMANCE MANAGEMENT ON COMPANIES

Firms around the world are abandoning the traditional approach of relying exclusively on Financial Performance Measures (FPMs) and have adopted an array of non-traditional quality metrics Carastro (2011) further illustrates that there is a need for a holistic performance measure. Sodenberg (2006) furthermore commented that the traditional financial measures of performance are most useful in conditions of relative certainty and low complexity, a condition that is atypical for many of today's organisations.

In relations to SOC one can consider the impact of KPI in the entities obtaining both financial and non-financial targets as illustrated in Table 1 below

Table 1: Financial and Non-Financial KPIs relevant to SOCs in a developmental state

Traditional performance measures	Non-traditional performance measures
Based on outdated traditional accounting system	Based on company strategy
Mainly financial measures	Mainly non-financial measures
Intended for middle and high managers	Intended for all employees
Lagging metrics (weekly or monthly)	On-time metrics (hourly, or daily)
Difficult, confusing and misleading	Simple, accurate and easy to use
Lead to employee frustration	Lead to employee satisfaction
Neglected at the shopfloor	Frequently used at the shopfloor
Have a fixed format	Have no fixed format (depends on needs)
Do not vary between locations	Vary between locations
Do not change over time	Change over time as the need change
Intended mainly for monitoring performance	Intended to improve performance
Not applicable for JIT, TQM, CIM, FMS, RPR, OPT, etc.	Applicable
Hinders continuous improvement	Help in achieving continuous improvement

This table further supports (Roy, 2011) that managers are increasingly asking how companies can improve sustainability performance ad more specifically, how they can identify, manage and measure the drivers of improved sustainability performance and the systems and structures that can be created to improve corporate social performance". South African is a developmental state as Evans 2005 the role of the State owned Enterprises in closing the developmental gap is central.

2.13. PERFORMANCE MEASUREMENT (THE BENEFITS)

To improve performance, managers have recognised that it is necessary to better understand the drivers of both costs and revenues and the actions that they can take to affect them. Popular management frameworks rely on a better understanding of the drivers of value to aid managers in making decisions to improve corporate value creation (Parmenter, 2010).

Key Performance Indicators are utilised to measure output and as highlighted by Smith and Goddard (2002), the revolution in information technology has led to the potential for enormous improvements in the quantity, quality, timeliness and cost-effectiveness of data relating to performance.

Parmenter (2010) further highlights that for one to derive the full benefit of measuring performance it is necessary that the performance measures are displayed in a transparent way like a traffic signal, alongside a statement explaining the current status. The trend may be used as a basis for further analysis and actions required, if any.

CHAPTER 3: RESEARCH OBJECTIVES

The main objective of this study is to analyze the relevance of Key Performance Indicators and the impact the KPIs have on the State Owned Enterprises fulfilling their respective mandates.

The basis of the study would be based on the following three (3) research questions:

3.1 RESEARCH QUESTION 1

What is the impact of Key Performance Indicators?

3.2. RESEARCH QUESTION 2

How are Key Performance Indicators measured?

3.3. RESEARCH QUESTION 3

What are the causes of failure or success of achieving Key Performance Indicators?

CHAPTER 4: RESEARCH METHODOLOGY

4.1. SCOPE

Government continues to play a key role in the economy with various Departments overseeing the various State Owned Enterprises (SOEs). It is light of this that issues of monitoring; evaluating and assessing success of the implementation of governments mandate for the numerous SOEs is achieved. Key Performance Indicators play a strategic role in this oversight and shareholder ownership. The SOEs included in this study are SOEs reporting to the Department of Public Enterprises, Department of Transport and Department of Water Affairs and Forestry. The SOEs researched included the South African Airways, South Airways Express, Airports Company of South Africa (ACSA), Air Traffic Navigation Systems (ATNS), and Trans-Caledon Tunnel Authority (TCTA) and Transnet**.**

4.2. RESEARCH DESIGN

Due to the limited study of SOEs and their mandates this study utilised the qualitative method. The researcher would incorporate questionnaires into the study. The questionnaire which would be the source document at the interviews with the select group would enable respondents an opportunity to engage as it will be a mixture of closed and open-ended questions.

Lewis, Saunders, & Thornhill (2005) highlight that open questions are widely used in in-depth and semi-structured interviews. It would be suitable in the questionnaire as the researcher would not be sure of the response due to the exploratory nature of the research.

In the basis of a review of the literature review that highlights the role of the State in the economy along with the measurement tools are applied to measure the required performance. The research instrument used was in the form of a questionnaire which had was approximately 20 questions, both open and closed ended questions. Saunders et al. (2008) further states that in questionnaire design, the researcher should be led by the data that one needs to collect. The type of questionnaire included both open questions sometimes referred to as open-ended questions. Allowing respondents to give answers in a free manner (Dillman, 2007). The closed questions are contrary and the respondent is required to choose from a number of pre-set provided answers, as stated by Saunders et al (2008).

Research design is a master plan, specifying the methods and procedure for collecting and analysing the needed information (Zikmund, 2003). The basic design for a descriptive study which Saunders et al (2008) explains is the data whose values cannot be measured numerically but can be distinguished by classifying into sets(categories).

The research design was in the form of questionnaires, which included a non-disclosure agreement and a Gordon Institute of Business Science (GIBS) letter to allay concerns of the interviewees. The questionnaire was in-depth and semi-structured to facilitate the ability to probe and explore issues further.

4.3. QUESTIONNAIRE DESIGN

The questionnaire was short, simple and written in an unambiguous manner to ensure no confusion. This is dependent on the design of the questions, the structure of the questionnaire and the rigorous pilot testing. Saunders et al (2008).
Zikmoud (2003) highlights four stages that must occur if a question is to be valid and reliable.

Stage 1: Researcher is clear about the data required and designs a question
Stage 2: Respondent decodes the question in the way the researcher intended
Stage 3: Respondent answers the question
Stage 4: Researcher decodes the answer in the way the responded intended

In order to obtain the results of the above four stages the questionnaire was divided into the following categories:
a) Impact of key performance indicators
b) Measurement of key performance indicators and finally the result of key performance measurements.

The questionnaire had a biographical section for research purposes. A key question addressed the tenure of the respondent with the organisation to further gauge the historical context of operations and its mandate. The Likert test section of the questionnaire also offered the respondent an opportunity to measure their view. This enabled the interviewer an opportunity to consolidate a view point of the respondents.

The categorising of the questions into three was done in order to enable the researcher to address the three primary research questions covered in this report. In addition there was a mixture of closed ended questions and open-ended questions that allowed further engagement and information from the respondents. The design along with envisaged engagements ensured that all the questions were addressed in the 60 to 90 minutes proposed for the interviews.

