

**STRATEGY IMPLEMENTATION: A CRITICAL ASSESSMENT OF THE
APPLICATION OF INTEGRATED RISK MANAGEMENT IN THE
IMPLEMENTATION OF EASTERN CAPE PROVINCE PROVINCIAL
GROWTH AND DEVELOPMENT STRATEGY (ECPGDS)**

By

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for the requirement of Doctor of Administration (D.ADMIN) Degree at the
University of Fort Hare.**

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DECLARATION

I, Ntsiki (Nontsikelelo) Tshayingca- Mashiya student number 200910065, hereby declare that the thesis:

Strategy-Implementation: A critical assessment of the application of integrated risk management in the implementation of Eastern Cape Province Provincial Growth and Development Strategy (ECPGDS),

is my own work and has never been presented to any university for examinations. All references cited in text have been acknowledged.

.....
Ntsiki (Nontsikelelo) Valencia Tshayingca Mashiya

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I will always praise Him “Psalm 34”

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DEDICATION

I dedicate this work to the memory of my late father Zolile B. Tshayingca (Wushe) and my late brother Lungisa P. Tshayingca. Even in their physical absence, their spirits live forever and continue to inspire me.

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LIST OF ACRONYMS

AG:	Auditor-General
ALE:	Annualized Loss Expectancy
ANAO:	Australia National Audit Office
ANC:	African National Congress
ARO:	Annualized rate of occurrence
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
COO:	Chief Operation Officer
DG:	Director-General
DLGTA:	Department of Local Government and Traditional Affairs
DOARDEV:	Department of Agriculture and Rural Development
DOE:	Department of Education
DOH:	Department of Health
DOSD:	Department of Social Development
DPLG:	Department of Provincial and Local Government
DPSA:	Department of Public Service and Administration
ECPA:	Eastern Cape Provincial Administration
ECPGDS:	Eastern Cape Provincial Growth and Development Strategy
ECSECC:	Eastern Cape Socio-Economic Consultative Council
ERM:	Enterprise Risk Management
GWME:	Government-wide Monitoring and Evaluation
HIV/AIDS:	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HOD:	Head of Department
HR:	Human Resources
HRD:	Human Resources Development
IDP:	Integrated Development Plan

IMT:	Interim Management Team
IRMF:	Integrated Risk Management Framework
ISO:	International Standards Organization
ISRDP:	Integrated Sustainable Rural Development Programme
JMT:	Joint Management Team
M&E:	Monitoring and Evaluation
MDG:	Millennium Development Goals
MEC:	Member of the Executive Council
MFMA:	Municipal Finance Management Act
MTEF:	Medium Term Expenditure Framework
MTSF:	Medium Term Strategic Framework
NAO:	National Audit Office
NGO:	Non-Governmental Organization
NPO:	Non Profit Organization
OGC:	Office of Government Commerce
ORM:	Operational Risk Management
OTP:	Office of the Premier
PFMA:	Public Finance Management Act
PGDP:	Provincial Growth and Development Programme
PGDS:	Provincial Growth and Development Strategy
PMDS:	Performance Management Development System
POA:	Programme of Action
PSC:	Public Service Commission
RM:	Risk Management
RMF:	Risk Management Framework
SA:	South Africa
SALGA:	South African Local Government Association
SMS:	Senior Management Service

SONA:	State of the Nation Address
SSM:	Soft System Model
SWOT:	Strengths, Weaknesses, Opportunities and Threats
TQM:	Total Quality Management
UK NAO:	United Kingdom National Audit Office
UPE:	Universal Primary Education
UNDP:	United Nation Development Programme
WOG:	Whole of Government

SUMMARY

Strategy implementation has been recorded as a key challenge in today's organizations. Soft, hard and mixed factors influence the success of strategy implementation; ranging from the people who communicate or implement the strategy, to the systems or mechanisms in place for co-ordination and control of the strategy. In 2004, the Eastern Cape Province launched the Eastern Cape Growth and Development strategy (ECPGDS), which was to be implemented by Public sector, private sector and non-governmental organisations jointly. Government departments of the Eastern Cape Province were assigned a role of leading the implementation of the ECGPDP.

Best Management practices internationally require that when a new strategy is developed, with a resultant programme for implementation, there must be a corresponding risk management policy, together with a risk management strategy that are designed concurrently with that new programme so as to ensure achievement of the new the programme objectives.

Eastern Cape Government departments have been struggling in management of risk and are recorded as making slow progress in this regard.

The aim of this study is to critically assess the application of Integrated Risk Management in the implementation of the Eastern Cape Growth and Development Strategy (ECPGDS). The following are the study objectives: (a) to identify the extent of application of risk management in the implementation of the ECPGDS; (b) to establish the risk profile of the ECPGDS; (c) to develop a baseline implementation risk matrix for the ECPGDS; (d) to develop a Model of Integrated Risk Management for the ECPGS for use by Government departments in the Eastern Cape Province.

A mixed strategy of both qualitative and quantitative approaches was utilized in the study. The study sample comprised of: Clusters of Government and Administration in the Eastern Cape Province; big departments; small departments; and specialists in the area of strategic planning, programme and risk management.

The study findings include the follows (a) limited, ad-hoc and unintentional application of integrated risk management in the implementation of the ECPGDS; (b) limited understanding of risk management by the strategic planners in government; (c) limited involvement in ensuring integrated risk management by managers in their departments; (d) limited or no formal training in risk management by most strategic managers; (e) no or limited integration of ECPGDS risk management and strategy between the years 2004 and 2008.

General conclusions for the study include the following (a) limited application of integrated risk management in the implementation of the ECPGDS and plan as well as daily management practices (b) limited awareness by Strategic Managers at strategic, tactic levels of risk policy implications; (c) non existence of risk register for ECPGDS and PGDP; (d) non- integration of risk indicators in the monitoring and evaluation framework of Eastern Cape Government departments; (e) no baseline risk profile for the ECPGDS; (f) non existence of structures for discussing lessons learnt in the implementation of the ECPGDS; and (g) no evidence of structures for joint monitoring of the PGDPs risk for all implementing departments.

Study recommendations include: (a) a need to adopt an integrated risk management strategy by the Eastern Cape Province;(b) an undertaking of a risk assessment to the objectives of the ECPGDS; (c) a formal training in risk management for the Eastern Cape Government strategic managers; (d) the inclusion of risk management in public management studies; and (e) the adoption of the proposed Conceptual model for risk management framework of the ECPGDS for use by Government departments in the Eastern Cape.

CHAPTER 1

ORIENTATION TO THE STUDY

1.1 BACKGROUND OF THE STUDY

Strategic Management cycle consist of strategic planning, implementation, monitoring, evaluation and review of strategy. Strategy implementation has thus become the most significant management challenge. Yang *et al.* (2010) claim that although formulating a consistent strategy is a difficult task for any management team, making that strategy work and implementing it throughout the organisation is even more difficult. Yang further argues that Strategy implementation has been recorded as a key challenge for today' s organisations.

According to Gurowitz (2008, there is evidence which shows that less than 10% of strategies formulated are effectively executed. Hrebiniak (2005) advances that; failure in organisations to effectively execute strategies is often as a result of limitation in linking organisational goals with objectives (operations). There are many other factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy, to the systems or mechanisms in place for co-ordination.

Brynard (2005) asserts that strategy implementation is equally challenging for management in Government departments, given that efforts of Government are aimed at improving service delivery. Poor strategy implementation is linked to poor service delivery. It is also worth noting that whilst implementation is acknowledged as a challenge, joint planning and joint implementation policies and strategies experience even a greater challenge in their implementation

According to Young (2006), Debra and Yeates (2008), strategy implementation is in itself a risk because of its impact on the processes, people, and the systems.

Strategy implementation is thus considered one of the main risk factors in organisations. In concurring with this view, Lorenzi *et al.* (2008) proposes that, strategy implementation implies change, and therefore poses risk to the processes, the people and the systems.

Risk Management has also been cited as crucial, playing a major contributing role in strategy implementation (Brynard, 2005). Schaap (2006) states that research in strategy implementation show that strategy-implementation or strategy-execution is the most complicated and time-consuming part of strategic management.

Unrealistic policies and managerial expertise are also cited as most critical challenges in strategy implementation and risk management. Strategy implementation, if not managed effectively can, therefore, impact negatively on the achievement of intended objectives.

Integrated risk management addresses risks across varieties of levels in the organisation, including operational, tactical and strategic, covering both opportunity and threat. Haimes (1998) notes that “totalistic” risk management is the integration of risk management into all aspects of the organisational system with the aim of increased achievement of objectives

The systems approach to management of risk has been linked to addressing risks vertically and horizontally. Vertically, means from operational level at the bottom of the ladder to strategic level at the top, whilst horizontally refers to managing risk across the business; organisation wide and Government wide risk management, in line with the principles of Enterprise Risk Management (ERM).

Conti (1999) observes that application of systems thinking and systems approach to risk management has been found to improve efficiencies in organisations.

According to ECPGDS document, the Eastern Cape Provincial Administration (ECPA) is considered to be the primary leader in the implementation of the Provincial Growth and Development Strategy (PGDS). Togna (2005) states that PGDS is to be integrated into Provincial Government planning, and must form part of all Provincial Departments' Strategic and Annual Performance Plans, and be reported in their annual reports. Togna further cautions that the programme design and plan aligned to the strategy, and the effective implementation of the PGDS is considered crucial for its success

Sustainable human development in accordance with the United Nation's Millennium Development Goals (MDG) should be the path in guiding the development of the PGDS and therefore the PGDS goals are aligned with the MDG (Togna, 2005).

The ECPGDS is designed as a 'whole of Government initiative', in which outcomes are to be shared and delivered across Government and private sectors, with a view to enforcing functional integration in all spheres of government, namely; national, provincial and local Government spheres. Improved corporate citizenship, effective implementation management, accountability, and alignment to the priorities of municipalities as contained in the Integrated Development Plans (IDP) for local governments, are all considered crucial for the success of the PGDS (Togna, 2005).

There is a serious concern about the ability of African countries, including South Africa, to meet the MDG in the areas of health, education, economic, infrastructure development, and strategy for poverty reduction (Republic of South Africa, 2010). Lack of thorough risk identification, which could lead to failure in achieving setout objectives, has been identified as a critical element that is contributing to the lack of achievement of targets and objectives and contributing to negative audit outcomes in the Eastern Cape Provincial Departments (Ngqwala, 2009).

Barrett (2001) observes that effective risk management could improve service delivery. Evidence shows that the application of risk management in the implementation of Government strategies and programmes can improve not only

service delivery, but programme performance, opportunities, efficiency, assisting in the deployment of resources, and reduce chances of failure in the implemented programme in Public Service (UK NAO, 2004).

It is ten years since this observation was made, evidence as to whether or not risk management is employed in the implementation of the PGDS is yet to be ascertained. Since 2004, public sector performance has constantly been under scrutiny by the citizens, a development that is often followed by incessant poor service delivery protests and unpleasant media reports (Brynard, 2005).

Whilst service delivery and Government strategy implementation are considered critical and central in Government, there seems to be a limited body of knowledge on implementation research in South Africa, which signals a need for more research in this area. According to Brynard (2005) implementation research for policy, strategy and Government programmes can enhance implementation success and service delivery in the public sector. Successful implementation and effective service delivery have been linked to effective risk management, yet there is glaring evidence that not much work has been done in the application of risk management and its integration in programme management in the public sector, more specifically in Government departments (Fone and Young, 2001).

Although there is evidence of research in the area of management of risk in the United States of America, Canada and Western Europe, who have passed through different phases of policy implementation research. It appears that South Africa is currently in the midst of the implementation era with limited research in this area. Scholars, like Pressman and Wildavsky (1973) started in the sixties and the seventies with implementation research, however Brynard (2005) maintains that there is still a need for a common theory in implementation research globally at this stage.

According to Fone and Young (2001) managing risk is an important constituent of public sector governance (Effective risk management is also regarded as a best practice of good governance (Barrett, 2001; Ngqwala, 2009; and Nombembe, 2010). Young (2006) on the other hand, observes that, operational risk management has received much attention, including the focus due to high and major incidences of operational failures and losses in organisations. Young (2006) claims that, such a practice happens regardless of the evidence that early identification and management of risks could protect the organisation, and improve its performance and service delivery.

Given the aforementioned arguments, this study focuses on strategy implementation of the ECPGDS, which has a direct impact on achievement of the MDG vis-à-vis integrated risk management for improved service delivery that cannot be over-emphasized. As such, a critical assessment of the application of Integrated Risk Management in the implementation of the ECPGDS was worthy of a scientific investigation.

According to Tshayingca- Mashiya (2008) there is limited application of risk management in the implementation of e-Health strategies at strategic and tactical levels in Government departments globally. e-Health strategies form part of the strategies implemented globally without much success

The subsequent sections provide background to the research problem, statement of the problem, assumption of the study, aim of the study, objective of the study, rationale of the study, significance of the study, sources of information, methodology of the study, scope of the study, limitation of the study, conclusion, and structure of the thesis and definition of terms.

1.2 STATEMENT OF THE RESEARCH PROBLEM

This research problem in this study is based on the evidence provided by Nombembe (2010); (Barrett (2001); United Kingdom National Audit Office (2004) and White (1999). According to this evidence, the application of risk management in the implementation of Government strategies and programmes can improve the following service delivery, programme performance, opportunities and efficiencies. It can as well assist in the deployment of resources, and reduce the chances of failure of implementation of programmes in Public Service.

This study considers the problem of lack of integrated risk management in the implementation of the ECPGDS. This lack could lead to failure of early identification and mitigation of high risks that can influence negatively on the degree of implementation success. Consequently, this negative influence could contribute to poor performance of the Eastern Cape Provincial Administration towards the achievement of the PGDS objectives and the subsequent contribution towards the MDG.

This study shall provide an insight into the following problem:

How could integrated risk management principles and practices be incorporated into the implementation by the Eastern Cape Government departments, for an increased degree of success in the Implementation of the Eastern Cape Growth and Development Strategy?

As many factors are implicated in the high failure rate of strategies implemented, in Yang *et al.*'s (2010) view, this study has raised the following questions.

1.2.1. CORE RESEARCH QUESTIONS

- (a) What are the essential characteristics of an integrated risk management system required for the ECPGDS?
- (b) What are the major internal and external implementation risk factors that have probability of occurrence and can influence the achievement of ECPGDS objectives?
- (c) What are the risk reduction/aversion/transfer strategies that need to be considered during the implementation of the ECPGDS?
- (d) What are the institutional mechanisms required for the application of integrated risk management in the implementation of the ECPGDS?

The research questions as stated above would determine what, where, when and how data shall be collected. Furthermore, the research questions represent an important link between the conceptual and logical aspects of the study.

1.3 ASSUMPTIONS OF THE STUDY

The Eastern Cape Provincial Departments have been making slow progress in managing risks that are influencing negatively strategies and programmes implementation, given that, two of thirteen departments have repeatedly received a disclaimer in the audit results for three years in succession; between 2005 and 2007. According to the Auditor General report of 2009/ 2010, many municipalities have fared very poorly in the audit results, and as a result thirty seven municipalities in the country received disclaimers (Auditor General, South Africa, 2011). The study assumes that risk management is not effectively implemented and integrated in daily management practices of the Eastern Cape Provincial departments.

1.4 AIM OF THE STUDY

Based on the statement of the problem in Section 1.2, and the assumptions of the study, the aim of the study is to critically assess the application of an integrated risk management in the implementation of the ECPGDS. The aim of the study shall be achieved through the following objectives.

1.4.1 Objectives of the study

The definition of the research problem, the aim of the study and the survey of the available literature shall help to identify boundaries of the study, which shall delineate the following objectives:

- (a) To identify the extent of application of integrated risk management in the implementation of the ECPGDS
- (b) To establish the risk profile of the ECPGDS
- (c) To develop a baseline implementation risk matrix for the ECPGDS
- (d) To develop a conceptual model for ECPGDS Integrated risk management strategy for implementation by Government departments.

1.5 RATIONALE OF THE STUDY

Recently, there has been much attention paid to service delivery in Government especially in the sphere of local government, because there are frequent examples in the media on implementation failures of Government programmes and service delivery.

According to Brynard (2005) service delivery and programme implementation are critical for Government and are linked to policy process. Policy development, implementation and service delivery need to be consolidated so that a more coherent policy and strategy system with an on-going review and performance management mechanisms would be developed (Brynard, 2005).

The target date for the achievement of the ECPGDS objectives is 2014, while that of MDG is 2015. There is an underlying opportunity that the study's findings might contribute to the development of an integrated risk management model for the ECPGDS. This may further enhance the achievement of ECPGDS objectives before the target date of 2014

The proposed model could be used for Government programmes, where more than one Government departments are in collaboration with agencies and communities to influence the implementation of strategy or policy as in the PDGS. Such an approach could contribute to increased degree of success in Government strategies and public policy implementation.

1.6 SIGNIFICANCE OF THE STUDY

The study will enhance the implementation of the ECPGDS, given that the PGDS is the blue print for eliminating hunger and reducing unemployment in the Eastern Cape. This study is both an effort to enhance the implementation success of the ECPGDS, and to meet the MDG targets through improved risk management in Government departments.