The questions in the research instrument were aligned with the research questions as follows;

Table 2: Questions related to the three Research Questions

Questions related to Research Question 1	**Research Question 1** **What is the impact of Key Performance Indicators?**
Question 5	Why are Key Performance indicators necessary in your organisation/company?
Question 7	Are the KPIs from the Shareholder correct and fair
Question 8:	Has there been collaboration between the SOC and the shareholder department in Drafting the KPIs
Question 13	In your opinion, what are the core activities of the organisation?
Question 14	Are the KPIs aligned to the core activities
Question 15	Does the presence of a KPI on a particular core activity make the organisation focus more on this activity?
Question 16	In your opinion which KPIs are a success?
Question 17:	In your opinion which KPIs are a failure?
Questions related to	**Research question 2**

Research Question 2	**How are Key Performance Indicators being measured?**
Question 19	How are the Key Performance Indicators measured
Question 20	Which tools are utilised to measure Performance
Question 21	In your view should the performance of SOEs be measured?
Question 22:	Who is the custodian internally and externally to the organisation of KPIs
Questions related to Research Question 3	**What are the causes of failure or success of achieving Key Performance Indicators?**
Question 23	In achieving a KPI target is there a tangible or intangible outcome or output?
Question 24	How can the KPIs be improved?
Question 25	In conclusion how often are the KPIs revised by the Shareholder Departments? Is this adequate?

4.4. PROPOSED SAMPLING PLAN

4.4.1. POPULATION AND SAMPLING

The unit of analysis is SOEs as the subject of the study. The population comprised of the National Departments and the sample was the three departments selected. The respondents to the sample were senior management. Ideally on an Executive or Board level and senior government officials such as the Minister of Public Enterprises and the Directors-General of Department of Public Enterprises, Water Affairs & Forestry and Transport. It was necessary to engage with various policy makers and politicians to deduce the level of buy-in and understanding of the requirements of Government and the analysis of the New Growth Plan. This addressed the role of the SOE in context with the national mandate and related policies.

The rationale for selecting the various stakeholders to be interviewed was that they all had a strategic role in either the implementing of the strategy or the drafting thereof. It is important to note as Saunders et al (2008) states that the population is the full set of cases from which a sample is taken.

The respondents within the sample included Senior Executives of the state-owned Enterprises. Ideally the Chief Executive Officer; Chief Financial Officer, General Manager or Head of Commercial and General Manager or Head of Human Resources were interviewed. These four key positions were interviewed as they are responsible for the majority of the inputs into the Key Performance Measurements being applied at the various SOEs.

The population was selected through purposive sampling. Walliman (2009) states that there are two major types of sampling methods; judgement sampling and quota sampling. Judgment sampling occurs when the researcher chooses sample members who would conform to some criterion. Due to the fact that in this research, selected stakeholders were interviewed and various secondary data analysed, the judgement sampling was the purposive sampling implemented.

4.5. DATA COLLECTION

The data that one will collect will depend on the research question (s) and which have a given a particular focus to one's observation. In agreeing with Robson (2002) that the data collected must be analysed deeper and develop a framework of theory that one will understand, explain to others and the current status of the subject in the field of study.

Furthermore, Struwig (2001) mentions that one needs to determine the procedures to be used to collect data, who should collect the data, what techniques are to be used to process and analyse the data and where the collected data will assist in the resolution of the problem being investigated. Data can be collected from questionnaires, observation, experiments, interviews, documents etc.

The data was collected and stored in both hard and electronic formats to ensure ease of reference. Recording devices where allowed were utilised to store the information and data. In addition the various Shareholder Compacts that contain the various KPIs addressed to SOEs would be requested from shareholder departments.

4.6. DATA MANAGEMENT

Data Management is critical in the research to be undertaken. To ensure data integrity and access, it is important that a data management system be established. The data was saved on various formats such as electronic mails, soft and hardware.

4.7 DATA MEASUREMENT AND DATA ANALYSIS

Data Analysis involves reducing accumulated data to a convenient amount, summarises and also seeks to make sense of the data by utilising statistical techniques to draw patterns and correlation to the captured data Blumberg (2008).

4.8. RESEARCH METHODOLOGY LIMITATIONS

4.8.1 STATE OWNED ENTERPRISES

South Africa has more than 300 State Owned Enterprises. The research, due to time constraints, limited the number of SOEs engaged in this research. SOEs that report to the Department of Public Enterprises, Department of Transport as well as the Department Water Affairs were the principal focus of the research. Furthermore, the limited research on African SOEs and the unpopularity of some of the SOEs such as Eskom and SAA turned out to be a limitation. SOEs, at times, have very volatile relationships with their respective shareholder Departments. This limited the level of information that the researcher received from the relevant SOEs.

4.8.2. INTERVIEW GUIDE

The interview guide could be a limitation as it would be a challenge to have a guide that can be utilised by all stakeholders. Research questions needed to be succinct and unambiguous to all stakeholders in order to deduce the correct meaning from interviewers. The Likert scale test to be undertaken could be a limitation as it is highly subjective (Blumberg, 2008). It would also be necessary to avoid rating scales errors which are made up of three types:

a) Leniency error – when a participant is likely to rate higher people and organisations one knows and the reverse to the contrary. To counter this, an asymmetrical scale would need to be applied.
b) Central tendency – where raters choose not to give extreme judgements
c) Halo effect – where raters apply the same level of confidence in all rating due to positive feedback on a previous exercise.

These limitations would be mitigated by combining the Likert scale questions with open ended questions and opportunities to further explain views and observations of the respondents.

4.8.3. GOVERNMENT DEPARTMENTS

There is a lack of common policy that all Government departments with oversight role over SOEs subscribe to. This limits a consolidated view of ways of measuring the economic role and the failure to monitor the role of the SOEs as a portfolio is a limitation.

CHAPTER 5: RESULTS

5.1.1. INTRODUCTION

The previous chapter presented the research design of the study which included the methods, measuring instruments, research procedures and data analysis methods. This chapter describes the results. The information will be presented in graphical and tabular format for ease of analysis. The emergent theories that will appear are all linked to the three research questions which form the basis of the research.

The respondents held senior executive positions in the selected State Owned Companies selected. The companies representatives interviewed were Denel Aero structures, South African Airways, Mango, South African Express, Air Traffic Navigation Services, Airports Companies of South Africa ,Trans Caledonia Tunnel Authority and Transnet. These SOCs report to the Department of Public Enterprises, Department of Transport and the Department of Water Affairs.

The rationale for requesting inputs from Senior Management of the Organisations was an assumption that they would be required to direct the respective organisation to achieve the Key Performance Indicators and that they were robustly engaged in the establishment of such KPIs. In discussions and feedback from the respondents it was deduced that , the average year of employment in the various State Owned Companies was five years with a majority of respondents having been employed for less than 5 years in their respective and current jobs or roles. The most recent respondent in terms of duration of employment was 2 years and the longest was 8 years, 2 of which were as Chief Executive and the other 6 years as a General Manager: Commercial.

The results are presented according to research question. The 15 Participants are listed below.

Table 3: Designation of respondents and the corresponding unit numbers of selected designation.

Designation of respondents	Number of respondents holding the designated position
Senior Management	6
Chief Executive Officer	4
General Manager Strategy	2
Managing Director	1
General Manager: Commercial	1
Board Member	1
Total	15

Table 4: SOCs that were interviewed along with the Department that it has oversight over.

State Owned Companies and Oversight Departments	
Department of Public Enterprises	Transnet South African Airways South African Express Airways DENEL Mango
Department of Transport	ATNS – Air Traffic Navigation Services ACSA – Airports Company of South Africa
Department of Water Affairs	TCTA – Trans Caledonia Tunnel Authority

The questionnaire was divided into three defined sections linked extract views on the three questions that defined this research. The research questions are highlighted below:

RESEARCH QUESTION 1:
What is the impact of Key Performance Indicators?

RESEARCH QUESTION 2

How are Key Performance Indicators being measured?

RESEARCH QUESTION 3

What are the causes of failure or success of achieving Key Performance Indicators?
Understanding the dynamic of being an SOC

The purpose of the following questions was to derive an understanding of the role of the SOC, the expected support and a broad understanding of KPIs. The following were closed ended questions where the respondents had options to answer ranging from strongly disagree to strongly agree on leading statements such as highlighted in Table 4 below.

Table 5: Introductory questions in the questionnaire seeking deeper understanding of perceptions on KPIs, Shareholder Ministry support and ability to compete in the market.

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Do you consider the National Department's support for the SOC adequate?			13%	53%	33%
2. Do you think the KPIs are relevant for the companies' objectives and mandates?				66.6%	33.3%
3. Being an SOC limit the ability to compete with industry		13%	26.4%	53%	6%

The above table illustrates how the respondents answered the questions above as found in the research instrument. The questions aimed to obtain a high-level view of the use of the KPI and of the respective entities being State Owned. In question one which alluded to the support of the shareholder department 13 of the 15 respondents agreed with the level of support and engagement. In question two 13 of the respondent thought that the KPI as selected where relevant to the enterprise. One respondent mentioned that there is a conflict on KPIs and what is expected of the SOC. The current focus on financial KPI was established without taking into cognizance the social requirement and obligation of the SOC.

The common theme that arose in requesting further explanation was that there was a common public disdain for the tax payer support of some of the SOCs. This was a challenge as the view of the respondents was that all companies have the democratic right to engage with their respective Shareholder as commercial plausible and feasible. In order to continue to operate in stressed markets the support of the shareholder or investors is often requested.

Question 2 asked respondents if they thought the KPIs were relevant to the companies' objectives and mandates. Of the 15 respondents eight (56%) strongly agreed; five (33%)

were neutral and 1 (1%) disagreed with the relevance of the KPIs. The common theme illustrated in regards to question two highlights the following

Table 6: Common theme related to the correlation between mandate of the SOC and the KPIs

The mandate should be easy to implements and not be ambiguous in meaning
It is important that the mandate be clear and concise for ease of interpretation and actioning
The KPIs need to be aligned to the mandate and the strategic intent of the SOC in order to measure output and direct behaviour.

Furthermore, the key themes emerging from alignment of KPIs to the mandate of the SOCs is that a) it should be done through a robust and transparent negotiation with the Shareholder Department and Senior SOC management b) The KPIs should be reviewed consistently and if need be benchmarking should be encouraged and c) It is important to ensure that all KPIs do not conflict for example the social requirements of the SOC versus the commercial requirement or KPI target of meeting financial KPIs.

The third question in the introductory questions queried whether being a SOC had a limit in the ability of the company to compete with the industry; an overwhelming majority 86% agreed while a mere 14% regarded being an SOC as a limitation to compete in the SOC respective sector and industry. The common theme in the respondents that viewed being an SOC as being an impediment in operating in a highly competitive or even monopolistic environment such as Transnet and SAA respectively was the turn-around in decision-making and approval from the Shareholder. It is important to note the Public Financial Management Act prescribes that SOC obtain both Board and Shareholder approval. For key investment decision and acquisition thereof.

Understanding KPIs – A general perspective

All participants (mainly due to their executive roles and responsibilities) understood the role of the State in State Owned Companies and the rationale for implementing a performance measurement and target driven regime of Key Performance Indicators. Of the 15 respondents, 12 had a multiple and broad response to why Key Performance Indicators are necessary in their organisations. Some of the comments made included:

Table 7: Perspective of KPIs from selected respondents

Key Performance Indicators are measures aiming to (a) direct resource attention and focus at those activities deemed critical to the achievement of Company strategy and (b) to monitor progress for purposes of early identification of performance (and therefore objective achievement rate) variances such to allow pro-active intervention. KPI's typically following a cascading effect, starting at organisation level then further aligned down to individual resource (people and otherwise) level.
"*What doesn't get measured won't get done – KPI's are there to drive strategic thrusts and to align effort in an organisation"*

The next common theme that emerged was that as shareholder representatives, the various Ministers had to ensure that no wasteful and unnecessary expenditure occurred and that performance was expected of SOCs in order to be able to compete fairly and equitably. In addition the following respondents' answers supported the common themes as stated above : these being it is imperative that as majority shareholder or the sole shareholder Government was compelled to ensure that at all times it is aware of the opportunities, challenges and the financial position of the SOC they oversee.

Table 8a: Respondents views of KPIs

" Regardless of the PFMA requirement for KPIs , the shareholder must have a quantitative mechanism to track performance/delivery against the SOCs mandate and strategic objectives"
" KPIs drive behaviour ; KPIs ensure accountability and KPIs create a high performance culture"
"The KPIs are heavily weighted to financial performance with the two "main" KPIs being both financial. Operational KPIs, that relate to efficiency of operations and safety are support KPIs"
"it is important that as Government continues to "bail-out" SOCs or viewed as doing so, it is necessary that performance be undertaken to ensure that targets are met"

In addition to addressing the necessity of Key Performance Indicators in their respective organisation, an individual understanding of the KPIs was requested and the participants were required to explain or substantiate their answers. Some of the comments made included:

Table 8b. Views of KPIs continued

For Denel Aero structures – a) Financial include Net Profit, Net cash utilization, working Capital and clean Audit b) Operational includes A400 Ramp up, programme delivery and operational efficiency c) Transformation includes Employment Equity, BBBEE and Leadership Development etc. and d) Long-term Strategy includes New business and Shareholder/stakeholder relations.
" Output measures of strategic themes and thrusts to direct all efforts in resources to those activities critical to achieve the strategy outlined, KPI's measure the progress of achievement and allow strategic interventions to mediate the market

The common theme was that to direct the entities to deliver their mandates was paramount and to direct employees and management to operate as efficiently and effectively as possible. Cost reduction was a common perspective in how KPIs benefit State Owned Companies.

In question 6 the respondents were asked whether the KPIs from the shareholder are correct and fair. A positive response rate of 60 % of total respondents failed to agree on the fairness of KPIs such as;

Table 9: Efficiency of KPI – Challenges and opportunities – Respondents views

" They do not address key elements of the mandate and strategic objectives such as the SOCs support for developmental state policy objectives"
:"The KPIs have a balanced scorecard approach and address key priorities that should drive performance of the business"
" Yes, however they fail to adequately provide for objective alignment within a Group context , in context to multiple SOCs active in the same area

The common theme that arose from the fairness of the KPI was whether the Shareholder Departments were abreast of the dynamic nature of the sectors that SOCs were operating within.