Its findings will also raise awareness in the management of Government departments about high probability, high impact risks associated with the implementation of the ECPGDS and the consequent achievement of the PDGS goals. This research will

further contribute towards a better understanding of an integrated risk management system and improvement in management practices by Eastern Cape Provincial Administration managers.

1.7 SOURCES OF INFORMATION

Information shall be sourced using literature reviews and document analysis. Research in literature would be conducted using library books and internet-search, plus online databases, namely, Emerald, Ebscohost, Science Direct, Management Sciences, EEI and Google Scholar. Public management databases would also be consulted.

Based on the argument that, integrated strategic risk management is new in the Public Service of South Africa (Siswana, 2007); literature on international best practices on integrated strategic risk management would be sourced from countries with evidence of best practices in risk management. These are countries like United Kingdom, Canada, Australia and New Zealand.

For this reason best practice literature on risk management will show inclusion of those countries because South Africa risk management framework is modeled after them.

1.7.1 The Electronic Search Strategy

Electronic search of journals would be used for English language publications and articles. Databases of specific journals on strategy and management such as Harvard Business Review and McKinsey quarterly would be consulted. Years of literature that shall be considered in this survey would be between 1938 and 2011.

1.7.2 Concepts Used for Literature Search

The following concepts shall be used in search strategy: strategy implementation and implementation models, implementation success, implementation and risk, risk management, and risk management models, and risk management frameworks. International Standards Organisation (ISO) standards would be strictly used on issues of governance.

1.7.3 Government Websites

Access to Government material: Where online access is restricted, permission shall be sort from librarians for access to Government materials. The Government websites of the following countries; United Kingdom, United States of America, Australia, New Zealand and South Africa would be consulted and used extensively.

1.7.4 Document Sourcing Strategy

For analysis of integrated strategic risk management of the ECPGDS strategy, the following documents shall be used; the ECPGDS strategy, the PGD planning documents and the strategic plans of Eastern Cape Provincial Departments. These documents will be sourced from the Monitoring and Evaluation Unit in the Office of the Premier, which is the custodian of all the plans in the Province, and has a mandate from the constitution of South Africa to oversee the Province. Documents and analysis of strategic plans are discussed under the methodology section.

1.8 METHODOLOGY OF THE STUDY

Robison (1993) claims that exploratory studies are valuable means of finding out what is happening, to seek new insights and to assess the phenomena in a new light. An exploratory approach would be used in this study, so that an in-depth analysis of

the statement of the problem can lead to the development of new insights and achievement of the study objectives. This study is an exploratory study in its overall approach as it focuses on the implementation assessment for the application of integrated risk management in the implementation of ECPGDS.

Emory and Cooper (1991) suggest three ways of conducting an exploratory study namely:

- (a) Search of literature
- (b) Talking to experts
- (c) Conducting focus group interviews.
- (d) The three suggested methods shall be applied in this study.

The study, being implementation evaluation research, is an applied research aimed at assessing whether interventions have been well conceptualised and properly implemented. Mouton (2001) recommends that mixed strategies of both qualitative and quantitative research approaches are useful in the implementation of assessment and evaluation studies. Qualitative and quantitative research methodologies will be used in this study to provide an understanding of the research problem, numerical information and new ideas on the subject.

As recommended by Burn and Grove (2003) and Saunders *et al.* (1997), the use of qualitative approach in this study is justified by the following reasons:

- (a) The use of qualitative research methodology is of great value for this study, because some of the variables generated lend themselves to qualitative research methodology, such variables include awareness, and experiences of management support of risk management;

- (b) The exploration of the experiences of strategic planning practitioners on risk management is subjective and somewhat difficult to measure quantitatively.
- (c) The richness of some of the useful information may not be adequately captured, if only the quantitative research methodology would be adopted.

The quantitative approach of research methodology should be utilized in the area of risk ranking and scoring, as well as in data analysis for risk factors. Probability of occurrence of risks, impact probability and impact dimensions would be assigned numeral values ranging between 1 and 5; using the Likert scale measurement.

To support the quantitative analysis, statistical and data analysis graphs, tables and charts would be used. Triangulation should be utilized to ensure validity and eliminate bias. Semi structured specialist interviews with risk managers at the National level should be undertaken (i.e., those who serve on the national Government risk forum) to pilot-test' or refine the risk register prior to the fieldwork exercise.

Burns and Grove (2003) assert that purposive sampling is the best sampling technique to obtain an in-depth understanding of a complex experience or event. It is one of the commonly used sampling methods in qualitative research. In this study purposive sampling shall be used to enable sampling of experts in the field of risk management and strategic implementation.

The politicians who have responsibility at the strategic policy level in Eastern Cape Provincial Administration should be included in this sample. They include Ministers and the Auditor-Director, the tactical level planners, those are involved in provincial planning programmes and those who are functioning at operational levels of management, shall also be sampled in this study. The research instruments that would be used in this study shall include a questionnaire and a semi structured

interview schedule. The questionnaire and the semi-structured interviews shall be administered for each of the selected specialist participants. The interviews shall provide for an in-depth analysis of the research problem. Field workers shall not be used to assist in collection.

The researcher shall collect data throughout the study. The analysis of documents shall also be used to ascertain key issues that shall be identified and addressed in the primary data collection. This approach will enable triangulation in the study.

1.9 GEOGRAPHIC LOCATION OF THE STUDY

The study shall be carried out in the provincial departments that are located in Bisho, the Eastern Cape Province, and South Africa. See Figure 1. The Province forms the southeastern part of South Africa.

This Province was formed out of the then "independent" homelands of Transkei and Ciskei, as well as the eastern portion of the then Cape Province, prior to 1994 elections. See Figure 2 (map of the Eastern Cape showing the then homelands, in an era prior to the democratization of the republic of South Africa.). According to Statistics South Africa (2001), the Eastern Cape Province covers an area of just over 169,000km², with a total population of 6,279,666, which is the largest population in the country. It is divided into the following: One Metropolitan, Five District Municipalities Thirty eight Local Municipalities within the five District Municipalities).

The African National Congress (ANC) politically rules the Province. According to the 2001 Census, out of the total population of the Eastern Cape, 2,9 million people were males and 3,3 million were females.

According to the Eastern Cape Socio Economic Consultation Council (ECSECC, 2007), Eastern Cape is one of South Africa's poorest Provinces". In which 86% of the population is African/Black, 7% are Coloured, 0, 3% are Indian/Asian and 5% are white. Among people aged 20 years and above, more than 20% have had no schooling at all, whilst 21% have had some primary education (ECSECC, 2007).

Figure 1.1 Relative map of the location the study area



Source: <http://gis.ecprov.gov.za/> accessed on 21/11/10

Figure 1.2 Former Homelands



Source: <http://gis.ecprov.gov.za/> accessed on 21/11/10

1.10 SCOPE AND LIMITATION OF THE RESEARCH

Smit *et al* 's (2007) analysis the purpose of management in the public sector and the private sector as follows: in the public sector management practices has emphasis on improving service delivery as well as effective and efficient use of resources, whilst in the private sector management has the objective of improving net profits. Given this background, it is considered important to clarify from the onset, that risk management is analysed and presented from a perspective of strategy implementation and management for improved service delivery in public sector and not for business profit making.

It is acknowledged also as a limitation of the study that, risk management as a scientific tool has been borrowed from economics to strategic management and is now being extended and applied in public management. According to Das and Teng (2001) the weakness of borrowing measurement of risk from economics is acknowledged in management sciences. The reason why the issue of using borrowed tools from economics is acknowledged as a limitation is that, some of the risk measures used in economics may not be totally sufficient in measuring risks for public management purposes, given that not everything can be measured in quantifiable terms in management as confirmed by Das and Teng (2001).

The researcher shall have to give up valuable family time for this study. Insufficient financial resources for data collection may constrain the engagement of research assistants; hence the researcher may have to undertake all the research activities.

1.11 STRUCTURE OF THE THESIS

The thesis is arranged in seven chapters as follows:

Chapter 1: Offers the orientation to the study under the following sub headings: background of the study, statement of the research problem, core research questions of the study, assumptions of the study, aim of the study, objectives of the study, rationale of the study, significance of the study, sources of information for the study, methodology of the study, geographical location of the study, scope and limitation of the study, conclusion of Chapter 1 and the structure of the thesis and definition of terms.

- Chapter 2:** Presents a legislative framework for risk management in the South African Public Service and best practices based on international frameworks and guidelines for risk management.
- Chapter 3:** Presents the conceptual framework upon which the study was based, under the headings: Systems thinking, systems approach, soft systems analysis and advantages as well as disadvantages of systems thinking.
- Chapter 4:** Presents the main constructs of the study, namely strategy implementation and risk management. Chapter 4 is divided into two parts, with risk management discussed as Part 1, strategy implementation as Part 2.
- Chapter 5:** Presents the research design and methodology implementation of the study. This chapter explains the mixed study approach that is used in the study; data collection methods, data analysis approach, ethical consideration the research tools, fieldwork procedures, data management and analysis strategies in addition to problems encountered.
- Chapter 6:** Presents the results of the survey, the data analysis and the findings of the study.
- Chapter 7:** Presents the summary of the study findings, gives the conclusion of the study, provides the recommendations and proposes a conceptual model for the ECPGDS integrated risk management strategy. The proposed model conceptual model is to be implemented by the Eastern Cape Provincial Administration.

1.12 CONCLUSION

Chapter 1 offers an orientation to the study entitled, Strategy Implementation: A critical assessment of 'integrated risk management application' in the implementation of ECPGDS. This chapter also set the contextual background that underscored the importance of the study. Alongside the aim and objectives of the study, the problem under investigation is stated. Furthermore, the significance of the study is presented in brief. Finally, the chapter presents the outline of the thesis. The next chapter presents the conceptual framework for the study.

1.13 DEFINITION OF TERMS

The list below consists of terms and terminologies that are widely used in the study:

Application: In the context of the study is “practical application” which means the “act of bringing something to bear; using it for a particular purpose” (Princeton University WorldNet, 2010).

Development: It has many different and sometimes contentious definitions. A basic perspective equates with economic growth. The United Nations Development Program (UNDP) definition says development is “to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living”.

Implementation: Implementation is also called execution. There is still some confusion regarding the beginning of implementation, when it ends, and how many types of implementation there are (Van Meter and Van Horn, 1974). “Researchers do not agree on

the outlines of a theory of implementation nor the variables crucial to implementation success". Policy implementation encompasses those actions by public or private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions (Brynard, 2005).

Probability: This is the likelihood of a specific event or outcome, measured by the ratio of specific events or outcomes to the total number of possible events or outcomes. Probability is expressed as a number between 0 and 1, with 0 indicating an impossible event or outcome and 1 indicating that an event outcome is certain (Knight, 1999).

Province: A geographical area that has some governance secondary to the governance of a central state or country (Wikipedia).

Provincial Growth and Development Strategy (PGDS): This is a concept used to describe the long term blue print of growth and development in the Provinces of South Africa. It purports to provide a plan and a platform for - integration and coordination in addressing issues of poverty, unemployment and underdevelopment in the Provinces (PGDS document).

Risk: “Exposure to the chance of loss or injury, hazard or dangerous chance” according to Verzuh (2008), by definition the key word is systematic which means the more disciplined the approach, the more risks are controlled and reduced. Holt (2005) defines risk as a product of the likelihood, or probability, of the risk occurring and the effect of the hazard. In trying to clarify the concept of risk, Holt (2005) refers to the use of mathematical calculations as follows: risk = probability x severity. In defining risk, the terms “hazard” and “risk” are often confused, yet there are subtle differences between them and it is possible for many hazards to lead to the same risk. Hazard is anything that occurs that can lead to a risk (Holt, 2005). Risk is also regarded as “the chance of something happening that will have an impact upon achievement of objectives. Risk is measured in terms of consequences and likelihood” (Knight, 1999).

Risk Identification: Is the process of determining what can happen, why and how (Knight 1999).

Risk Management: Risk Management and Management of Risk (MoR) concepts are used interchangeably in most literature and denote the culture, process and structures that influence the effective management of potential opportunities and adverse effects (Knight, 1999). The Office of Government Commerce (OGC) (2010) describe risk management as a key element of good governance and a step in programme planning and implementation management to ensure benefits of the programme. According to OGC to OGC risk management takes place at the levels namely strategic, programme and project.

Risk Management Process: It is the systematic application of management policies, procedures- and practices to the task of establishing the

context of identifying, analyzing, evaluation, treating, monitoring and communicating risk (Knight, 1999).

Risk Transfer: It is the shifting of the responsibility or burden for loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting physical risk or part thereof elsewhere (Knight, 1999).

Risk Treatment: Means the selection and implementation of appropriate options for dealing with risk (Knight, 1999).

Strategy: "the art of the general" (from Greek *stratigos*) is a word that originates from the "military" background, which refers to "a plan of action designed to achieve a particular goal" (Wikipedia, 2010). The concept of strategy derives from the "military" context. A popular definition of a strategy comes from Johnson *et al.* (2005), who describe strategy as the direction and scope of an organisation over a long term, which achieves advantage for the organisation through its configuration of resources within a changing environment to fulfill stakeholder expectation. The Chief Executive Officer (CEO) of Bespoke Solutions, Gurowitz (2008) wrote that numerous studies have noted a very weak relationship between strategy formulation and strategy execution. According to Gurowitz (2008) "less than 10% of strategies effectively formulated are effectively executed".

Strategy Implementation: Sometimes called strategy execution is found in different definitions depending on the perspective from which the researcher is looking (Yang, 2010). It is a phase in the

strategic management cycle (Smit *et al.* 2001), which entails putting into action that which has been planned. For example, the behavioral perspective defines strategy implementation as a series of interventions concerning organisational structures, key personnel actions, and control systems designed to control performance with respect to desired ends (Hrebiniak and Joyce, 1984 cited in Noble, 1999). Strategy implementation designates the managerial interventions that align organisational action with strategic intention (Floyd and Wooldridge, 1992 cited in Noble, 1999). Whilst the process perspective defines strategy implementation as an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment (Harrington, 2006).

**“Whole of -
Government
Programme”:**

This is a new concept used for functional integration programmes that are implemented jointly by all spheres of Government and their departments, agencies, non-governmental organisations, communities and private sector. It is perceived as faster way of delivering services to the people.

CHAPTER 2

THE SOUTH AFRICAN PUBLIC SERVICE

2.1 INTRODUCTION

This chapter describes the Public Service of the republic of South Africa and the principle governing the Public Service as a basis for risk management.

In doing so, the chapter gives a description of the constitution as a foundation of the principles, governance and management as stipulated in the White Paper for Service Delivery in South Africa (Republic of South Africa, 1997).

The Government system of the Republic of South Africa (RSA) is premised on the constitution, the principal acts of accountability, the legislated institutions for providing oversight and governance structures. These instruments are meant for regulation of the public sector risk management. Literature in this section is drawn largely from Government regulations, the theories of management as a science, and organisational theories.

In the RSA there are three spheres of Government namely; the national, the provincial and the local Government (DPSA, 2003). The Government of Republic of South Africa has adopted a systems approach in dealing with the spheres of government. The national sphere is linked and interconnected with the provincial and local Government spheres.

Given the background, different pieces of legislation apply to different spheres of government. Planning frameworks are the same but the time sequencing in the elements of the planning frameworks differ in three spheres of government.

Consequently, the pieces of legislation that are different in this sphere are attended to and discussed briefly for purposes of clarity. For instance the Public Finance Management Act (PFMA) is applicable to the national and provincial sphere while the Municipal Finance Management Act (MFMA) is applicable to municipalities, yet both of them are basis of the risk management in their relevant spheres. Siswana (2007) stated that risk management as a specialized management function is new in the Republic of South Africa's Public Service.

Legislation has always been acknowledged as existing and setting the boundaries for professional practice (Niekerk *et al.* 2001). However, legislation alone has not managed to lead public sector organisations to setting and implementing best practices in their delivery of services. This chapter bridges this gap by linking legislation in the RSA to international best practices from other countries and compares these to the South African risk management framework for enhanced service delivery and best practice in public management.

2.2 LEGISLATION IN GOVERNMENT

Legislation and policy in Government are the instruments that form the spine of the legislative framework in South Africa (DPSA, 2003). According to Van Niekerk *et al.* (2001) legislation provides statutory guidelines, which must be followed in order to realize the set objectives. Legislative powers are conferred on subordinate institutions. These powers include administrative and legislative institutions.

In the Republic of South Africa's system of Government, authority to make laws is vested in the respective legislatures, namely; the Parliament, the Provincial Legislatures and Municipal Councils. These laws are called by-laws in case of municipalities. Legislation prescribes the way in which the objectives that have to be realised are achieved and grants institutions and individuals' authority, by means of delegation, to carry out a policy (Van Niekerk *et al.* 2001:88). The legislation precedes policy making and resultant framework give effect to the policy.

The policy process outlines the approach and the purpose of addressing a particular concern of the state. In addition, laws resulting from policies are borne out of a need of the community or Government to regulate the conduct of persons either within public institutions or outside or both.

A brief overview of the policy making process is required before discussing policies that are applicable to the Republic South African Public Service which contribute to strategic and risk management framework for management discipline.

2.3 POLICY-MAKING PROCESS

The policy process in this study is discussed as it is practically applicable in the South African government. The initiation of a policy results from an identified need, requests by an interest group such as a Non-Governmental Organisation (NGO) or may be informed by research work done in that particular area, of which results may indicate review on how the service should be delivered. An authority may also promote new policies.

Involvement of stakeholders is considered important and often involves members of sector departments, other statutory bodies and the public. During the policy hearing and consultation, the Provinces also obtain inputs from grass roots level. The policy process in the conceptual stage is characterised by a series of consultations and deliberations by the stakeholders on the basis of a broad framework including the public hearing etc. Through this process the concept gains momentum in the relevant legislature. This leads to the setting up of a task team within the responsible department to develop a draft proposal.

At this stage a Green Paper will be developed, which is sometimes, followed by the White Paper. The White Paper provides details and options in the policy framework.

The minister in the department delegates the team that works on the policy. The Policy is then submitted to the Clusters and then the Cabinet for endorsement. The relevant Parliamentary Committee may make amendments or further proposals and then send the policy document back to the minister for further discussions and final decision. Where the policy has to be converted into legislation or an Act, as it sometimes necessary, a draft bill may be drafted. Sometimes the draft Bill is proposing something totally new or is an amendment of an existing Bill.

The Bill has to follow the process of approval through Parliament or provincial Legislature. It may propose either an entirely new Act, or an amendment to an existing Act. It can also simply repeal or cancel an existing act. A Bill has to be processed in a legislature, either through Parliamentary or the provincial Legislature. The authority and responsibility to implement the Act is conferred on relevant departments.

2.4 POLICY IMPLEMENTATION

Once cabinet has endorsed the policy, the public policy implementation is the responsibility of management in Government departments. It is meant to ensure that public policies are implemented and services are delivered to meet the needs of South African citizens (du Toit *et al.* 2001). Service delivery and policy implementation are mandated and legislated in government. Management of risk in Governments undertaken to ensure that the objectives set in policies are met.

Brynard (2005) equates policy implementation and service delivery when he argues that they are both critical in Government for achieving objectives set by government. Implementation and service delivery remain a challenge in Government (PSC, 2007). The presidency, National Treasury and Public Service Commission (PSC) are working in collaboration to increase the degree of success in policy implementation and management.

To this effect, a new programme for management and review of performance on policy implementation has been introduced by the presidency in 2011. A specific tool called Management Assessment Tool (MAT) has been deployed to Government departments in October 2011, with a view for departments to undertake a compulsory self-assessment on policy implementation, risk management and governance. All these are current regulations aimed at improving policy and programme implementation as well the modernization of the Public Service in the Republic of South Africa.

2.5 PUBLIC POLICY AS FORMAL LEGISLATION IN SOUTH AFRICA

According to Wissink (1990), public policy is the formal output of the legislative process, which the representatives of the electorate must have debated, and sanctioned, following its formulation and representation by the government. The Parliament has a responsibility to monitor the programmes and policies legislated so as to ensure implementation of the constitution of the Republic of South Africa. In turn Government departments have a responsibility to account to the Parliament on implementation and delivering services, according to principles of the Republic of South Africa's constitution. Section 3.6 below discusses the Constitution as a legislated framework for managers in South Africa Government departments.

2.6 THE CONSTITUTION OF SOUTH AFRICA AND PUBLIC SERVICE

The Constitution has laid principles for individuals, institutions and Government in South Africa including legislated frameworks and rules for management in Public Service. The Constitution of the Republic of South Africa reigns supreme on all the legislative bodies in the national and provincial spheres of government. The Legislatures, the Parliament, the Judiciary and the Executive in the Republic of South Africa are bound by the constitution (DPSA, 2003).

The Parliament therefore obtains authority from the constitution and makes laws for the country. The constitution establishes a platform for the Parliament to ensure that activities carried out within government, by institutions or individuals are executed with respect to the authority of the Parliament or the other legislative bodies of government.

The Constitution of the Republic of South Africa also establishes “the principle that binds together every political office-bearer and every public official” (Du Toit and van de Walt, 1981:95). In addition there are nine constitutional values and principles for public administration, which are enshrined in chapter 10 of the constitution as fundamental imperatives for the Public Service (Republic of South Africa, 1996).

Public Service regulatory bodies consistently provide oversight mechanisms to Government departments ensure adherence to the constitution. Government departments are accounting entities to these principles and values enshrine in the constitution. In addition, an oversight mechanism has been established in terms of Section 10 (3) of the Constitution of the Republic of South Africa.

Section 2.7 below is an overview of principles of the Constitution the Republic of South Africa. Public administration and management must ensure that Government departments uphold these principles. The risk, planning, monitoring and evaluation frameworks in South Africa consider these principles set out in the Constitution. These shall be seen in the discussion that follows.

2.7 THE PRINCIPLES OF THE CONSTITUTION IN RELATION TO MANAGEMENT OF RISK IN THE SOUTH AFRICAN PUBLIC SERVICE

As stated in the thesis earlier on, according to Siswana (2007), integrated strategic management of risk is fairly new and is limited in the South- African Public Service. As a result, it has been narrowly based on financial risks. Siswana further cautions

that without an integrated approach to departmental activities on risk management, the Government could be exposed to various forms of risks. It is considered important to discuss the principles upon which management of risk in RSA Public Service is based. These are as follows:

2.7.1 Professional Ethics Principle

This principle of the constitution relates to the capacity to promote and maintain a high standard of ethics as central to sustaining a credible Public Service and safeguarding both its integrity and its efficacy. It is required that all public servants must abide by these principles. The risk framework for South Africa establishes and safeguards this principle. Consequently, the first risk management framework developed for South African Public Service is biased towards anti-corruption, as a result of the need to safeguard this principle (PSC, 2002).

According to the Public Service Commission (PSC, 2007), the Public Service has demonstrated the capacity to promote and implement ethical frameworks and has improved its cooperation with the private sector and the civil society in this area.

However, according to the same PSC (2007) report, corruption remains a challenge and its management thereof, and this is why it has been a central focus of risk management in many Government departments. In addition, the Financial Disclosures Framework of Government is a structured mechanism to ensure adherence to principle one of the constitution and thereby ensure prevention of the abuse of public power and resources.

2.7.2 Efficient, economic and effective use of resources principle

According to Hellriegel (2004) effectiveness and efficiency are considered important in the management of an organization, whether private or public. Risk Management Framework of South Africa is in line with the principle of effectiveness and efficiency in organisations as it stipulates that each public sector organisation or institution must manage risk effectively, economically, and efficiently (National Treasury, 2010:22).

In addition, the introduction of the PFMA of 1999 was intended precisely to improve efficiency in financial management. Managers in the RSA Government are required to implement this Act in their management of public resources. The internal risk control is one of the audit area the Auditor-General is to ensure the adherence of Government departments. It is reportedly, a high-risk area. The reports of the Auditor-General persistently indicate non-compliance by departments. There are unauthorized and irregular expenditure, and failure to manage assets properly remains a challenge and according to PSC, (2006a) these challenges are recurring in government.

To address the economic and efficient use of Government resources and transparency principles; Government has introduced the Government Wide - Monitoring and Evaluation (GWME) framework.

The GWME framework is an institutional framework that has been established to ensure adherence and compliance to effectiveness in Government as an element of the 2nd principle of the Constitution, discussed in this Section. In addition, since the year 2009, the RSA Government has introduced outcomes-based management, which is aligned with the GWME system. In this outcomes-based management approach, the Presidency has identified priorities for the Medium Term Expenditure Framework (MTEF) for joint implementation by Government departments in line with the Planning Framework of the RSA Government.

The President of the Republic declares these priorities to the nation on the January 8th Statement, of every year, and also on the State of the Nation Addresses (SONA). These priorities then form part of the President's Programme of Action (POA), which then becomes public knowledge and is the scorecard for measuring performance at the Presidency. The priorities that are in SONA are derived from the manifesto of the ruling party (currently the ANC). These priorities are further shared among different ministries, and form the key performance areas for the Ministers.

Ministers and Members of the Executive Councils (MEC's) sign performance agreements with Director-Generals (DG) and Heads of Department (HOD) respectively. They sign delivery agreements to ensure achievement of objectives. The process is devolved to lower levels in Government departments and forms the basis of the GWME.

This outcomes-based system of management becomes the context for risk management in government. Risks that must be managed are all the risks that have a high probability of occurring and can lead to non-achievement of departmental objectives.

Whilst there is a drive in Government to improve performance, PSC (2006b) reports that across most departments, the capacity for improving performance in Government departments still needs to be developed further. This is one of the high-risk areas and is established to ensure operational efficiency in Government and management of risks that influence achievement of objectives in government.

2.7.3 Public administration development-oriented principle

The principle stipulates that Public Service is the primary delivery vehicle of the state and must ensure that it is hyper vigilant to the developmental needs of South African citizens. The principle further stipulates that Public Service of South Africa needs to significantly drive a service delivery approach that is responsive and decisive to close the gap that divides the first and the second economies. A non-developmental oriented Public Service poses a risk to a developing state (PSC, 2007); therefore the PSC monitors the adherence Government departments to this principle.

In line with this principle, the RSA treasury guidelines for planning enforce inclusion of risks in the planning of developmental initiatives by Government departments.

An audit undertaken by PSC, which assesses projects aimed at addressing poverty, shows that there is a great need for integration of risk management into the work of the Departments and across Departments in order to optimize their impacts (PSC, 2006a). Programmes such as the Accelerated and Shared Growth Initiative of the Republic of South Africa (ASGISA) and ECPGDS are developed based on this principle of the Constitution of the Republic of South Africa.

2.7.4 Fair, equitable and without bias, Service Delivery Principle

According to this constitution principle, services must be provided impartially, fairly, equitable and without bias. This principle implies that South African citizen have a right to service delivery access on an equal scale and there should be fairness in all cases of service delivery. In support of this principle, the Public Service Report for 2005, labelled, “Just Service Delivery,” states that a fundamental departure from the injustice of the apartheid dispensation by our democracy is the constitutional requirement for “just service delivery” (PSC, 2006b).

The Republic of South Africa has furthermore, developed regulatory frameworks to inculcate the ethos for “just service delivery” in the Public Service so as to fulfil this principle. The *Batho Pele* principles provide the framework.

Brynard (2005) observes that service delivery and implementation continue to be a challenge for the RSA Government.

Furthermore, according to Public Service review, the capacity for implementation of *Batho Pele* principles is far from developed (PSC, 2006b). This is another framework that exists in the public domain but lacks implementation according to a PSC Report (2006a). The arguments above indicate the need for enhanced management of risks that undermine the implementation of the impartial, fair, equitable and without bias service delivery.

2.7.5 Public participation in policy making principle

The principle of public participation in policy making stipulates that: people’s needs must be responded to and the public must be encouraged to participate in policy making. This principle is about people’s needs, which must be responded to, by public policy. The public must be encouraged to participate in policy making. In the Constitution of Republic of South Africa, human rights are entrenched in the Bill of Rights.

This principle makes it the Government imperative to meet the socio-economic needs of the people. In taking serious steps to address this principle, the State puts in place the Planning Commission of South Africa. It is mandated to do proper assessment of the socio-economic needs of ordinary South Africans and to ensure plans that will lead to improved and sustainable socio-economic improvement.

Fundamental to the first part of the fifth principle is the capacity in the Public Service to be proactive and responsive to public needs, and the ability to continuously

engage with the public in accurately determining and responding to those needs. The indicator for this principle is client satisfaction in relation to service delivery. The PSC (2006) report shows satisfaction levels as ranging between 62% and 81%. However the wave of service delivery protests that is sweeping across the country suggests otherwise. In a study conducted by the Institute of Race Relations, the service delivery protests and the xenophobia attacks of between 2008 and 2011 in South Africa are indications of dissatisfaction of citizens with service delivery.

2.7.6 Public Administration and accountability

The principle states that public administration must be accountable. The Risk Management Framework of the South African Government seeks to ensure accountability in governance. A wide range of mechanisms has been put in place to enhance accountability, which requires implementation capacity. Furthermore, consistent compliance by HoDs and DGs with the requirements for performance evaluation is essential in enabling Cabinet and the Presidency to have an accurate sense of the capacity of our top leadership to lead the Public Service. Whilst the legal framework exists, Public Service Commission reported minimal compliance of Government departments to this legislative framework.

2.7.7 Information transparency principle

The principle states that providing the public with timely, accessible and accurate information must foster transparency and information transparency. This principle is vital for fostering accountability, public participation and most critically empowering the public to exercise its rights. Legislations and regulations are already in place to ensure reporting and accounting by Government departments. Quarterly reports and annual reports seek to address the principle of transparency. To this effect the Presidency has designed a system for the public to see the performance of

Departments. The Auditor General also publishes the status of Government performance in line with the seventh principle.

2.7.8 Human resource management and career development practices

The principle for Public Service stipulates that: Good human resource management and career development practices must be cultivated to maximize human potentials. Given this principle Pike (2001) argues that people risks in the organisations can hamper delay or block implementations if not attended to effectively. The significance, of the capacity to maximise human potential through sound human resource management, and career development practices for enhancing service delivery, cannot be over-stressed. This is particularly so in a situation where the Public Service confronts the challenge to consolidate its transformation., as it is required to rise up to the critical challenge of effective service delivery.

Various human resource recruitment and retention frameworks have been designed to ensure implementation of this principle. Risk management framework has the element of human resource risks, so as to ensure that human resource risks are identified and managed effectively.

2.7.9 Representativeness of Public Administration

This principle seeks to ensure that public administration is the voice of the people of South Africa. Since this is a high-risk area the Constitution has mandated various institutions in South Africa to monitor adherence to this principle. The Public Service Commission monitors the adherence of Government departments to the principles enshrined in the Constitution of the Republic of South Africa, as per their mandates. There are, also other public watchdogs to ensure that the Public Service delivery is in line with the principles of Constitution and the laws promulgate by the Parliament.

These are the Auditor-General, the Parliamentary groups and the Public Protector. They are discussed in the Section here under. There are reports that more work needs to be done for designated groups on induction, training, and mentorship and performance management in order to enhance their capacity to add value to the PSC. In addition to these principles and values, there are other legal instruments that regulate the Public Service and define the parameters for service delivery in South Africa. The following Sections discuss these legal instruments viz. a White Paper on Transformation.

2.8 WHITE PAPER ON TRANSFORMATION

The Minister for the Public Service and Administration introduced a White Paper on Transforming Service Delivery in South Africa in 1999. The purpose of the White Paper is to serve as guidance to all departments, and ensure that the principles of courtesy, access, information, redress, service standards, openness and transparency and value for money are adhered in delivery of services in Government (Republic of South Africa, 1997a).

In creating an enabling environment and giving effect to the constitution of the RSA, the risk management framework stipulates that the institution's environment is the foundation of risk management, providing the underpinning culture, discipline, and structure that influence how strategy and objectives are established, how Government activities are planned and how risks are identified, assessed and acted upon (National Treasury, 2010).

The public has the right to demand quality in services rendered by the Government and raise questions about standards if the standards drop. The public also has the legitimate right to receive economic, effective and efficient services (Republic of South Africa, 1997a). Government has since developed the compliancy-monitoring framework to monitor implementation of the White Paper on Transformation (Republic of South Africa).

2.8.1 Local Government White Paper

In South Africa, Public Service delivery occurs within the spheres of national, provincial and local Government departments Du Toit *et al.* (2001) note that Local Government is at the heart of service delivery in South Africa. A Local Government Authority (LGA) is an agency best able to have a direct impact on the lives of citizens. In the White Paper, local Government is positioned as a sphere of Government within its own right”.

The White Paper stipulates that the power of the Local Government (LG) is derived from Section 4 and 5 in part B of the constitution, and further delineates the functions of the Local Government. The LG has autonomy in promulgation of certain laws, planning and key competency areas that include “Child care facilities, public transport, and building regulations” (White Paper, Section on Local Government).

The South African Local Government Association (SALGA) is mandated according to Section 2.5 of the constitution to ensure transformation in Local Government. The planning framework of the Republic of South Africa demonstrates inter linkages between national, provincial and local spheres (Planning Framework, SA). Based on the White Paper on Local Government framework, implementation of policies is done in local areas of jurisdiction of LGA.

Municipalities need to have their own risk management strategies aligned to the Province wide risk management strategy (National Treasury, 2010). There is, however, evidence that the aspects of planning, implementation, coordination and control in the three spheres of Government still experience challenges and these aspects do not happen in a neat fashion as described in the legal instruments (du Toit *et al.* 2001). The same applies to risk management between the three spheres of government.

To assist managers to be proactive in identifying and managing risks, in addition to the constitution and the White Paper Government has put in place other regulatory instruments, oversight mechanisms and guidelines that are discussed below. These are PFMA, MPMS, Public Audit Act, Performance Management Development System (PMDS), Treasury guidelines on planning, Auditor General and the PSC.

2.8.2 Public Finance Management Act and Municipal Finance Management Act and Management of Risk

The National Treasury Risk Management Framework gives functions of Treasury, amongst other things as monitoring and implementing of risk management in compliance with PFMA and MFMA (SA Treasury, 2010). Through this framework the Auditor General also monitors internal controls relating to PFMA and MFMA.

The PFMA, 1999 (No. 1 of 1999), MFMA, 2003 (Act no 32 of 2003) and the Public Audit Act, 2004 (Act no. 25 of 2004) are all formulated within a particular framework of the Constitution and with a purpose to achieve the objectives, of the Constitution which include prudent financial management, accountability, transparency, as well as effective and efficient use of Government resources.