Under question eight on the questionnaire, respondents were asked whether there had been collaboration between the SOC and the shareholder department. All agreed however the common theme that was realised is categorized in terms of descending order below:

Table 10: Collaboration in drafting or developing KPIs between the relevant Shareholder and SOC

It is necessary to engage robustly with the shareholder and company to have ownership of the targets
The Departments lack sufficient tools and personnel in monitoring performance
There is a need to benchmark performance and seek world class monitoring targets
How targets should be ensured that they do not conflict – such as job creation versus profits

Furthermore question eight posed the question of collaboration between the SOC and the shareholder department in drafting the KPIs. Twelve (80%) of the 15 respondents agree with this statement. A high level engagement between Senior Executives and Government officials was a common theme. These deliberation and collaboration was common amongst all sector. Of concern was the 20% that viewed this collaboration as weak and not robust and that it was impossible to explain their views to their shareholder.

Table 11: Respondents view on collaboration with Shareholder in drafting KPIs

A unique view was from one respondent (confidentiality required)" There was some collaboration in early 2011, in regard to the previous KPIs, although both the SOC and the Shareholder have not paid enough attention to this in 2012". This illustrated inconsistency in engaging with the said SOC.
"It should be noted that, by design, KPI-setting contains a level of constructive tension between shareholder and operating entity whilst the classical divorce between

ownership and control will always lead to a level of conflict with the owners of capital (shareholders) and managers of capital (Management) in terms of target setting – the question is whether the conflict is constructive.”

The common theme in the SOC reporting to the Department of Public Enterprises was the Corporate Plan and the Shareholder Compact that included the Strategic Intent Statements for the entities in its portfolio of SOCs.

A similar percentage agreed that the mandate of the SOC was easy to action. Only 1 participant negated this ease of action and that was Participant 1 who was concerned that the “*mandate is supported by six (6) strategic objectives that have some conflict. This can and should be tidied up, in consultation with the Shareholder.*

A common theme that was noted was that policy matters and strategic issues often had a conflicting KPI. The view of the majority of respondents (67%) further elaborated that it often left matters unresolved especially those relating to Strategic Equity Partnership due to the concerns of perceived drive to privatize SOCs. The following respondents highlighted that there was a need to clarify further the mandates of the SOCs in relations to the KPIs.

Table 12: Respondents view of need for Shareholder and SOC to review mandate

” Generally yes, although some strategic objectives have subjective elements. The common theme on th3 33% that said that the mandates where not easily measured – they raised the subjectivity and conflict of KPIs and mandates and furthermore the lack of support from their respective Shareholder”
“The KPIs must be aligned to the mandate of the SOC and must ensure that the long term mandate is met”
“The purest financial component of Shareholder mandate is easily measured, however some components of the socio-economic mandate (stated or implied) may be more difficult to measure (such as downstream economic effect)”

Figure 9: Ease of Mandate Measurement

In relation to the relationship between KPI and the mandate of the SOC, the key theme emerging was that it would impractical if the mandate and the KPI were not correlated.

Under question nine of the questionnaire respondents were asked whether the mandate of the SOC is clearly defined. The response was as follows:

YES 77%
NO 23%

5.3. Results and themes from Research Question 2: How are the Key Performance Indicators measured?

A common theme was that the KPIs were measured by both the entity and shareholder in either monthly or quarterly. A sub-theme that was highlighted was that all the KPIs form part of the Performance Management System. In addition the SOC Annual Report including the Annual Financial Statements are published and therefore are measured by the general public.

Table 13: How performance is measured? Response from respondents

further highlighted that "All the KPIs have quantifiable metrics which vary greatly from: nominal; to ratio and finally to reporting requirements"
"Yes, although not all are commercial enterprises, they all rely on the fiscus in some way and this is simply good governance". In supporting the need to measure performance
"as SOC utilise public funds and have clear social and economic outputs it is important for the Shareholder and the public to be assured of clean corporate governance and financial sustainability without unnecessary pressure on the fiscus"
The purest financial component of Shareholder mandate is easily measured, however some components of the socio-economic mandate (stated or implied) may be more difficult to measure (such as downstream economic effect)
Participant 10: "SOEs should be making effective and efficient utilization of resources and be held accountable for meeting mandates and key performance targets"

In measuring performance it was a common view that financial and operations results including but not limited to financial statements; operational outputs, HR data and monthly shareholder meetings would direct the performance measuring systems and policy.

Table 14: Custodians of Key Performance Indicators in the organisation

The custodian of the KPIs in the organisation was common in all the respondents. The Chief Executive Officer and Chief Financial Officer along with the Board of Directors were regarded as the custodians of KPIs within entities

5.2.1. Results and themes from Research Question 2: How are the Key Performance Indicators measured?

All respondents noted that areas of their entities that had clear KPIs were predominately financial and operational areas.

Areas of Key Performance Indicators	
Financial	15
Operational	15
Labour	15
Other (Please specify)	Note answer below

Respondents were asked in which areas the related national departments applied KPI. The responses were as illustrated above. All respondents mentioned that they had financial and operational KPIs. Although not all responded mentioned or ticked the labour column when requested to expand on the answers some common themes emerged:

All participants (mainly due to their executive roles and responsibilities) understood the role of the State in the State Owned Companies and the rationale for implementing a performance measurement and target driven regime of Key Performance Indicators. Of the 15 respondents, 12 had a multiple and broad response to why the Key Performance Indicators are necessary in their organisation/company. Some of the comments made included:

Table 15: Additional areas where SOC have KPI

"Key Performance Indicators are measures aiming to (a) direct resource attention and focus at those activities deemed critical to the achievement of Company strategy and (b) to monitor progress for purposes of early identification of performance (and therefore objective achievement rate) variances such to allow pro-active intervention. KPI's typically following a cascading effect, starting at organisation level then further aligned down to individual resource (people and otherwise) level." "What doesn't get measured won't get done – KPI's are there to drive strategic thrusts and to align effort in an organisation"

The next common theme that emerged was that as Shareholder representative, the various Ministers' had to ensure that no wasteful and unnecessary expenditure occurred and that performance was expected of SOCs – in order to be able to compete fairly and equitably. This was a common view of the respondents.

Table 16: Themes from responded on need for KPIs on SOCs.