The PFMA assists managers in accountability. It provides them with protection and delegation in the use and management of public funds - see PFMA attached as addendum 1. At the municipal level, the MFMA has the same objectives as PFMA but applicable to the municipalities. In addition, where planning is centralized, the Treasury issues planning guidelines. This specifies the context of planning, reporting and management of implementation as well as the evaluation of effectiveness of the implemented plan (Republic of South Africa, 2004).

According to United Kingdom NAO (2004) there is growing recognition that risk management can improve service and contribute to wider Public Service reforms. The involvement of Cabinet and key stakeholders is viewed as playing an important role in making risk management a culture in Government departments. The RSA Government has also adopted this view and as a result the risk management strategy for the RSA is designed to ensure adherence to the principles of the Constitution, seeks to give meaning and contribute to improvement of services, according to Risk Management Strategy for South Africa (Republic of South Africa, 2010).

2.8.3 Integrated Planning Framework of the South African government

The Risk Management Framework (RMF) of South Africa stipulates planning, objectives setting, and design of structures. It supports strategy and establishes the culture that enhances performance. These attributes are central to risk management. The sequel gives an overview of the Planning Framework of South Africa.

This framework includes a detailed outline of the planning cycle with the roles of different agencies in the planning process. The overall purpose of the planning framework in South Africa is to align Government's planning cycles with procedures, and to ensure that policy and planning inform budgetary processes.

The RSA Government uses the Medium Term Strategic Framework (MTEF) as focused set of medium - term strategic priorities that are shared and are to be implemented by all spheres of Government. The priorities captured in the MTEF inform planning, budgeting and implementation of public policy in the country as a whole.

The RSA Government sets its key policy priorities based on the mandate it receives from the electorate. These need to be translated into policies and programs, which are implemented by various agencies. Departments and Provinces develop their

programs based on the policy priorities of the Cabinet. As set out in the Planning Framework of Government, the Government priority programmes must be synthesized with the IDPs developed in March by local government.

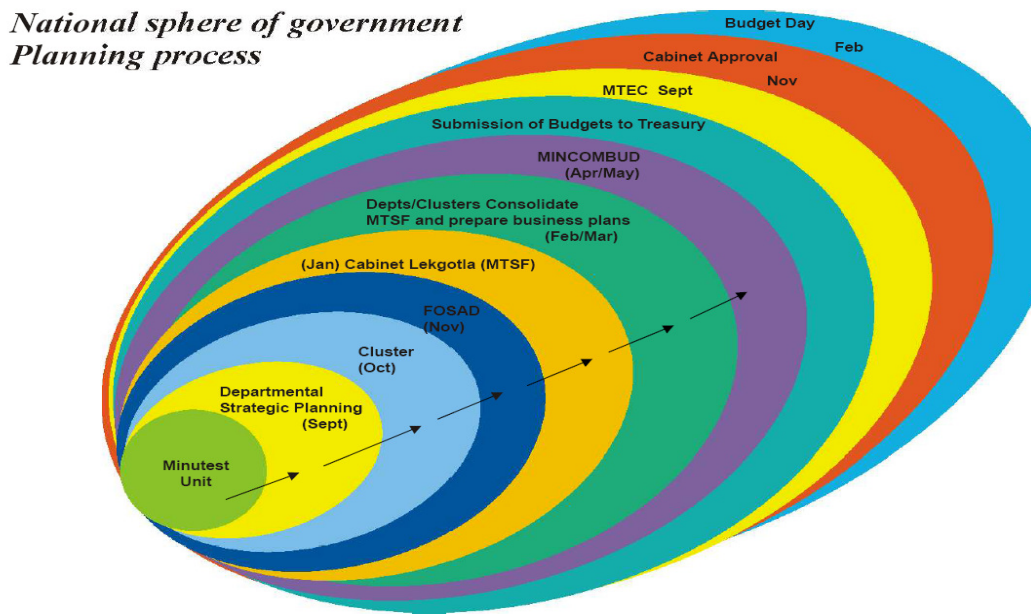
According to the Planning Framework, the medium term is based on three years and the planning cycle commences every year in September/October when departments and Provinces are expected to develop their cluster relevant priorities and submit them to the Presidency.

The planning cycle is an annual event. National departments and Provinces then commence their planning and review exercise in July right through to October (South Africa, 2003). This planning is informed by the electorate mandate, the State of the Nation Address of the President, the key policy direction set by the Makgotla (the strategic meeting between the President, Ministers and Premiers from the Provinces of the Republic of South Africa) and cluster plans.

According to the Planning Framework of South Africa, Government departments must scan risk and perform risk assessment annually (SA Treasury, 2002). It is a requirement that the priorities set should make a transparent link with the five priority areas of government. It should be informed by, and interrogate the strategic priorities issued by the Cabinet for the preceding year (January and July Makgotla). It should also be located at the strategic level, and explicitly it should indicate where coordination with other agencies will occur.

Planning timelines are synchronized between National, Provincial and Local spheres of government. This is necessary to allow communication of national priorities to all spheres of Government before they start preparing their plans. Figure 3.1 shows the synchronization in planning and interrelatedness in the three spheres of governments. Partnerships, collaborations and joint implementation characterize the plans of South Africa.

Figure 2.1: Planning between spheres of Government



Source: DPSA, 2004: Machinery of Government.

2.9 ACCOUNTABILITY FRAMEWORK IN REPUBLIC OF SOUTH AFRICA

Accountability as an element of good governance is considered crucial for both service delivery and protection of the objectives of the Constitution in the Republic of South African Public Service. The elements of the risk management strategy for South Africa are drawn from accountability policies and procedures that Government departments must implement such as the Public Finance Management Act, and the Treasury guidelines on planning and reporting.

In addition to the Risk Management Framework and Policy for the Republic of South Africa, the Constitution has given mandate to specific institution to ensure compliance to the policies and guideline for good governance in South Africa. It is the responsibility of management in public sector to ensure compliance and cooperating

with the institutions mandated by the constitution to ensure good governance and management of risk in the Republic of South Africa. These are discussed in the subsequent Section.

2.9.1 Auditor-General

The Auditor-General is mandated by the Constitution and was established “in terms of Section 181 (1) e, of the Constitution of the Republic of South Africa (Rep. South Africa, 1996). AG mandate is that of a supreme audit institution that exists to strengthen South Africa’s democracy “by enabling oversight, accountability and governance in the public sector”.

As an oversight structure in the Government of South Africa, the Auditor General audits all public sector Departments, including state agencies to establish controls, accountability and governance for effective service delivery.

The Auditor-General has the responsibility of supervising the management of risks that influence Government programmes. In going about the implementation of the responsibility, the Auditor-General has a programme of audit for each department annually.

It is critical that risk management takes cognizance of this reality. ERM seeks to address the challenge, but it is not clear in the institutional mechanisms or frameworks for Government departments in South Africa and from the Auditor-General how the whole of Government programmes are addressed.

In addition to the Auditor-General other oversight structures, mandated by the Constitution are the Public Service Commission and the Public Protector. The Public Protector exists by a mandate of Section 181 of the Constitution it has powers to

conduct an investigation into and evaluation of any state of affairs and administration in any sphere of Government that is suspected of impropriety or prejudice.

2.9.2 Public Service Commission

The Public Service Commission (PSC) was established by a mandate from the Constitution. It is an independent and impartial body that enhances excellence in Government by promoting ethical environment and adding value to public administration. The Public Service Commission develops the Integrated Risk Management Framework (IRMF) for South Africa and has a responsibility of monitoring the implementation of integrated risk management in the Public Service.

The Public Service Commission exists to promote the constitutionally enshrined democratic principles and values in the Public Service by investigating monitoring, communicating and reporting for instance, a Government department may propose a policy on a particular matter, for example on disaster management or public finances. The process regarding this particular policy is that it should originate from the Parliament and undergoes a systematic process of scrutiny and analysis by Parliament and the relevant Portfolio Committee, including the public through public hearings. The outcome of such a process is formal legally entrenched framework (PSC online).

2.9.3 Government System and Management of Risk in South Africa

The Risk Management Framework, Strategy and Guidelines in the Republic of South Africa define management and outline the responsibilities of public sector managers in dealing with risk. According to the Risk Management Framework a management is all officials in the Government departments or institutions (Republic of South Africa, 2010).

Management responsibilities include designing, implementing, and monitoring the effective functioning of the system and its internal control. The control for management must include management control that will ensure the institution's structure and systems support policies, plans and objectives and operate within laws and regulations (South Africa, 2010).

According to the Risk Management Framework for public sector in South Africa, administration controls should ensure that policies and objectives are implemented in an efficient and effective manner. The Accounting Officer must ensure full transparency. Resources should be accounted for, and effectively documented; using technological controls (South Africa, 2010).

Management does not occur in vacuum, it is contextual. In this case, the context is government, and management is done for a specific purpose; of achieving Government objectives. Clarifying the objectives of government, du Toit *et al.* (2001) note that, Government departments exist to fulfill the needs of citizens. The latter statement implies that service delivery must be driven and coordinated in Government departments. It is clear that according to the structures for regulating risk management in the Republic of South Africa, that Government system is the sponsor and public managers are custodians of risk management.

2.10 INTERNATIONAL BEST PRACTICES FOR MANAGEMENT OF RISK

ISO standard is defined on the act of doing everything in the organization in a particular way to make sure that the organisation achieves its objectives and to improve performance as a management system (ISO standard). Given this definition of ISO standard risk management is a management system.

Risk management in Government has been viewed as a critical responsibility of management, and according to UK NAO risk management contributes to improving Government's capability in general to handle risk and uncertainty (UK NAO, 2004), South Africa developed and launched the National Risk Management Framework in 2010. ISO 31000 standards have been adopted by South Africa as standards for management and risk management.

The Risk Management Framework for South Africa ensures that risks that can influence the achievement of the constitutional objectives are mitigated. Countries like New Zealand, Australia, United States of America, Canada and the United Kingdom have been viewed as having best practices and are being used for benchmarking in the development of the Risk Management Framework of South Africa (National Treasury, 2010).

South Africa is in line with other countries, according to the Risk Management Framework of the Republic of South Africa, given that other Government departments globally are moving towards the shift from Traditional Risk Management to the ERM. The ERM takes into cognizance strategic risks that are Government wide and are business unit or programme level risk management as required.

In addition, according to the committee on Sponsoring Organisations of the Treadway Commission, an integrated response to multiple risks is of importance because in its analysis, processes carry many inherent risks. Organisational risk management should enable integrated solutions for managing risks (COSO, 2004:3).

Therefore, organisations should also apply an integrated approach to treatment of risks. COSO further notes that ERM provides information related to performance management by providing risk-adjusted measure, with controls, which are an integral part of ERM to board members. These elements of ERM and COSO principles are

found in the Integrated Risk Management Framework for Public Service developed by the Public Service Commission of the Republic of South Africa (PSC, 2002).

Braham (2005) made a comparison of traditional risk assessment and ERM and this is presented in Table 2.1

Table 2.1: Traditional versus Enterprise Risk Management

Traditional Risk Management		Enterprise Wide Risk Management
(a)	Risk as individual hazard	Risk in the context of business strategy
(b)	Risk identification and assessment	Risk portfolio development
(c)	Focus on discrete risk	Focus on critical risk
(d)	Risk mitigation	Risk optimization
(e)	Risk limits	Risk strategy
(f)	Risk with no responsibility	Define risk responsibility
(g)	Risk not my responsibility	Risk is everyone's business

Source: Braham R, 2005. Enterprise Views of Risk Management,

The RSA Government has adopted a similar position to the one suggested by the United Kingdom strategy paper, on the stewardship role that the Government sector needs to play in risk mitigation and sponsorship where risks cannot be owned. The same applies to public sector managers on risks that are pertaining to provision of services to the citizens, business of government; strategies, programmes and projects (Barrett, 2005).

To illustrate this point further, regarding the position taken by the UK strategy on stewardship of Government on risk, South African Government departments are required by Treasury Planning Guidelines to state annually, the risks that are likely to impact on the objectives for that year.

This is done so that Treasury in their planning for the country can take cognizance of the likelihood of the risks on Government resources, as well as how departments

intend to deal with them. South Africa has set the parameters and a clear legal framework for risk management. Management is required to understand the risk management framework and apply it in the implementation of Government strategies so as to ensure effective risk management and achievement of Government objectives.

2.11 CONCLUSION

The main literature exposition of the chapter is on the legislative framework of strategic management and risk management in South Africa, which is grounded on the legislative framework of the Government system of the Republic of South Africa. The chapter argues that the Government system is premised on the Constitution, the Principal Acts of accountability, legislated institution for providing oversight and Government structures. These are PFMA, MFMA, Public Audit Act, Performance Management Development System (PMDS), Treasury guidelines on planning, Auditor General and the PSC; all of which exist to regulate the public sector risk management.

The supporting literature establishes the basis for risk management in South Africa and the legislation that regulates risk management in government. In so doing, the chapter gives a description of the Constitution as a basis, the principles or constituents that form the basis of the White paper for service delivery in South Africa.

The literature claims that risk management is new in South Africa Public Service; the chapter bridges this gap by enumerating the international best practices as a benchmark for South Africa risk management framework. The legislative framework of strategic management and risk management in Republic of South Africa is grounded on the legislative framework of the Government system of Republic of South Africa. The systems thinking allows for Government to be viewed as a system.

The next chapter discusses systems thinking as conceptual framework for analysing strategy implementation and risk management in the system of government.

CHAPTER 3

SYSTEMS THINKING - A CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

Noble (1999) declares that the roots of strategy implementation research are “eclectic”, meaning that, it is influenced by scientific knowledge from a variety of management theories. Therefore, this study adopts an eclectic approach, which encourages the practice of borrowing principles from different theories.

According to Brynard (2005), South African literature on implementation of strategies, has a gap due to the lack of development of research in this field. As a result, most of the analysis in strategy implementation research is conducted based on literature and experiences drawn from foreign contexts.

To this end, systems theory has been developed as a way of compensating for the gaps that have been identified in earlier approaches, and for the limitations that are inherent in the classical approaches. It is also acknowledged by Smit *et al.* (2007) that classical approaches to management ignored the relationship between the organisation and its external environment. This approach focuses on internal organisational aspects only whereas system theory bridges this gap.

In view of closing the existing gap, a conceptual framework is used for application in the South African Government departments’ context. This chapter builds a conceptual framework for analysing the main constructs of the study, namely risk management and strategy implementation. The chapter further identifies issues worth researching and discusses issues introduced in the background of the study.

The first part of this chapter provides a brief description of a system in the context of public management. As such the following aspects of systems thinking shall be covered, namely; soft systems, forms of systems, stages and paradigm of systems, effectiveness and efficiency of systems thinking, the main advantages and disadvantages of system thinking.

3.2 SYSTEMS AND SYSTEMS THINKING

Checkland and Schole's (1990) refers to a system as a set of elements connected together which form a whole i.e., showing properties of the whole, rather than that of its component parts. A system is a complex whole, the functioning of which depends on its interrelated components and the interactions between those parts (Jackson, 2003).

System thinking is characterized by its "holistic" approach to problem solving. It analyses problems from different perspectives and endorses multi-pronged approaches to problem solving, taking into consideration the context of the system (Jackson, 2003). Systems, thinking or holism comprises of the idea that all the properties of a given system cannot be determined or explained by its component parts alone. Instead, the system as a whole determines an important way in which the parts behave. It is particularly relevant in tackling ill-structured and 'messy' problems.

According to Checkland and Scholes (1990) "messes" are complex problems that are ill structured, whereby the owners of the problems are part of the group involved in trying to solve the problem.

Checkland et al view of 'messy' problems relates to the interconnectivity between elements of a system. According to them, one problem element has linkages with other parts of the system, and needs a no silo approach to solving it.

Ackoff (1974) claims that organizational and human resource (HR) issues can be described as 'messes' with a high degree of complexity, interdependency, inter-linkages and uncertainty, and they require a multiple stakeholders' involvement.

Since the awareness of ill-structured 'messes', the systems approach has become popular in describing and analyzing complex situations or 'messy' problems (Checkland and Scholes, 1990). According to the systems view, the organization is seen as a complex system, capable of both influencing and being influenced by its environment. An act of intervention is required to ensure sustainable harmony between the organization and its environment.

Jackson (2003) asserts that, the purpose of achieving the organisational objectives is the essence of managing the system. Jackson further identifies different types of systems namely: physical systems which include biological or the living organisms, designed systems such as automobiles, abstract systems such as philosophical, social systems such as families and human activity systems, such as systems to ensure the quality of products.

Jackson (2003) asserts that reductionism scientific method has been traditionally used to study these forms of systems, which necessitate the introduction of the creative holism approach as an alternative. "Holism" methodologies have been developed to deal with complex problems, that reductionist thinking could not solve. It considers the whole as more than just some of its parts, and has been found to be useful in analysis.

According to Smit *et al.* (2007) nature has hierarchies of interactions within a system and a system in turn has normal interactions with other elements or systems. When a system interacts with its environment, it is referred to as an open system. Typically, open systems interact with other systems that, together with them, form a higher-level system called a supra-system.

A system is considered an open system, if it is subject to the following three aspects (Smit *et al.* 2007:58):

- (a) If the system is dependent on the environment in which it operates;
- (b) If the environment is dependent on the system; and
- (c) If there is a specific interaction between the environment and the system

Jackson (2003) adds that sub-systems within systems are important aspects of the system, based on the argument that if one sub-system is not well managed, that may lead to the non-achievement of the goals of the entire system. Consequently, an analysis of a system leads to an analysis of parts, which interact, with each other for some purpose or reason (Siswana, 2007; Hodge and Anthony, 1979:49).

In systems thinking the 'closeness' or synergy between sub-systems could impact on a given organizational system. Additionally, Hrebiniak (2005) contends that theory of strategy and implementation is relevant in the context of systems thinking, given the argument that a system comprises of the interrelation and interconnection between sub-systems or components, and components interacting in a meaningful way, in order to reach a particular objective or aim.

Hrebiniak's (2005) argument therefore, is found to be applicable in the analysis of strategy implementation, risk management and the organizational system, in that if one subsystem in the organizational system is dysfunctional, it may influence other subsystem and ultimately the goal of successful strategy implementation and effective organizational system. Consequently, the application of systems thinking is considered particularly useful in the study. Strategy implementation and risk management are analysed within the context of public sector management as system, which are practiced by managers in Government departments, and are regulated by the system of government. Smit *et al* concur that Government departments are organisational systems.

3.3 ORGANISATIONS: A SYSTEM PERSPECTIVE

According to van der Merwe (2000) in Siswana (2007) contemporary management theories view an organization as a medium where processes are manipulated, so as to attain effectiveness to deal with both internal and external environments. Siswana (2007) adds that, it is important to take into consideration the pillars and processes that make up the organization, when analyzing the organization.

The systems approach to management identifies an organization as a system, with specific aspects of the organization as sub-systems. In concurring with this view, Senior and Fleming (2006) claim that strategy; management, structure, operational goals, and technology are formal sub-systems in an organization. According to this view, culture, politics and leadership are the informal sub-systems in an organization that provide an internal environment. In addition, technological, socio-cultural, political and economic factors provide the external environment to the organizational system.

Additionally, Ackoff and Jackson (1981) view an organization as a principal subject of study in the system of management sciences. Ackoff and Jackson further note that application of systems approach to an organizational system is concerned with total performance of the organization as a system. This implies that analysis to the components of an organization requires an understanding of the organization as a system. It further means that it would be difficult to bring about the required change in the organization, if the organization is studied in isolation of its environment.

Joyce and Woods (2001) emphasize that it is important that managers should continuously scan and be aware of the dynamic environment, in which their organizations operate; an organization has to be viewed against or within its context. Since the environment in which an organization operates can influence it.

White (1995) adds that, given the dynamic environments of organizations, programme managers need to be risk inclined in the implementation of programmes to ensure achievement of organisational objectives.

Organizations, as purposeful systems, are 'open systems' because they are influenced by, and get feedback from their economical, political, or technological environments. Risk management and strategy implementation take place within this. Conti (1999) argues that, a system from one perspective may be a sub-system or a supra-system from another perspective (Conti, 1999). In addition, Ackoff and McDonnell (1990), state, that the performance of the organization depends on its ability to adapt or respond to its external environment.

Conti's (1999) argument is correctly placed in the context of successful implementation of strategies, in that the successful strategy implementation happens when an organization is viewed as a system. This depends on other organisational sub system, such as proper planning, appropriate structural resources, effective strategic management of the organization's environment, and support resources for effective implementation.

Having discussed the meanings and characteristics of a system, it is clear that a typical Government department is an organizational system. Managers need to apply systems thinking in solving challenges encountered in strategy implementation within the system of government. Smit *et al* (2001) state that the, Government departments are dynamic organizations and they operate differently in different situations or environments. It is therefore, imperative that managers should analyse constantly. They should be able to identify the shape and form of the organizations they manage, so that they can make informed decisions in their management responsibilities. Failure to analyze an environment could also result in poor or non-attainment of the vision and mission of the Government departments.

3.4 GOVERNMENT DEPARTMENTS AS SYSTEMS

Systems thinking can help managers in Government departments understand better the organizations they manage. It can help managers appreciate that Government departments are systems made up of sub-systems interrelated to, and in constant communication with each other, supra-systems at a higher level, and externally to the environment. This implies that Government departments are in constant interaction with their elements, components or sub-systems within the organization.

Senior and Fleming (2006) state that, the internal and external environments influence an organization as a system and its ability to perform. In support of this view, according to Hrebiniak (2005) and Ackoff (1974), managers in an organization need to apply a comprehensive analysis of the organizational system and its environment in dealing with performance improvement, so that they can design appropriate solutions to the problems facing the organisation, using multifaceted approaches.

Siswana (2007) cautions that, poor analysis and non-application of the systems approach in management may result in poor co-ordination, operating in silos, without synergy and out of tune with the environment. This might lead to inability of managerial leadership to cope with the evolution of the public management system within the Public Service.

The following are examples of systems thinking application in the context of Government departments that are relevant in Public Management (Siswana, 2007):

- (a) *Economic system*: An independent set of roles organized to promote and guarantee the accumulation, reproduction and distribution of wealth within a nation state.
- (b) *Political system*: An interdependent set of roles organized to regulate conflict over the control of the state.

- (c) *Government system*: An interdependent set of roles organized to legally control the administrative organized organization and functioning of the state.
- (d) *Risk management system*: A technical and interdependent system of managing risks within a project or an organization (what could go wrong, determine what to do about them, and implement actions to deal with them). www.argospres.com/Resources/systems-engineering.

The examples above show that a critical point in the systems approach is in the interdependency and working together of components in order to achieve common goals. Political, economical and institutional environments are important to the results of Government service delivery programmes. They impact positively on organizations to perform efficiently and effectively.

Whilst some of the systems defined above are tangible, others are intangible and abstract for example risk management system. Abstract systems are discussed in section 2.4, (that follows this section).

Checkland (1972) claims that Soft Systems analysis in systems thinking can assist in problem definition of abstract system. This is considered important in the system of Government where most subsystems are intangible such as human resource management systems, financial management system, and many others. Section 2.5 below discusses the soft systems model within systems thinking. Since both the formal and informal sub-systems have a way of influencing each other as well as other elements of the organization, neglecting one of them may lead to one of the other sub-systems not functioning effectively. Clearly, Mintzberg and Waters', (1985) view concurs within the view of linkages in elements of the system and the need to be holistic in dealing with them.

3.5 SOFT SYSTEMS MODEL (SSM) AND SYSTEMS THINKING

An abstract system is one, all of whose elements are concepts. Languages, philosophic systems and number systems are examples (Jackson, 2003; Ackoff, 1971). Mintzberg and Waters (1985) claim that, both the formal sub-systems and informal sub-systems have a way of influencing each other in an organisational system.

The soft systems approach in systems thinking allows the view of abstract systems as systems and sub-systems (Checkland, 1972). This view helps to put into perspective the analysis of risk management, as a sub-system, that has relation with other sub-systems in the organization, such as budgeting subsystems, payroll subsystem, human resources subsystem to mention but a few. All these sub-systems are interrelated to achieve the goals of the organization as a system.

The system denotes the complex definition of organization, the people in the organization and the system of managing the organization. Mintzberg and Waters, (1985) assert that there can be no single perspective to a complex phenomenon. In concurring with Mintzberg and Waters, Morgan (1986) claim that people who learn to read from different theoretical points of view have an advantage than those who are committed to a fixed view, for they are able to view the limitations of a given perspective. They can see how problems can be framed and reframed in different ways, allowing new kinds of solutions to emerge.

The analysis and interpretation of a complex phenomenon viewed from different perspectives introduces a further need to consider 'soft issues' in systems thinking. This necessitates the need for further separation of soft and hard systems in problem analysis, a multi-faceted view of analysis as suggested by systems thinking.

According to Checkland (1985), rational intervention in human affairs must constitute a well-defined methodological framework for both action and research to make future interventions more effective. The SSM, which is a double systemic system, provides such a framework.

Checkland (1985) asserts that the SMM is a learning system within which systems models of human activities are used. Such models are not parts of the real world, but models of perception i.e., models relevant to the debate about 'reality' e.g. the English saying, one man's 'terrorism' is to another man's 'freedom fighting'.

This implies that the real world is informed by the researcher's interpretation of reality in a given situation or context. The view that the real world is informed by the researcher's conceived reality of the world implies the necessity of considering the soft systems approach in the analysis of the phenomena being studied, namely strategy implementation and application of risk management.

According to Mingers and Taylor (1992) the Soft System Model (SSM) has been found useful by managers in the areas of strategy implementation, change and risk management. Checkland (1985) confirms this view and notes that there is evidence that soft systems have been applied and found useful to study positive change (in desirable outcome).

Checkland, (1985) further notes that where positive changes are desired, there are beneficiaries or victims in the situation or context or problem to be changed. There are actors – and a framework is needed for defining the following: the view of a researcher, the actors, the environment, the beneficiaries, and the transformative process (as an element for analysis).

The concept "CATWOE" represents a framework is used to assist in the root definition of elements of the problem to be solved, as well as the intervention to bring

about the desired positive change. In this concept of problem analysis, a root definition is well-formulated if it covers the elements in the mnemonic “**CATWOE**” the elements of CATWOE are defined as follows:

- C** : **Customers:** Who are the system's victims or beneficiaries?
- A** : **Actors:** Who would do these activities?
- T** : **Transformation process:** What input is transformed into what output?
- W** : **Weltanschauung:** What is the world-view that makes this definition meaningful?
- O** : **Owners:** Who could abolish this system?
- E** : **Environmental constraints:** What does this system take as given?

Checkland attests to the claim the “CATWOE”, framework as a paradigm of analysis good in the critical analysis of the system, whilst it may be useful in arguing for the defense of a system. Donaldson (1999) adds that organisational studies have increased, with a corresponding increase in the number of frameworks and paradigms for analysis of an organizational system. These are particularly useful in analysing the elements of an organisation as a system, within the bigger systems. According to Edquist (2001), the paradigms for analysis are particularly good in improving innovations in organisations.

Edquist (2001) adds that there may be even a number of other abstract sub-systems within the organization that may not be important at that time of analysis because they are not described in the analysis of an organizational system at that particular time. This argument can be applied to strategy implementation and risk management within an organization. Firstly, strategy implementation and risk are abstract sub-systems comprise of a series of activities that must be carried out in a systematic fashion.

The activities carried out in strategy implementation and risk management are interconnected and interrelated and take place within the context of the organizational system. Interconnected in that, one has a link to another, or one must be done before the other. For example, strategy implementation entails clarity and definition of activities to be carried out, assigning people to carrying out the activities and ensuring linking of daily activities or operations (Kaplan and Norton, 2001). On the other hand, risk management constitutes, risk identification, followed by risk assessment, risk intervention (choice: treatment or avoidance) and implementation of the risk management plan, monitoring and control (ISO 31000, 2009).

In addition, there are tools, approaches and methods used in each element of strategy implementation and in risk management. Whilst these two informal sub-systems of the organizational system (risk management and strategy implementation) purposefully contribute to the achievement of the objectives of the organization, they are not the only sub-systems within the organizational systems. There are other abstract systems, which for the purpose of this study are not discussed.

The view discussed in the preceding paragraph lends strategy implementation and risk management to the classification of sub-systems. Given the characteristics it exhibits i.e., its elements are interrelated, they possess a dynamic nature that can change shape due to external influences and lastly, their ability to contribute to the survival of an organization. It is also evident that the understanding and analysis of sub-systems within organizations is important, and how these sub-systems interact to form a complete system.

As outlined earlier, the societal systems such as politics and/or economics are environmental constraints that can have an impact on an organization and public management in general. Based on this argument, change imposed by politics and economics in a country or department can lead to an environmental change and add

new dynamics to the organizational system. Lorenzi (2008) described change as anything that will influence the routine functioning, processes, systems and people in an organization and its components.

Conti's(1999) and Lorenzi 's (2008) argument is applicable in the context of public management and Government departments which function within political, social and economic systems, and have subcomponents such as legal and technical which can change at a given time thereby influencing change in other sub-systems within the department and the system of government.

Given the argument above, the implication is that managerial leadership and Government officials in general must understand the dynamic nature of the management environment, the influence of the environment on it and the impact that goes with the change in the context of government, so that managers can identify risks that are associated with the change in relation to the objectives that must be achieved by Government departments.

In addition, managers must understand organizations as holistic systems, so that in their analysis, planning and strategic management, they may use participatory and inter-active approaches and employ them for improved performance and service delivery. Managers must also understand that there are systems, which may not be tangible. Therefore soft systems are useful in analyzing problems in organizations. Having discussed systems analysis, it is evident that the systems approach or theory has implications for strategy implementation in Government generally. The implications are:

- (a) Interdependency: The parts that make up a system are interdependent. If a change occurs in one part or set of parts, it affects all other parts of the system.

- (b) “Wholism”: Changes in parts of the system and in the functioning of elements of the system should be considered from the standpoint of the system’s overall performance.
- (c) Synergy: This refers to interactive parts of the system working together. The key concept is that as each part of the system performs its role, it enhances the performance of other parts and hence the total performance of the system (Hodge and Anthony, 1979:49).

Application of systems theory implies synergy or interconnectedness, and Wholism. Risk management as a component of management within the organizational system is interconnected to the system of management and the organizational system. Therefore system of management and the organization system are the contexts in which management of risk is done.

Applied to the Government context, a reference could be made of the South African Government that adopted the integrated governance approach as can be seen in the planning framework of the government. Government priorities are outlined and Government policies and activities coordinated at different levels and spheres of Government (Brynard, 2005).

According to this integrated approach, the national The RSA Government sets policies, and outcomes that are identified and advocated to different ministers for implementation by Government departments at national, provincial and local levels, with the monitoring of outcomes is done at Government Clusters and in Cabinet and Parliament (Brynard 2005).

Systems approach is viewed as crucial for the entire system to be effective in order to contribute to building an effective Government system (Department of Public Service and Administration, 2003:34). Given that choice of integration approach by the RSA Government, it is important that managers in Government apply the systems approach in order to improve performance and service delivery.

This will in turn affect or positively impact on other sub-systems within a Government system organization. This is crucial that the system of Government is imperative given the variety of systems that are at play and influence each other in a dynamic way. Soft systems further identify crucial pillars of the organisation system, namely culture (Barney, 1986), capabilities (*Lawless et al., 1989*; Stalk, Evans, and Shulman, 1992), administrative skills (Powell, 1992), learning (Senge, 1990; Garvin, 1993), process improvement (Stalk and Hout, 1990) and organisational climate (Hanson and Wernerfelt, 1989), and strategic management (Smit *et al.* 2007). These all have to work together for the organisation system to perform effectively and efficiently.

Senge, (1990) affirms that, the ability to learn in organizations, the reputation and process improvement demonstrate that organizations are capable of growth, and can change stages and shape at different times. These are characteristics of organisms. Research shows that organizations can be viewed as organisms using paradigms and metaphors (Jackson, 2003).

3.6 PARADIGMS, METAPHOR AND STAGES OF SYSTEMS

The use of sociological paradigms of organization in systems thinking has assisted managers to understand how to improve operations, and services in organizations. According to Jackson (2003), the use of social paradigms in analysis of organizations enables them to manage and be able to contend with social systems that influence the organization as systems

Burrell and Morgan (1979) claim that managers have to take cognizance of social systems in the management and leadership of organizations, hence the birth of the sociological view of organizational theory. Based on this view the functionalist, interpretative, emancipatory and postmodern paradigms found their way into management literature and are still applied in organizational analysis research (Jackson, 2003).

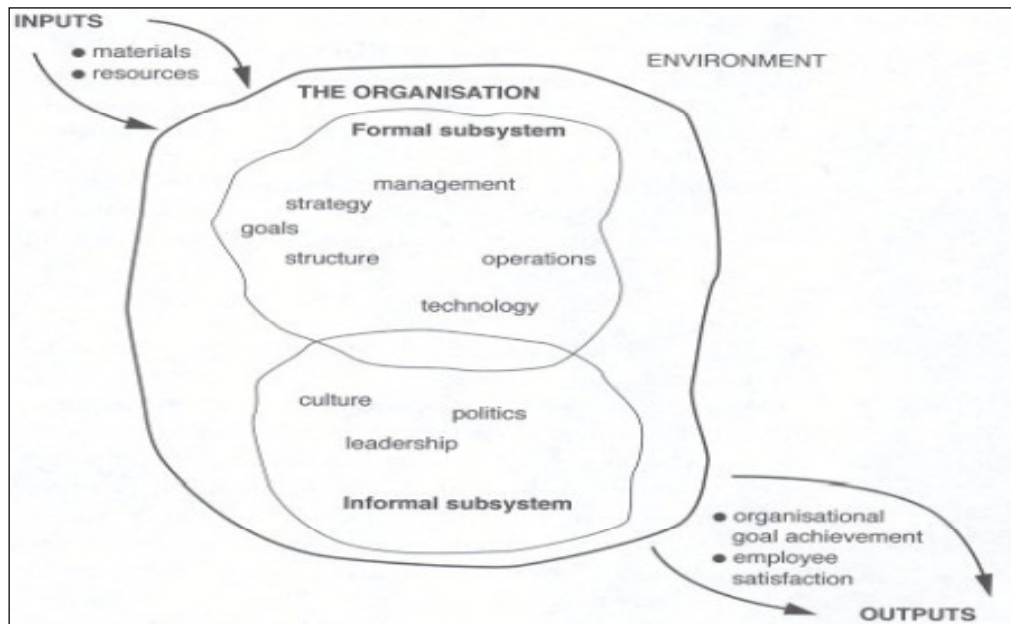
Burrell and Morgan's (1979) view of social paradigms and metaphors in systems theory encourages vigorous analysis of different situations and ensures a rigorous approach to problem solving. Paradigms and metaphors view an organization as an organism with brain, flux and transformational properties. When applied to the public management system, the organism metaphor and the functional paradigm describe the state and the purpose of the public sector organization, namely the Government departments.