"Regardless of the PFMA requirement for KPIs, The Shareholder must have a quantitative mechanism to track performance/delivery against the SOC's mandate and strategic objectives" "KPIs drive behaviour; KPIs ensure accountability and KPIs create a high performance culture" : "The KPIs are heavily weighted to financial performance with the two "main" KPIs being both financial. Operational KPIs, that relate to efficiency of operations and safety are support KPIs" : "it is important that as Government continues to "bail-out" SOCs or viewed as doing so, it is necessary that performance be undertaken to ensure that targets are met"

In addition to addressing the necessity of Key Performance Indicators in their respective organisation, an individual understanding of the KPIs was requested and the participants were required to explain or substantiate their answers. A common theme that was highlighted was the need for the SOC to focus on their core competencies. This theme is tabulated in the table below:

Table 17: Benefits of focusing on core competencies

Cost Reduction	5
More efficient time utilization	4
Increased Productivity (maximized output of labour)	3
Drives Behaviour	3

A common theme was that the KPIs were measured by both the entity and shareholder in either monthly or quarterly. A sub-theme that was highlighted was that all the KPIs form part of the Performance Management System. In addition the SOC Annual Report including the Annual Financial Statements are published and therefore are measured by the general public. Participant 8 further highlighted that *"All the KPIs have quantifiable metrics which vary greatly from: nominal; to ratio and finally to reporting requirements"*

In measuring performance it was a common view that financial and operations results including but not limited to financial statements; operational outputs, HR data and monthly shareholder meetings would direct the performance measuring systems and policy.

Participant 10 in addressing the reason for performance measurements mentioned that "SOEs should be making effective and efficient utilization of resources and be held accountable for meeting mandates and key performance targets" while Participant 12 also agreed that " Yes, although not all are commercial enterprises, they all rely on the fiscus in some way and this is simply good governance". In supporting the need to measure performance it was a common theme that the Shareholder was indeed entitled to propose or monitor the KPI targets.

Participant 8 highlighted that "as *SOC utilise public funds and have clear social and economic outputs it is important for the Shareholder and the public to be assured of clean corporate governance and financial sustainability without unnecessary pressure on the fiscus"*

The custodian of the KPIs in the organisation was common in all the respondents. The Chief Executive Officer and Chief Financial Officer along with the Board of Directors were regarded as the custodians of KPIs within entities

Table 18: The common theme related to Research Question 2

There is a need to measure performance and to enable all levels of staff to understand performance monitoring
Importance of linking organisational outcome targets to individual performance bonus
The Shareholder needs to ensure that the monitoring process is clear and transparent and above all fair and based on integrity

5.3. Results and themes from Research Question 3: Results of Key Performance Indicators in State Owned Enterprises

There was a common understanding from the majority of the respondents that all KPIs are linked to tangible and measurable outputs. It was the view that for KPIs to have an impact and direct behaviour and processes it was necessary that they be tangible. In improving KPIs

Table 19: common theme on success or failure conditions

Participant 7 capsulated the common theme that *"The link between achievement of KPIs and performance bonuses must be carefully assessed so that Management is not short-term driven but also considers long-term sustainability of the entity"* Furthermore, an

increase in engagement with Shareholder and the ability to debate and engage the KPIs would greatly improve the establishment of KPIs.

Continuing on the questioning stream aimed at improving the impact of KPIs and in attaining the requisite outputs – an annual review by the Shareholder of KPIs and quarterly review was regarded by 100% of all respondents as key and necessary in deriving the expected output and outcome.

Table 20: The common view was that the Key Performance Indicators are adequately measured.

"Quarterly through mandated Shareholder reporting at organisational level and monthly at divisional level"
"They are adequately measured and the Shareholder is involved hands on"

Which tools are utilised to measure Performance?. The common theme that arose here was that there lacks a standard measuring tool that will cover all the scope of targets. The SOCs reporting to the Department of Public Enterprises have a shareholder compact that is monitored quarterly. The common view was that this monitoring was adequate.

This was a common view of all the participants – it highlighted the benefits of the engagements with all stakeholders in drafting the KPIs that would be utilised to measure performance. The common theme was that performance management impacted the behaviour.

In responding to how can the KPIs be improved? the respondents mentioned that they acknowledged the role that the various National Departments played in measuring KPIs. This was easier due to the engagements in agreeing to the various targets. The view of the respondents aligned to Parmenter (2007) and can be surmised into the following "Successful development and utilization of key performance indicators in the workplace is determined by the present of foundation stones.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The research findings as illustrated and presented in Chapter 5 are discussed in this chapter. In addition the results are related to the research problem and reason for the research as highlighted in chapter 1, the literature review in chapter 2 and the subsequent research objectives in Chapter 3. The role of State Owned Companies and the related Key Performance Indicators, their impact, effect and how they are measured were the basis of the research questions. As Fikelepi (2010) highlighted SOCs have a public mandate that they are obliged to fulfill. This view was mentioned in the interviews and questionnaires as the social KPIs such as Job creation and embracing government policies such as transformation is central. The responses to the research instrument utilised in support of the research questions would be linked to empirical studies and literature reviews either to support the theory or to negate the correlation between the answers of the various respondents to the questions. The correlation or failure to support previous studies would contribute to the wealth of knowledge in public ownership and shareholding. Sanders (2008) stated that the population is the full set from which the sample is taken. The sample for this research was senior officials in SOCs.

The importance of Key Performance Indicators in monitoring the performance and output of performance was necessary.

6.2. Research Question 1: What is the impact of Key Performance Indicators?

Research Question 1 as supported by the related question aimed to test the understanding of the respondents on the meaning of Key Performance Indicators and how the latter were utilized in order to deduce their understanding and appreciation of the role of the SOC and how Government as their shareholder was supportive in enabling and ensuring the execution of the mandate while obtaining the mandates agreed upon. Smith & Goddard (2002) mentioned that KPIs are utilised to measure output. In this case output could be regarded as either meeting targets relating to Table 4 in Chap 5

The broad understanding of Key Performance Indicators from the respondents and the interviews highlighted an understanding of KPIs as highlighted by Zaherawati (2011) as being ideal to ensure sustainability of an enterprise. The sustainability for the enterprises irrespective of whether it private or public enterprises as highlighted in question 3 of the questionnaire, all respondents highlighted the following KPI areas.

Table 21: Areas of the business hat had KPIs indicators

Financial – these KPI often dealt with financial performance and income sheet and balance sheet strength and sustainability
Operational – addressed mainly sector targets such as in the case of an airline On time Performance and aircraft turnaround
Labour – training and developmental targets
Social issues of transformation
Environmental targets – lower emissions

The social targets where deliberated greatly by the respondents when requested to further explain. The theme that appeared was that there is a conflict of some of the KPIs. There has been a strong social push by the state on State Owned Enterprises to be at the forefront of transformation and skills training. Msweli-Mbanga (2005) highlighted that South African SOEs have a unique role as being at the forefront of all transformation strategies and initiations. The data supported this view as indicated on Table 14 in chap 5. There is a debate on which output should be focused upon. How best do SOCs meet these social targets whilst operating profitably. This challenge is linked to Fikelepi (2010) that's states SOEs mandate is to ensure equal distribution of opportunities and skills transfer.

Heath and Norman (2004) further highlights the role of SOEs as addressing the social responsibilities that have often been imposed upon SOEs by the state can be summarised under four general categories. 1) Creating and maintaining employment to support the economy. 2) the continued ownership of the entities by the state 3) redistribution targets and objectives and that the state should be a model employer. This mandate was highlighted in the data received. The data mentioned that " SOEs were at various times called upon to engage in counter-cyclical spending to maintain employment during recessionary periods in order to smooth the business cycles; to promote full employment by creating excess capacity and engaging in "make work" projects, and to help control inflation by instituting wage and price controls.