Furthermore, Burrell and Morgan's (1979) view about paradigms and metaphors when applied in public management system can be useful in identifying different stages in organizations and facilitate appropriate diagnosis. To offer solutions that can contribute to increase in the degree of achievement of objectives.

As stated earlier in this thesis, a system has different states, and it is important to understand such states. The Functional Paradigm of the organization clearly shows the purposefulness of organizations as system, and considers the environment of the organization as having a meaningful contribution to the achievement of objectives in the organization.

Jackson (2003) states that, according to this functionalist view the organization has to adopt or change the environment so as to attain an environmental fit, which is conducive to the attainment of organizational objectives. The changes in shape or adapting to the environment make the organization to exhibit the characteristics of the organism. Senior and Fleming (2006) concur with the view of the organization as having internal environment, a closed system and are open to and influenced by its external environment. A pictorial view of the organization as a system is shown in Figure 3.1 and Figure 3.2 below.

Figure 3.1 Organization as a system



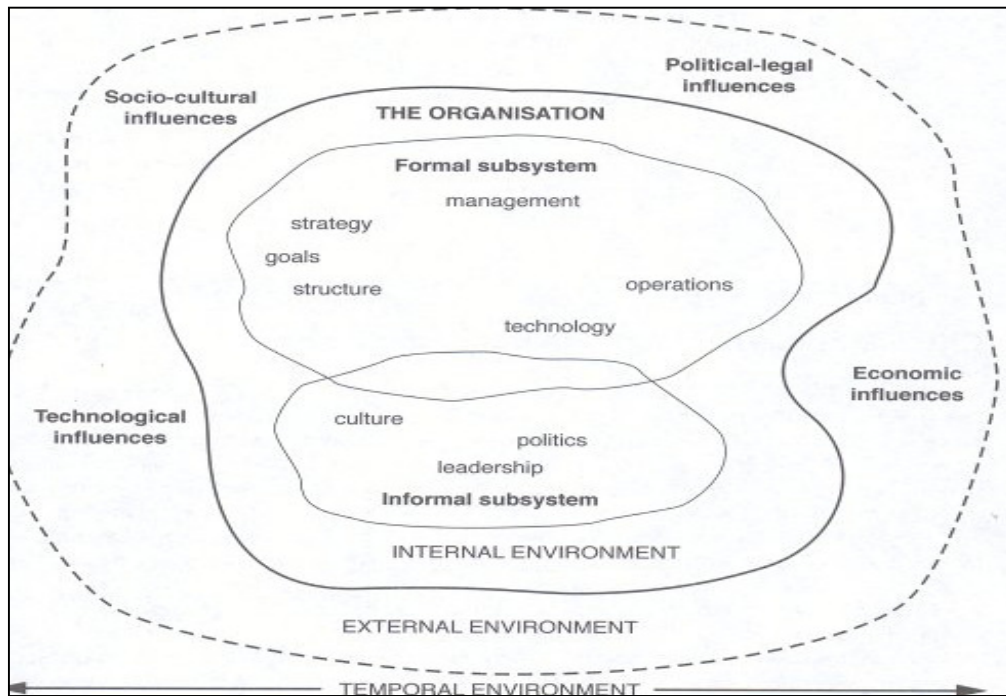
(Source:

Source: Senior and Fleming (2006)

The functionalist view of an organization as an organism and implies that an organization as a system is not in a static mode, and management should be aware at all times of the state of the organization is in. Capra (1982) identifies system as species that can change state from time to time, due to the internal and external environment. In concurring with the view of the organization as organisms or species, Senior and Fleming (2006) show the organization and its multidimensional environment to which it must adapt or alter the variables of its environment in Figure 4 below

When applied to public management, the view of the organization as an organism and Capra's analysis of the system can be linked to the public sector organization, especially Government departments that are influenced by political change and policy decisions and change shape from time to time.

Figure 3.2: Organization in multidimensional environments



Source: Senior and Fleming (2006)

The South African Public Service is an example; where the country is in continuous changes with Government implementing new policies and strategies aimed at improving Public Service. From organization as a system, to strategy implementation as a sub-system, the argument of the systems thinking, that says, a system that serves can only be conceptualized after the conceptualization of the system that is being served.

Checkland's (1981), analysis of the two phenomena, shows that strategy implementation and risk management are to be preceded by the analysis of the organization as a system and its environment. Given that the organization is itself the environmental context for strategy implementation and risk management, the effectiveness and efficiency of the organization as an environment for strategy implementation is crucial for the success of strategy implementation.

As recommended by Joyce and Woods (2001), viewing the organization as a system and managing sub-systems within the organization adds to the efficiency and effectiveness of the organizational system.

3.7 EFFECTIVENESS AND EFFICIENCY OF SYSTEMS THINKING

It is important to understand the effectiveness and efficiency of a system. For a system to survive, it depends on the efficiency and effectiveness of a sub-system(s). This view of the system implies that organizational ineffectiveness and inefficiency could affect other sub-units within the organization, which could in turn affect the outputs of the organization (Siswana, 2007).

When a part or sub-system of the system efficiently aids the system in its overall operation, it is termed functional. In contrast to this view, when a part or sub-system hinders the overall operation of the system it is termed dysfunctional, since it enables judgments to be made about the efficiency and effectiveness of sub-systems (Hodge and Anthony, 1979: in Siswana, 2007). In this context, the ability of a system and sub-systems to function efficiently becomes vital from the organizational perspective, because the functionality of both the system and its sub-systems are essential.

3.8 MAIN ADVANTAGES AND DISADVANTAGES OF SYSTEM THINKING

The systems approach contributes to management science by allowing different approaches to be employed, which is backed by scientific knowledge. Systems theory considers multiple views on analysis and allows “totalist” intervention approaches, and embraces other approaches. It allows for wider use and application. It does not adopt the silo approach, which is considered insufficient. Siswana (2007) notes that in the application of systems thinking it is important to highlight that which is ‘working’ and ‘not working’ and Siswana proceeds to highlight the following advantages and disadvantages of systems thinking:

3.8.1 ADVANTAGES

- (a) The “wholism” of the systems approach enables one to consider an organization in its entirety.
- (b) The elements of the organization are clearly defined. Changes in one element can be traced through the system to determine their effect on the system’s performance and output.
- (c) Organizational interface and its environment are explicitly considered.

3.8.2 DISADVANTAGES

According to Hodge and Anthony, (1979) in Siswana, (2007) the most common disadvantage of systems approach is the misunderstanding and misapplication of the approach and therefore Siswana cautions that the users of the approach need to know the pitfalls that exist in its application and how they might be avoided

The above assertions about the advantages and disadvantages of the systems theory undoubtedly confirm the organizational environment collaboration between a system and its sub-systems, and the application of the systems theory within an organization are relevant to strategy implementation and risk management in public administration.

Pertaining to the disadvantage, it is important that management of today should understand and be technically equipped to apply systems theory, for the benefit of their organizations and its people. This is necessary in the organization in order to handle complex and dynamic situations which managers in Public Administration find themselves in. The ability to handle these complex situations shall result in improved performance and organizational excellence.

3.9 CONCLUSION

Chapter three discusses systems thinking as a conceptual framework for analysis of risk management, and strategy implementation.

In foregoing chapter the systems thinking shows how government can be viewed as a system and how government departments as subsystems can also be viewed as a system when the analysis of the environmental system is undertaken. The chapter underscores the importance of using a comprehensive approach in undertaking the analysis of the environment in which Government departments function. This understanding will equip the Public Service managers which totalist solution to the problems faced by Public service managers in management. This approach will enhance strategy implementation and service delivery which remain a challenge for today's management. The next chapter discusses strategy implementation and management of risk.

CHAPTER 4

MANAGEMENT RISK OF IN STRATEGY IMPLEMENTATION

4.1.1 INTRODUCTION

The first two chapters provided the context for the discussion of the main constructs of the study namely, management of risk or risk management and strategy implementation. This chapter discusses the main themes areas of the study. It is divided into two Parts: Part 1 is on management of risk management and Part 2 is about strategy implementation, and ends with the discussion of the ECPGDS strategy implementation. The concepts discussed in part 1 and 2 are not mutually exclusive but the separation of the parts is intended to organise chunks and subsets of concepts relating to each concept for easy understanding.

It is acknowledged that risk assessment is the step in the strategy formulation and choice, as suggested by Smit *et al.* (2007) , and an element of programme planning , as well as the best practice of management (OGC, 2010). Furthermore, risk Management cannot be limited only to the strategy choice phase, but is also applicable throughout the entire strategy cycle and even more in the strategy implementation phase as various risks emerge during the implementation. Management must be both skilled and equipped to deal with effectively with risks that can impact in the results of strategy implementation.

The approach followed in the analysis and discussion of risk management follows from the perspective of exploring risk management as a transformative sub-system applied to enhance strategy implementation. The basis for this approach is the Soft System Analysis Model (SSM) chosen for analysis of the research problem and discussed earlier in chapter three of this thesis.

The Soft Systems Model approach allows viewing of risk management as a serving system, identified by Conti (1999).

Conti (1999) recommends that a serving system must always be considered before analysing the system being served. Therefore the discussion of risk management in this chapter shall precedes the discussion of the system it serves namely strategy implementation. This recommendation leads the researcher to analyse risk management as a serving system.

4.2. RISK AND MANAGEMENT

According to HM Treasury (2004), risk has to be assessed in respect to the combination of the likelihood of something happening, and the impact, which arises if it does actually happen; Risk management includes identifying and assessing risk (the “inherent risks”) and then responding to them

“Risk” has many definitions; an on-line dictionary defines risk as “the possibility of suffering harm or loss; danger” (Webster’s online dictionary), while Risk is also defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The ISO standard ISO 31000 (ISO, 2009) defines risk as “effect of uncertainty on objectives”. Knight (1921) made a distinction between risk and uncertainty.

Management of risk is a management function yet management alone is complex and cannot be viewed in a simplistic way. Various models that seek to describe this process tend to differ in their terms of defining the management function.

Smith *et al.* (2007) view management as a social process, which involves judgment, decision-making, guidance, integration and motivation. Scholars such as Hellriegel, Jackson and Slocum (1999) view management as acts, tasks or activities that involve “planning, organising leading, and controlling organization”. Barret (2005), Joyce and

Woods, (2001), Yang *et al.* (2010), concur that risk management is a management responsibility.

It is also argued that a manager within an institution employs managerial skills to direct the institutional goals within an organization. This is done through the functions of management, interacting with all domains within the organization (Hellriegel, 2004; Joyce and Woods, 2001). Research on risk management has shown that where risk management is a culture of an organization and enjoys the support of management, service delivery improves (NAO, 2004). Risk management involves both the science and the practice of managing risks.

4.3 RISK MANAGEMENT: AN OVERVIEW AND ANALYSIS

Gustafson (2000) noted that there is no unified method for risk management or one way that suits all but rather the approaches vary. The approach is based on the fields of study and the characteristics of the risks that need to be managed. Risks are typically addressed through a specific risk management framework.

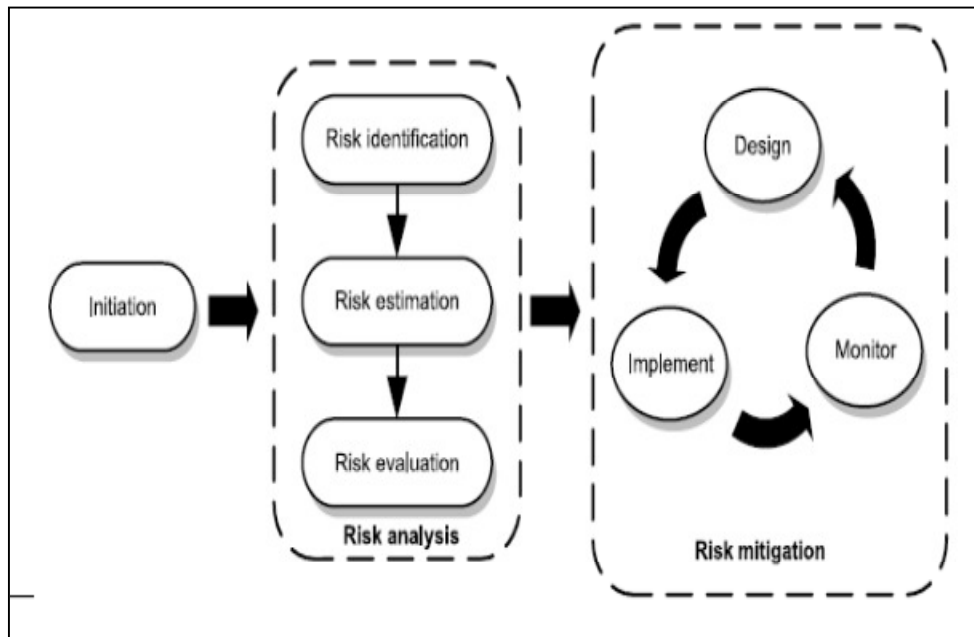
There seems to be a general consensus, however that, in management of risk it is critical to understand the context and the source of risk, prioritization of risk and ensuring proper assessment (Hillson, 2010 and Fone and Young, 2005). Any of the latter aspects of risk management mentioned above when done incorrectly may have negative consequences on the organization.

Additionally, there is a variety of views and descriptions of processes that are involved in risk management, the way it should be conducted and what it is aimed at (Institute of Risk Management, 2002).

The Project Management Institute 2000, (127- 146) identifies the number of steps, which are undertaken iteratively throughout the project life cycle:

- (a) **Risk management planning:** Defines the scope and objectives of the risk process, describe the techniques and tools to be used, state the thresholds of acceptable risk to various stakeholders, detailing roles and responsibilities.
- (b) **Risk identification:** Expose and record all foreseeable risks, which could affect objectives, together with information on their cause(s) and possible effect(s).
- (c) **Risk assessment/analysis:** Estimate the probability of occurrence and severity of impact for each identified risk and prioritising risks for further attention. Group risks into categories to identify hotspots of risk exposure or common causes, and analysing the combined effects of risks on objectives using statistical models.
- (d) **Risk response development:** Consider how to respond to each individual risk and to the overall risk exposure. Selecting a strategy, which is appropriate, achievable and affordable, allocating each response to an owner.
- (e) **Risk monitoring:** Ensure that agreed actions would be implemented effectively, monitor the effects on risk exposure, and communicate risk information to stakeholders with appropriate detail and frequency.
- (f) **Risk review:** updating the risk process to assess the status of existing risks, determine d the effectiveness of agreed responses, identify new risks, and review the overall risk process. Figure 4.2 summarises this process.

Figure 4.1: Risk management as a process.



(Source: Gustafson, 2000).

According to Haimes (1999), risk management is a system of management , whereby an entity or organization methodologically asses, quantify, rank, design and implement a management strategy in dealing with risks associated with the achievement of objectives, with the aim of achieving sustained benefit within each activity aligned to the pronounced objectives.

Haimes (1998) further asserts that risk management is an abstract system in which the main constructs or sub-elements are namely (I) the risk causes; (ii) the risk consequences; (iii) the risk drivers; and (IV) mitigation theories. In addition, National Treasury (2004) adds that, the purpose of managing risk is to change uncertainty into benefits to the organization by constraining threats and taking advantages of the benefits. Therefore risk management should not be a linear process but rather a balancing of a number of interwoven elements. These elements interact with each other and have to be in balance with each other.

According to Haimes (1998) and the National Treasury, risk management is a system that forms a part, and contributes to the objectives of a bigger system. As such specific risks cannot be addressed in isolation and the management of risk in more than one risk area will be more beneficial to the system as a whole.

As a system, risk management allows for meaningful interaction and a systematic approach to carrying out risk management activities. The process of risk management is often broken down into the following stages

- 1) Risk identification
- 2) Risk estimation
- 3) Risk evaluation
- 4) Risk treatment and
- 5) Risk control

Other researchers have described the process of risk management, as a step in systematic and logical measurement. Management of risks provides the decision maker with sound information, consists of clear activities and crucial for effective management and governance.

It is noted that other practitioners of risk management prefer to separate risk assessment from and make it a standalone process, while others incorporates it to risk management (Haimes, 1998).

Holt (2005) argues that risk treatment often involves the following steps:

- (a) **Elimination:** A project with a high risk may be substituted with option 2.
- (b) **Replacement:** A risk may be addressed by replacing it in some way. Through the use of different technologies; for example, if there is a risk

involved in using a specific design notation, due to possible obsolescence or limited expertise available, then replacing the technique with one that is readily acceptable and accessible is required.