This challenged the SOCs at times to operate at market related labour forces and increased their cost of operations. Research question 1 was supported by various questions that all enabled respondents to address their understanding of the necessity for KPIs and the impact the KPIs have on the respective SOCs. The data received highlighted that KPIs cover financial, operational, labour and support various government policies such as BBBEE; Transformation and Employment Equity. These views support as Fikelepi (2010) highlighted that the State Owned Enterprises are mandated to ensure that there is an equal distribution of opportunities and skills transfer.

This social requirement or Key Performance Indicator is also supported by Zheng (2009) who highlights that SOCs in most developing countries are created to achieve government's goals for economic development.

Regarding the correlation between KPIs and the company, the data highlights that there is a divided view from the respondents. There is a common view amongst respondents that KPIs are intended to ensure the organisations carry out their respective core competencies. Or similarly that KPIs direct behavior and output. Zikmund (2003) definition of KPIs alluded to the fact that they reflect performance of an organisation. The divergent view is that some of the KPIs are more skewed to financial targets than social outcomes which are often given a greater rating by the respective shareholder departments.

It is important to further review these conflicting views. This divergent view raises the question of is there a misalignment with the understanding of the mandate from both the shareholder and companies. Table 1 on page 56 highlights that the SOCs need to be able to address and achieve their respective mandates. However of concern is the perception that SOCs feel unable to constructively debate with their shareholder to clarify mandates and Key Performance Indicators. Parameter (2007) illustrates that it is imperative that KPIs be agreed upon commencement of operations – so that targets and expectations can be met.

The research instrument furthermore supports the view of Weber (1997) that highlighted that for one to derive the full benefits of performance management and measuring it is key that there be transparency and buy-in.

TABLE 22: ILLUSTRATING SUCCESSESFUL KPI AND THE BENEFITS

Successful Key Performance Indicators	Reason
Net Profit	Drives bottom line
Cash Utilisation	Drives bottom line performance
Programme delivery	Ensures commercial orientation
Transformation	Addresses skills development and retention

These targets though not solely related to the SOC that Participant A manages highlights a key common theme that KPIs aim to address and that is improved and transparent corporate governance.

A respondent highlighted that "Key Performance Indicators are measures aiming to (a) direct resource attention and focus at those activities deemed critical to the achievement of Company strategy and (b) to monitor progress for purposes of early identification of performance (and therefore objective achievement rate) variances such to allow pro-active intervention. KPI's typically following a cascading effect, starting at organisation level then further aligned down to individual resource (people and otherwise) level"

The need to establish KPIs is supported by Chang (2007) in his literature that states that SOCs are part of a state's investment and economic development policy and are often critical for long-term investment and development, to enhance private sector activities. By the latter the literature highlights that SOCs play a key Socio-Economic role in developmental states.

The data and literature both highlight that Key Performance Indicators are necessary as they direct behavior and support key outputs such as meeting key financial, social and economic targets as agreed between SOCs and the respective shareholder departments. This supports the view of Zikmund (2003) that KPIs can be defined as quantifiable metric which reflect the performance of an organization in achieving its goals and objectives. In ensuring the correct targets are selected in terms of KPIs it's important that the KPIs and the company can in all likelihood successfully achieve the proposed and agreed upon KPIs.

In chapter 2, it was deduced that KPIs are necessary in ensuring SOCs achieve their mandates and that it is necessary that they be measured. The research questions enabled the respondent to express or respond clearly on their views on this matter. The common view was that as SOCs it was important that they be measured by the State as public finances was utilised to ensure their continued existence. The similarity between the understanding of SOCs, their role in the economy and that of Government in the economy – all confirm that Key Performance Indicators do have an impact on the performance and existence of SOCs.

6.3. Research Question 2: How are Key Performance Indicators measured?

The primary objective of research question two was to establish and obtain a view through the research instruments on the need to measure KPIs furthermore it also expressed the need to measure performance.

Key performance indicators help and organization define and measure its goals. Once an organisation has analyzed its mission, identified all its stakeholders and defined its goals, it needs a way to measure progress toward the goals; Key Performance Indicators are those goals Reh 2005). This view of Reh (2005) supports the common theme is Chapter 5 that highlighted that KPIs were measured by both the company and the shareholder monthly or quarterly. The need to include the shareholder is based primarily on prioritizing the relationship with the current stakeholders.

In support of the need for measurement of output participant 8 highlighted that "All KPIs have quantifiable metrics which vary greatly from: nominal; to ratio and finally to reporting requirements". In support of the need to have a holistic and broad view it was captured by Particant 12 " SOEs should be making effective and efficient utilization of resources and be held accountable for meeting mandates and key performance targets". It is necessary to have pre-agreed targets so that all parties are cognizant of the fact that to ensure success there needs to be measuring of KPIs and targets on a continuous basis.

:

- Nonfinancial measure – when a dollar sign I put on the measure, it has already converted into a result indicator, not a Key Performance Indicator
- Measured frequently – KPIs should be monitored daily, or perhaps weekly for some.
- Significant impact – All good KPIs make a difference.
- Understandable – Understanding the Key Performance Indicator is necessary when implementing a successful system.
- Ties responsibility to individual and team – A KPI is deep enough in the organization that it can be tied to any individual team.
- Acted on by Senior Management team – when CEO, management, and staff focus on the KPI, the metric will have more of an impact on the organization.
- Positive Impact – a KPI should have a positive impact on many aspects of the organization.

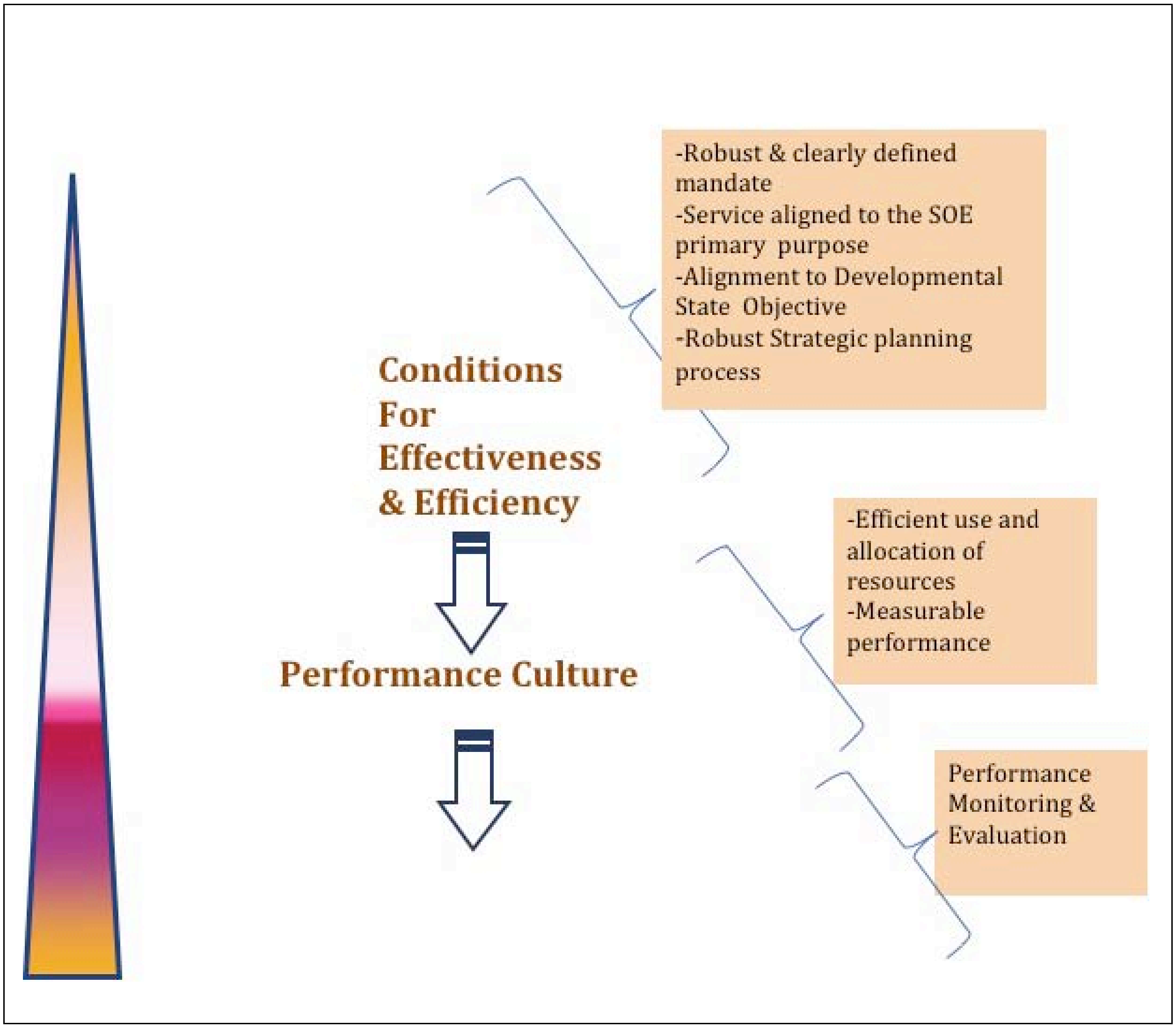

Figure 3: Key Performance and how they are implemented in SOCs

According to Parmenter (2007), these KPIs are more efficient and effective if these seven characteristics are represented throughout the development, application, evaluation and reporting stages. However not in contrast to this view (Evans, 2004) stated that performance measures are built around the three Es' – namely effectiveness, economy and efficiency. There is a need for SOE to play a key role in the economy and the three E drive performance and focus.

In Chapter 5 – it had been clear that there was a common inter-sectoral view that the following had to be measured in a transparent manner:

Illustration A: Elements of performance that require to be measured

Financial Performance
Operational Performance
Output linked to mandate (relevance of KPIs to strategic mandate of SOCs
HR Data

In chapter 2, it was deduced that measuring KPIs was necessary in ensuring performance of SOCs. Chapter 5 which assisted in obtaining data also highlighted the common commercial company's view that the KPI are the in the custodian of the Group Executive Officer and Board Members.

The shortcoming in the data and literature was the tools that were necessary to measure performance. It is not helpful that Keeble et al. (2002) had drafted a questionnaire with for questions as illustrated in chapter 2, namely

a) What is critical and relevant to the organization
b) What commitment does the organisation need to support?
c) How will they benchmark performance?
d) What do stakeholders expect of them?

The clear description of the tools that are to be used to measure performance cannot be in regarded in isolation of the relevance and importance of the measurement. The findings of research question two provide an indication that there is a need to define the mechanism of measuring performance.

6.4. Research Question 3: What are the causes of failure or success of achieving Key Performance Indicators?

The purpose of this research question was to determine the causes of failure or success of achieving Key Performance Indicators in relations to agreed and relevant targets. In Chapter two there was an understanding from the respondents that KPIs need to be tangible in order to achieve measurable outcomes. It was the view of all respondents that KPIs be tangible. In addition to being tangible some KPIs or outputs could be intangible such as a company being viewed as strategic due to the nature of its service and quality of service . Keeble (2003) highlighted that the indicators need to be related to the core activities of the business and the indicator should be relevant to all stakeholders. This was to ensure buy in and to establish roles and responsibilities so that accountability would be clear and transparent.

The following are areas generally were highlighted holistically in Chapter 2 on areas where performance targets were highlighted. :

1) Financial performance results with emphasis on
    - Liquidity and
    - Profitability
2) Skills development and Transformation
3) BBBEE (Broad Based Black Economic Empowerment)
4) Employment equity
5) Customer Satisfaction
6) Environmental impact

These are highlighted to illustrate how important it is to ensure compliance with agreed targets, as failure often has multiplier effect.

Table 22: Conditions or output required for successful impact on performance

SUCCESS FACTORS
Key Performance is linked to tangible and measurable outputs
Annual reviews – staggered throughout the year through robust quarterly reports and engagements
Principal to success is the choice of the tool – correct measuring
KPI setting: finding a balance between shareholders and management. It is necessary to acquire buy in from all stakeholders.
The mandate of the SOC and its strategy must be aligned
High-level engagement and collaboration between Senior Executives and Government officials

Although failure is not targeted it is necessary to address when the likelihood of failure is enhanced if the following conditions are in place.

Table 23: Conditions that are likely to cause KPIs to fail

COMMON CONDITIONS WHEN FAILURE TO ACHIEVE KPI IS MOST LIKELY
When policy matters and strategic issues conflict
When strategic objectives have subjective elements
Lack of support from shareholder and when the KPIs are difficult to measure or understand.

The study aimed to define KPIs, establish an understanding of KPIs amongst the senior echelon of SOCS. In addition the three research questions aimed to address the impact of KPIs on the performance of SOCs. Furthermore it also highlighted how performance was measured. The SOCs have various tools such as the Annual report, quarterly reports and shareholder compacts. The study also in the measuring of the performance indicators it highlighted that it was necessary that the state monitor the SOCs as they have a strategic mandate to perform. The common reasons for either fail or success in achieving KPIs are illustrated above. The latter highlights the environment that is conducive to both options.

CHAPTER 7

7.1 Introduction

Chapter seven aims to highlight the main finding of the research by incorporating the results obtained in Chapter five in relation to the analysis of Chapter six. It is a Chapter that seeks to consolidate all the findings, the common themes and key conclusions that may be drawn from the research findings. It concludes with recommendation for stakeholder and recommendations for future research.

7.1.1 Main finding relating to SOCs

The role of the State in the economy continues to be central to the current Government. Msweli-Mbanga (2005) highlights that South African SOEs have a unique role as being at the forefront of all transformation strategies and initiatives in addition to the mandate of facilitating government's social delivery and economic growth objectives. The developmental state agenda though not very clear, will play an even greater role in the fabric of state ownership. The is a current view emerging that there needs to be an alignment of KPIs as some have a strong slant towards socioeconomic targets and others are clear financial targets. Furthermore, there is a need to review how shareholder governments in both developed and developing countries address perceived contradictory requirements and outputs.