- (c) **Control:** In many cases, risks may not be able to be eliminated nor reduced by replacement, in which case it is necessary to minimize risk by introducing controls. These controls may vary enormously depending on the type of risk.
- (d) **Transfer:** Transferring the risk onto a third party is considered by many as the easiest way to address risk. (Holt 2005). Holt further argues that these strategies can be used for any risk.

4.3.1 Taking the Opportunity

HM Treasury (2004) believes that taking the opportunity should not be seen as an alternative to the risk management strategies discussed, but should rather be addressed as an option to be considered when tolerating or treating risk. However, there are two sides to this school of thought. The first is whether an opportunity arises at the same time as mitigation of threats to exploit a positive impact. The second is whether circumstances arise, whilst not generating threats that offer positive opportunities.

4.3.2 Risk Management and the Organizational system

Risk is the uncertainty that surrounds future events and outcomes (Treasury Board of Canada, 2001). It is the expression of the likelihood and impact of an event with the potential to influence an organisation's achievement of objectives". Risk is double-sided covering both upside and downside, the flip side of risk is opportunity (Hillson, 2010; ISO 2009).

According to the OGC (2010) risk as an uncertainty event or set of events that should it occur, will have an effect on objectives of the organization. Risk, is related to the probability that an event in the future, either good or bad, will occur. We often focus on the negative aspect of risk, but it is important to note that risk encompasses both positive and negative events.

Wenk (2005) described risk as a characteristic of our world that is present, when certainty is absent. Wenk further observes that, whilst it is impossible to predict the future with absolute certainty, science provides a set of guiding principles to rank the serious issues and facilitate sound management decisions, lead us to the equation of risk management as uncertainty + loss + control.

Ene and Dobrea's (2006) view is that risk management is a planned and systematic approach to identification, evaluation and economic control of risk. Additionally, Wenk (2005) claims that limited resources in management warrants that decision makers should make prudent allocation, and quantification of risks, which gives the -manager a clearer picture of the exposures likely to be experienced. This assists the manager to make an informed decision. This claim is applicable to both private and public sectors.

Referring to the Public Service, specifically the Government departments, Nombembe (2011), the Auditor-General of South Africa commented on the outcomes of 2009/2010 audits and said that managers need to be assisted to ask relevant questions that will assist them in their view of risks, which hamper the influence attainment of planned objectives.

The Auditor-General of South Africa (AGSA) in the June 2010 meeting with the Minister and the Executive Managers in the Department of Rural Development and Land Reform (South Africa) stated that risk management must be viewed as a management responsibility and an act of good governance for service delivery improvement, and not just for compliance. Barrett (2005) concurs that managers

must be trained not only to identify risks pertaining to their environment, but also to manage risk regularly. Barret further asserts that managers should train their staff on risk management so that they too can be risk smart.

Barrett (2005) substantiates that risk management has been acknowledged, even by the reforms of the public sector that are in action globally as a key management discipline. Since risk management is a management responsibility, management needs to be always aware and alert to risks in their organization and environment.

Risks that have been identified to be common in most organizations have been identified for the purpose of standardisation, as well as for learning and sharing best practices. Atkinson and Webb (2005) identify the main risks for any organization as follows:

- (a) **Strategic:** Risk at this level covers major strategic alternatives including misinformation on the organizations operational environment and failure to take appropriate decision in relation to it.
- (b) **Environmental:** Risk of this category deals with market factor, competitive advantage factor and macro environmental factors.
- (c) **Operational:** This category relates to the manufacturing, delivery and compliance risks.

The risk management categorization by Atkinson and Webb (2005) is applicable to the public sector. Whilst risk management is still at infancy stage in the public sector governance, framework and sound management and good practice guidelines, demand that managers in public sector be competent in dealing with and managing risk for strategy, programme and business operations (Siswana, 2007).

In addition, the public sector transformation initiatives globally, are shaping the environment and developing managers towards a more efficient Public Service, that provides quality service to citizens in a more directed, timely and cost effective manner. Increasingly, the oversight structures globally require institutions, including the public sector to provide evidence of assessment, treatment, and constant communication and monitoring of risk (NAO, 2004).

Risks unidentified by managers continue to manifest in service delivery levels, resulting in unintended consequences overtaking the intended objectives. Explaining the phenomenon above, Ngqwala (2009) noted senior managers continue being less sensitive to risks that will cause them not to achieve their objectives (Ngqwala, 2009).

In addition to Ngqwala, (2009), Fone and Young (2005) assert that risk field of Government is much broader because managers have to manage internal and also have global awareness of risks that can impact on the ability of Government departments to achieve their goals and objectives.

In this regard, the Audit Commission (1999) in Siswana (2007) gives account of different forms of risks management levels, separating between strategic and operational risks in order to illustrate the possible hazards that could face an organization. These are as follows:

- (a) **Political:** Those risks that is associated with a failure to deliver either local or central Government policy, or meet the local or people's administration's manifesto commitments.
- (b) **Economic:** Those risks affecting the ability of the council, the central Government or a department to meet it financial commitments. These include *internal* budgetary pressures, the failure to purchase adequate insurance cover, external micro level economic changes such as

inflation control, interest rates and exchange rates or the consequences or proposed investment decisions.

- (c) **Social:** Those risks that are relating to effects of changes in demographic, residential or socio-economic trends on the council (local government) or the central government's ability to deliver its objectives.
- (d) **Technological:** Those risks associated with capacity of the local or the central Government to deal with pace/scale of technological change, or its ability to use *technology* to meet changing demands. They may also include the consequences of internal technological failures or the government's inability to deliver.
- (e) **Legislative:** Those risks associated with current or potential changes in national, provincial or local law. Non-compliance is also prominent as a legislative risk.
- (f) **Environmental:** Those risks relating to environmental consequences of progressing the government's strategic objectives, in terms of energy efficiency, pollution, recycling and land landfill requirements.
- (g) **Customers/citizens:** Those risks associated with failure to meet the current and changing needs in addition to expectations of customers and citizens' operational risks.
- (h) **Professional:** Those risks associated with particular nature of each profession, for example housing service concerns with the welfare of citizens.
- (i) **Financial:** Those risks associated with financial planning and control, for example under spending and overspending.
- (j) **Legal:** Those risks related to breaches of legislation or non-compliance with a particular legislative framework or policy.
- (k) **Contractual:** Those risks associated with failure of contractors to deliver services or products to the agreed costs and specifications.
- (l) **Environmental:** Those risks relating to pollution, noise or energy efficiency of ongoing service operations.

- (m) **Technological:** Those risks relating to reliance on operational equipment, for example, IT systems or equipment and machinery (The Audit Commission 1999).

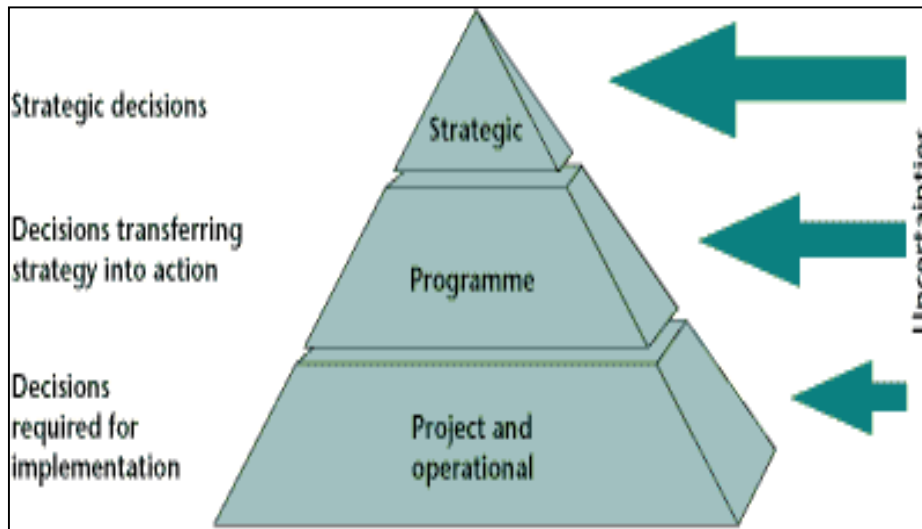
In addition, the Treasury Board of Canada (2003) identifies other forms of risks levels that are important to note, which have high probability of occurrence in organization. They identified the six key risks areas as follows:

- (a) **Knowledge and policy:** Making an impact on comprehensive, timely, and strategic knowledge creation and policy analyses.
- (b) **Service delivery:** Meeting client expectations for consistent, effective and efficient services
- (c) **Human Resource:** Recruiting the retaining the personnel to effectively deliver citizens focused service.
- (d) **Information Technology:** Resourcing/managing technology development and maintenance.
- (e) **Integrated planning;** Resourcing; aligning objectives, and resources as well as accountability (Treasury Board of Canada, 2003).

The key identified forms of risks levels seem to be more prevalent in Public Service organizations globally. The same risks have been highlighted by the Public Service Commission reports between 2004 and 2008 (PSC 2006; PSC 2007; PSC, 2008).

In addition to the Audit Commission and Treasury Board of Canada (2003) risk and categories in organizations, both at strategic and operational level, Fone and Young (2005) identified strata of risks management with in local authority of Government (which they also classified as managerial, operational or functional strata. All the views discussed above can be contrasted with the hierarchy of risk management from the UK strategy unit. According to the UK strategy unit; risks exists only at three levels i.e. strategic, programme and project operational levels.

Figure 4.2: Hierarchical levels or strata for risks for consideration in risk management application in an organization.



(Source: The UK Government Strategy Unit, 2002).

4.4 PRINCIPLES OF RISK MANAGEMENT

ISO standards identified principles of risk management. The OGC (2010) also identify principles of risk management. The ISO standard's risk management principles in the risk doctor (2011) and the OGC (2010) risk management principle seem to concur. The risk doctor (2011) defines them as standard risk management principles. These include the following:

4.4.1 Risk management is an integral part of all organisational processes

Risk management is not a stand-alone activity, and it should be a “built-in not bolt-on”. Everything we do should take account of risk because risk management is part of decision-making. When we are faced with important situations that involve significant uncertainty, our decisions need to be risk-informed. **Risk management**

explicitly addresses uncertainty: All sources and forms of uncertainty need to be considered, not just “risk events”. This includes ambiguity, variability, complexity, change etc.

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(a) **Risk management creates and protects value:** Values are created when objectives are achieved and risk management helps to optimize performance. It protects value by minimizing the effect of downside risk, avoiding waste and rework.

(b) **Risk management is systematic, structured and timely:** The risk process should be conducted in a disciplined way to maximize its effectiveness and efficiency. This implies that ad-hoc risk management may not yield the desired result. Therefore in organizations there must be incidental and not coincidental. If risk management is intentional there shall be evidence of documented risk management processes and institutional arrangements.

(c) **Risk management is based on the best available information:** This principle implies that, whilst no claims may be made of having perfect information, every effort must be made to access and use information available from credible sources, of course being aware of and where necessary acknowledging limitations. The importance of information as a precursor to effective risk management emphasizes the need to consider risk management in the thinking of information management systems.

(d) **Risk management is context bound and tailored to fit the organization:** At the centre of this principle is the essence of human and cultural factors that play an important part in risk management.

Applying what has worked of risk management in one organization may not be beneficial to another organization because of human and cultural factors.

- (e) **Risk is managed by people not processes or techniques:** Organizations need to understand that there may be different risk perceptions and risk attitudes, risk management should be made transparent and inclusive. In addition, it is very important to communicate honestly about risk to the stakeholders and the decision-makers, even if the message is unwelcome by some.

- (f) **Risk management is dynamic, iterative and responsive to change:** Risk changes constantly and the risk process needs to stay up to date, reviewing existing risks and identifying new ones. This is one of the crucial principles in risk management; the time bound principle of risk management. This implies that organizations must be sensitive to their dynamic environments and continuously make sure that their risk management is relevant.

- (g) **Risk management should not seek to deal with problems of yesterday that are no longer relevant whilst there is new one:** This implies that continuous monitoring of performance in the organization requires review and assessment of risks pertaining to achievement of objectives in the organization. Therefore an annual risk assessment in an organization may end up missing early warning signs that would have manifested as risk factor. Assessment should be done quarterly in an organization. Lastly, according to Lorenzi and Riley (2000), change is anything in an organization that can affect or influence the routine performance of people, processes and technology. This implies that in an organization strategy implementation implies risk and calls for new continual risk assessment in its implementation.

- (h) **Risk management facilitates continual improvement of the organization:** Management of risk should improve with time as the organization learns lessons from the past in order to benefit the future. Management must apply risk management so as to improve organisational performance and learning. This principle is a basis of risk management as a transformative system to improve a system.

4.4.2 Principles of risk management for joint Government programmes

Whilst Enterprise Risk Management (ERM) is deals with across sector or outside agency risks (Hampton, 2009) there seem to be a challenge of managing risks for joint Government programmes. This challenge has been experience in both developed countries and developing countries (Tshayingca- Mashiya, 2008).

The concept of “Whole of Government” (WOG) is now popular in the public sector reform. This concept emphasises the approach of Government moving from a silo approach to functional integration in the delivery of Government priorities, public policy and Government programmes.

According to the Whole of Government Framework for Australia, it is considered inadequate; to rely on agencies indicators only for monitoring performance in Government programmes joining Government with government, as well as with the private sector (Public Private Partnership). Programmes of this nature have acquired different names in different parts of the world. In Australia, Japan and United Kingdom it is referred to as the “WOG”.

The Australian National Audit Office (ANAO) emphasizes the importance of leadership when implementing the whole of Government programmes and integration of risk management in performance measurement. Four operational levels of ‘joining’

in the public sector are identified, namely interdepartmental, intradepartmental, intergovernmental and intersectoral. In addition, Hunt (2005) notes that public servants attitudes and knowledge are seen as critical for the success of “WOG” and the “WOG” vision. WOG has been associated with a few positive characteristics, namely:

- (a) Immediate political priorities from the leader of Government e.g. Premiers are addressed faster.
- (b) Delivery collaborations extend to all spheres of Government simultaneously.
- (c) Corporate services standardization is designed to standardize common use services or across-service activities. Such activities as purchasing, procurement and training are standardized across departments and spheres of government. It is intended to produce efficiencies. This can impose common rules and guidelines on agencies or individual officers across the public sector. This is the main usage of the term whole of Government in Canada and Tasmania. Consolidated financial reporting is also made possible in this approach.

Whole of Government programmes have been seen as having worked, with good spin off, in the following situations:

- (a) Where politics and administrative agenda and logics are aligned.
- (b) Where political and ministerial buy-in is secured and re-assured regularly.
- (c) Where crisis is over-whelming and imperative (dissolves politics).
- (d) Where there is an urgent but contained problem (tight timelines, known facts) that requires collaborative efforts.
- (e) Where clear and accepted case made for leadership in the carriage of an issue.

- (f) Where there is sufficient interest to see it through and maintain momentum.
- (g) Where there are some dedicated resources made available and
- (h) Where organisational cultures support initiatives.

There is also evidence of bad examples and failed “WOG” programmes in situations such as the following:

- (a) Where the responsibilities are unclear.
- (b) Where there are conflicts or disagreements over views, issues and facts.
- (c) Where poor communication or collaboration exists.
- (d) Where no end is in sight, or where an ongoing adversarial relationship persists.
- (e) Where there are no matching capacities to tasks or problems being faced with (Australian Government Agencies, 2005).

Comparison between Hrebiniak (2005) implementation failure factors in strategy implementation and the common to causes of implementation failure in integrated “WOG” programmes show similarities.

This implies that risk management strategies for “WOG” programmes such as the ECPGDS must take cognizance of failure factors as evidenced in literature. Stages of the Government programme-implementation must also be considered when planning for management of risk, based on the view that management of risk differs according to stages in the policy process and programme management if it is to be effective. Concurring with this view, Hillson (2009) cautions that Programme risk Management is tricky and cannot be implemented using the same principles as project level risk management.

Hillson (2009) notes that different kinds of programme require programme specific risk management strategies. There seems to be a challenge in this regard because managers tend to apply principles of project risk management to strategic risk management of programmes, which more often than not, yields poor results (Hillson, 2009).

4.5 APPROACHES TO RISK MANAGEMENT

There is evidence that no single approach can be used in risk management, even at strategic or policy level of risk management. Countries focus on their chosen methodology. To illustrate this point further, the Canadian government's risk management and New Zealand.

Australian risk management frameworks are evidences of different approaches to management of risk.

4.5.1 Canadian Government risk management approach

According to the Canadian Government Risk Management Framework (2000), in carrying out risk management, a department needs to:

- (a) First state clearly its objectives.
- (b) Identify key risks that affect stated objectives.
- (c) Assess the potential likelihood and impact of occurrence of for each identified risk.
- (d) Develop and document a course of action to reduce or mitigate identified risk to an acceptable level.
- (e) Continuously monitor internal and external environments for risks, and the ongoing effectiveness of action plans and adjusting the plans where necessary.

With regards to risk management, the Canadian model suggests a systematic approach that ensures that organisational objectives are attained through government's approach to risk management. The challenge with the Canadian approach is that it is silent about prioritizing risk according to their degree of threat within an organization because risk prioritization is important and helpful, especially if an organization is faced with diverse forms of risks. For example, a financial risk might not be a threat as in the case of political and technological risks.