The deployment of state owned companies to develop economies, manufacturing and enhancing skills transfer is a global SOC phenomenon. There is however a private sector that feels state support distorts market dynamics. A future recommendation could be how does government gain support with such companies from the private sector. The key question is: can public companies and private companies compliment and compete fairly.

Jones and Mason (1982) stated the reasons for the existence of SOCs: ideological predilection, acquisition or consolidation of political or economic power, historical heritage and inertia, and pragmatic response to economic problems. The current portfolio of South African SOCs continues to operate at different degrees in relations to the empirical study of the above authors. The common themes in the research was that SOCs continue to play a strategic role however there is a need to ensure that they be measured for performance by the Shareholder.

7.2 Findings on relevance of KPIs to mandates of SOCs

In Chapter 5 it became clear that there is confusion on the mandates that require clarity and robust evaluation and consideration. The Presidential SOE Review Committee also highlighted this when they discussed "the efficiency and effectiveness of State-Owned Enterprises with respect to service delivery". The findings of this research report established that there is a need to have the mandates of the SOCs reviewed and discussed so that there is a common understanding of the role of the SOC. Currently the mandates of some SOCs, though formalised in a written format, remain open to misinterpretation. It is important and necessary that clarity is achieved.

The findings of the study can be summarized in the following table.

Key Performance Indicators can drive behaviour and output
KPIs can directly impact the bottom line of SOCs if linked to performance management systems
Important that robust discussion and negotiation occur before sign-off of KPI between Shareholder and SOC to ensure buy-in

7.2.1 Findings related to Research Question 2 – Measurement of Key Performance Indicators

The study found that there is discrepancy in terms of efficiency of performance measurement tools. Though government, as similar to the private sector, has appointed Boards to oversee and Annual Reports to review performance, it remains a challenge to measure performance. The SOC environment has a robust and hybrid reporting structure as illustrated in figure 3. This has added a challenging dimension on reporting standards and measures by the relevant SOCs.

There is an added challenge that performance targets are not adequately measured. The SOCs are measured quarterly through performance and strategic reviews that measure performance. However, due to the size of some SOCs this performance could prove inadequate. It has been found that it is necessary for Key Performance Indicators to align to the corporate strategy and SOC mandates. One thing that was outstanding was how managerial skills are linked to attainment of these targets.

7.2.2 Findings related to Research Question 3 – addressing the causes of failure or success when achieving Key Performance Indicators

The findings of research question three revealed that achieving Key Performance Indicators required a company-wide appreciation of the fundamentals that underpin managing performance. One of the key requirements for successful attainment of targets was a clear link or alignment of KPIs to the mandate of the respective enterprise. It was established that it is necessary to find common ground in negotiating targets and there needs to be a robust discussion and appreciation of the divergent views. To ensure buy-in to the KPIs by all people within the enterprise, management must ensure that the KPIs are clearly understood. Collaboration between high-level management and government officials is necessary in ensuring success.

Although the presence of annual and quarterly reports auger well for success, these do not alone guarantee the success of KPIs achieving their objectives. The research established that the following additional factors need to be taken into account to avoid the failure of KPIs in SOCs:

- A conflict in the strategic issues and policy matters which leads to misalignment of targets and strategies
- The subjectivity of objectives, as this challenges a common understanding of the mandate and therefore what is deemed to be key in achieving objectives or targets as required by the shareholder
- The lack of shareholder support leads to misguided leadership from both SOC and government. Often this leads to a reactive shareholder instead of a dynamic and effective owner
- KPIs are difficult to measure if not made properly clear, transparent thus being difficult to understand. This ambiguity leads to failure.

The above-mentioned conditions were deemed likely lead to failure of attaining the targets as set out in the Key Performance Indicators.

7.3. RECOMMENDATIONS

7.3.1. Recommendations for SOCs

- The role of the Shareholder needs to be clarified and that of Policy departments. The lack of a common understanding of the role of SOCs in South Africa and, as such, policy and shareholder departments, continues to result in public disagreements. This limits the understanding of the view of the public on these strategic assets.

- It is important to introduce a culture of measurability and accountability. This relates to the strength and quality of strategic intent statements or objectives that will assist in directing performance. A clearer understanding of the SOCs mandate would assist employees in achieving these targets.

- It is important to instil a culture of entrepreneurship within the SOC space and enable new methods of doing business. It is important to embrace “the game is changing” principle.

- The socio-economic impact of the SOC needs to be focused upon as the focus of government is on job creation and skills.

- The Presidential Review Committee on SOCs established by the President to review and optimise the value and contribution of the SOCs on the South African economy would be an important document to derive future studies. This document is also projected to redefine the role of SOCs and the oversight role of Government

7.3.2. Recommendations for management

- It is important to be regarded as joint-custodian of Key Performance Indicator targets.

- It is necessary to ensure that the team one leads is fully abreast of the mandate of the entity and how the Shareholder operates; furthermore, to have a clear understanding of the requirement of the SOC.

- Management needs to monitor performance and create room for improvement and debates from all employees. It is important that, as the KPIs are discussed robustly with the shareholder, discussion should be required and encouraged with all staff.

- Key Performance Indicators – should be linked to individual performance bonus or growth.

7.3.3. Recommendations for successful implementation of Key Performance Indicators

- Key Performance Indicators should be clearly linked to the mandates and objectives of the SOC.

- It is important that the custodian of the KPIs, namely the Chief Executive, instil a culture of accountability and transparency. The KPIs should be well defined, developed and visible in the SOC.

- It is important to ensure that leaders in SOCs in government understand how KPIs and especially those with a social stance can have ripple effects in the economy.

- KPIs targets should be monitored and evaluated to ensure that day-to0day decisions and operation align to the long-term strategy.
- The KPIs should be linked to a framework such as noted by Epstein (2001) that the implementation of KPI in SOCS should include the following five phases:
    - Setting Priorities
    - Identifying the causal relationships
    - Developing appropriate measures
    - Collecting and analysing data
    - Reviewing the framework – this review and its process should be agreed upon by all stakeholders.
- In the South African context, with the disparity in income and skills, it is important that the policy objectives of Government be embraced. It is important that SOCs be leaders

in transformation, BBBEEE, procuring from Small and Medium Enterprises and job creation.

7.5 Future Research

For future research, it is recommended that the following concepts are investigated further:

- How Performance is measured and improved in State Owned Companies with a focus on case studies of companies that have been supported through recapitalisation. Did the state increase its monitoring? Were the targets stretched?
- What does state-ownership mean to Developing states with challenges and demands for government? How does government prioritise between social needs of the population and the financial dependence and requirements of SOCs?
- A review and analysis of the related KPIs, measures and targets that are most relevant in the State Owned Enterprises. This could be further reviewed from the view of SOCs operating in a developmental state.
- How management can establish a performance driven culture in SOCs by utilising KPIs, performance management and shareholder value creation.

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