The Canadian approach to risk management is based on the following underlying key principles:

- (a) Everyone is responsible for sound risk management practices and is held accountable for achieving results.
- (b) Everyone should have the capacity, which means skills, training, knowledge, and access to information and resources to carry out his or her risk management duties.
- (c) Risk management activities should be fully integrated into a Ministry's or an agency's planning, monitoring and reporting process. Also into daily management of its programs and activities.
- (d) Open communication across all staff levels using a simple, common risk language. It is essential to ensure that everyone understands, relates to and uses risk management tools and techniques (Canadian Government, 2003).

From the above underlying principles, it is evident that risk management is both a management technique and a tool and has to be integrated into daily organisational programmes to be fully effective. Responsibility for risk management should be a responsibility for everyone in the organization.

4.5.2 Australia and New Zealand Risk Management Model Analysis

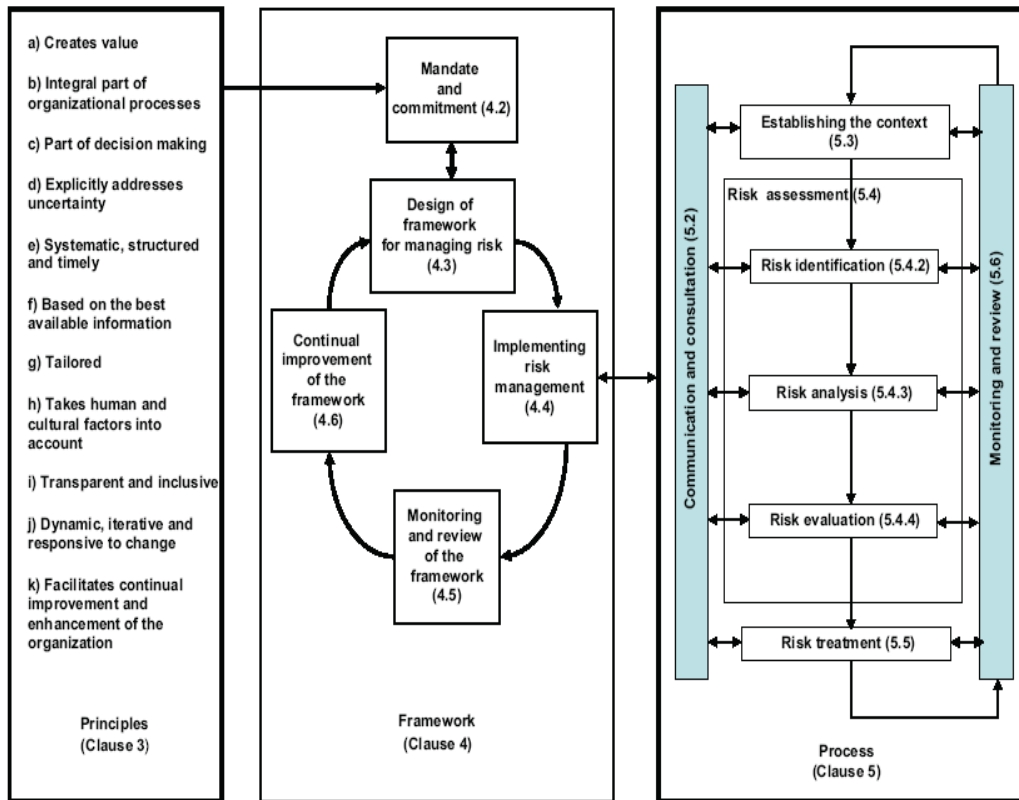
In relation to the Australian-New Zealand model of risk management, as depicted in figure 4.3, it is argued that to manage risks effectively, the context has to be established. Understanding of context helps. A risk analyst must understand his or her environment by also looking at the organisational strengths, weaknesses, threats and inter-change opportunities. (SWOT) of an organization. Among other things, the context or environment which includes the organizations financial position, composition, public perception or image, cultural and legal issues. Looking at the above diverse environmental or contextual factors within an organization demonstrates the diverse nature of risks that need to be covered in management if risk.

In addition, it is important to understand the organisational ability to manage risks and know organisational goals and objectives and strategies that are in place to manage such risks. This phase requires the involvement of managers, whereby they identify their expected role as contributions to the achievement of the organisational goals. This then becomes the organizational context.

Upon completion of risk identification, measurement criteria are agreed upon and evaluation set, which are considered highly important. If some of the risks are not accepted, those risks must be treated and implementation plans must be in place to manage identified risks.

Risks identified in the organization must be communicated to the relevant components and stakeholders, whilst management of those risks is the responsibility of all in the organization or business. Regular monitoring, evaluation and regular reviewing of the risks identified must follow risk identification and treatment process.

Figure 4.3: Australian and New Zealand Risk Management Framework (with related principles and process of risk management)



(Source): New Zealand and Australian Risk Management Framework.

4.6 OPERATIONAL RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

Governance is the act of governing. It relates to decisions that define expectations, grant power, or verify performance. It consists of either a separate process or is part of the management or leadership processes. A government typically administers these processes and systems. Governance describes the overall management approach through which senior executives direct and control the entire organization, using a combination of management information and hierarchical management control structures.

Governance activities ensure that critical management information reaching the executive team is sufficiently complete. Accurate and timely to enable appropriate management decision making, and provide the control mechanisms to ensure that strategies, directions and instructions from management are carried out systematically and effectively.

Two main role players have been associated with increase in focus on the development and management of operational risk management by various organizations, namely the Basel Committee on Banking Supervision and King (III) on Cooperate Governance from the South African perspective (Young, 2006).

According to Young (2006) the Sarbanes-Oxley Act of 2002 is a challenge that United States institutions are faced with, in that they have to align with its principles, yet it has implications on financial and internal control reporting as well as corporate governance, and that the development of risk management strategies must consider it.

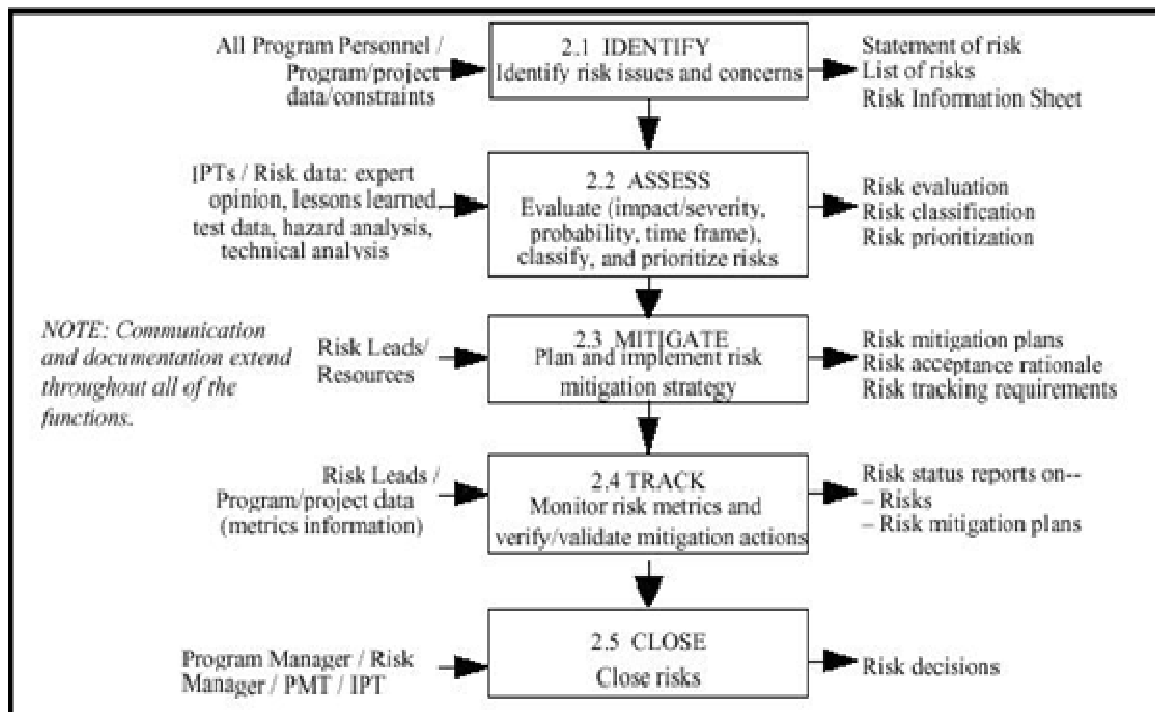
According to Young (2006) there is evidence of a behavioral link between risk management and good corporate governance. This link is also evident in the stipulation by King III on the governance processes, which have to be implemented, in risk management.

It is clear that whilst risk management comprises a systematic approach to implementing activities, it is not an end in itself but a means to achieve overall system effectiveness. These elements of risk management are recurring and the next section discusses the risk management cycle.

4.6.1 Risk Management Cycle

Literature reports a cyclic approach to risk management, in that it is a continuous and never ending process that leads to improved performance and a practice of good governance (Barrett, 2001; Hampton, 2009). Authors such as Haines (1998) and White (1995) believe that whilst the risk appraisal for every project serves to give a green light whether the project may see the light at all, that is only the beginning of the risk management cycle. Risk management must continue throughout the entire life cycle of the project.

Figure 4.4: Management cycle as depicted by Moore (1998)



Source: Moore (1998)

4.6.2 Risk Management Strategies

The concept, strategy is briefly defined for the purpose of understanding. This will be followed by discussion on various risk management strategies. Johnson, Scholes and Whittington (2005) described strategy as a long term direction and scope of an organization through which the organization will configure its resources, within the changing environment to attain its success.

Risk management strategies are designed to deal with effectively and ensure success of the organization in those three areas. In relation to risk management a strategy for risk management provides the context, the approach and the long term direction the organization is taking in managing risks. As Johnson *et al.* (2005), note, the strategy of an organization is aimed at dealing with three main areas, the organisation's internal resources, and the environment in which the organization operates and the ability of the organization to add value in what it does and competes in business. This is also the purpose of the risk management strategy in an organization.

Addressing the issue of formulation of risk strategy, the OGC (2010) argues that caution must taken to include the following elements: Analysis of risk, which involves the identification and definition of risks, plus the evaluation of impact and consequent actions.

Risk management, which covers the activities involved in planning, monitoring and controlling of actions that will address threats and problems identified, so as to improve the likelihood of the organisation achieving its stated objectives. These should inform the strategy. In an effort to assist in the development of strategy for risk management OGC (2010) devised a checklist that can be used to test the risk management strategy.

This checklist tool is called the Risk Health Check, and is useful in assessing the effectiveness of the risk management strategy of organization. The tool has probing questions such as: *does it have a buy - in of and top-level commitment? Are accountable individuals specified? Are the delivery networks clear and implementation applied throughout delivery networks? Is the wider understanding of cross-Departmental risks and joint working to manage them? Is the information used to update the RM strategy relevant and up to date?* (COSO, 2010)

Furthermore, OGC (2010) recommends that management of an organization must support the strategy. OGC emphasizes the importance of production of a risk management strategy, which will be capable of supporting the organisational strategy for achievement of organisational goals. Additionally, according to the UK NAO (2004), an integrated approach to risk management can help departments improve their performance in a number of ways that can lead to better service delivery.

The variables in risk management strategy have been discussed in Sections that precedes this conclusion. It is clear that risk management is systemic, systematic and interactive and therefore a silo approach in viewing risk management and management of risk may not be very beneficial to an organization.

4.6.3 Risk Models in Strategic Management

Rasmussen (1997) argues that extensive risk modeling research has proven that complex environments call for complex risk modeling and management. Therefore, there is a need for convergence of the economist 's concept of "decision making" , the social concept of management and [the] psychological concept of "cognitive control" of human activity in risk modeling and management.

However, it is worth noting that the current academic debates about intangible risks, which affect organizations, yet are not owned risks, with no risk method and owners

on record for dealing with them remains valid. An example of this category of risks is culture risks.

Even though there are studies that attempt to design culture risk assessment models (Thou *et al.* 2006). The challenge remains standing, that culture is intangible and can be elusive. Does this not denote a level of weakness in the current risk management systems and frameworks? This weakness in the current risk management systems and frameworks, as well as their modeling and frameworks has been demonstrated in living examples of the global economic crisis.

Such examples are the September 11 airplane suicide bombing and in the case of the Republic of South Africa, an examples is the Government departments that received repeated poor audit results.

Barrett (2007) links good governance and best practice to effective risk management. This implies not living any form of risk to chance in organisations. Sryvidhya (2007) adds that effective risk management can improve performance and refers to the management model that applies risk management throughout the entire organisation, considering all angles of management of risk as a 360 degrees risk management model.

4.6.3.1 Risk reward models

Literature reports that many scholars have attempted to use finance or decision theory perspectives of risk to explain risk phenomena in strategic management contexts, which poses a challenge (Bowman, 1980; Chatterjee and Lubatkin, 1990; Bromiley, 1991a. Other authors have suggested the need for a conceptualization of risk unique to the strategic management perspective (Bettis and Thomas, 1990; Ruefli, 1990 and Bromiley, 1991). In public management, risk management is used to ensure that objectives set are met, together with efficient and effective use of

Government resources and ensuring that stakeholders and Government are satisfied.

The public community is less aware about profit made by state owned enterprises but more awake to the promises made (objectives set and communicated) by Government or public offices, under the incumbent political leadership. The question here that remains unanswered is: do the current frameworks take into consideration the culture inside public sector institution and in the stakeholders? does the two merged together in the risk assessment and management models/ frameworks. The risk reward analysis model argues that risk can be managed if options are analysed beforehand for the risks associated with that option and decision must be based on the ability to deal with or manage the associated risk (Sryvidhya, 2007).

A 360 degrees risk management model advocates for an analysis of risk, and implementation of risk management plans that may contribute to attainment of high degree of success in implementation of projects. This risk reward models entail the use of risk management strategies in planning and throughout the stages of implementation (Sryvidhya, 2007). From the statement above it can be argued therefore, that the manager who has to make that decision needs to have access to factual information so as to make that decision and that information must include knowledge of potential risks.

The knowledge of potential risks will allow the decision maker weigh the alternatives in order to maximize the risk/ reward ratio according to Martinelli and Waddell, (2007). The risk reward model laid emphasis on risk management for the product of the programme rather than elements that will lead to that product.

The theory of risk management argues that in order to be successful in achieving the business objectives programme, managers must be able to manage risk across the multiple interdependent projects. Martinelli and Waddell, (2007) add to this point of view that in dealing with risk management at project and programme levels while a

project manager is responsible for his projects (elements of the programmes), the programme risk manager is concerned with the risks that can impact on the success of the programme this implies that the risks that involve interdependencies of the projects as well as risk that involve business (the product that has to be delivered by the organization or firm).

Although there are arguments that risk management is not an exact science because assessing risk is subjective, other theories demonstrate that, what becomes a problem in implementation and that which sometimes leads to failure of a project or a programme started in its earlier phase (pre symptomatic phase) as a risk.

Rasmussen (1997) cautions that, business model based risk assessment models have not received the attention they deserve in academic literature. Although principles of enterprise wide risk management seem to encourage this approach, results of evaluation of current risk models argue for more comprehensive approaches even at that width of business.

The challenge is that methods of risk assessment differ from field to field; financial assessment models for decisions will differ from security, information or environment as well as public health risks (Rasmussen, 1997), yet all these different fields do possess a management dimension. As to, how does a management dimension of risk in different fields, which have different assessment models, encapsulate all these models of risk assessment in a comprehensive way, to ensure non-escape of one or more forms of risk remains a begging question?

4.6.3.2 Management system models of risk assessment

Although some management models do not outright classify risk management as a core management element, a management technique, or a model Ten Have *et al.* (2003) and Das and Teng (2001) argued that implementing a strategy is risky as

there are many risks that can crop up during the implementation and that can sabotage the implementation.

Risk measures and techniques for measurement of risk are derived from economics and the finance sectors. Young (2006) isolate the sources of risk in public sector by linking with the sources with the events in public sector, which demonstrate the wide risk field of the public sector.

The figure below demonstrates this linkage. Young also shows the importance of evidence linking causes with the potential events.

Figure 4.5: Sources and types of risks in strategic management in identifying basic causes of operational risks

Risk Factors	Events
People/employees	Errors Internal fraud Employment law Employer liability Absence/loss of key staff Wrongfully trading
Systems	Systems failure Systems integrity Outdated systems Systems suitability System support
External environment/factor	Business interruption Natural disasters Third party theft External fraud

Risk Factors	Events
Legal/regulatory	Non-compliance with standard Changes in regulatory standards Contractual failures

(Source: Young, 2006)

Young's (2006) risk definition differs from Haimes's (1998). Young uses the term "cause of failure" and had isolated the human factors from the other organisational factors. Haimes (1998) further separates the system from software and hardware, whereas Young (2006) classifies the hardware and software technology as systems. However, what is evident is that both these authors acknowledge the link between risk management and the systems approach.

4.6.3.3 The COCAS Model

Fone and Young (2005) developed the COCAS Model of Risk Management in strategic management. According to this approach, risk assessment is situated within a particular framework, which identifies the sources of organisational risk and categorises them according to the context. Risk assessment begins with contracts, obligations, agreements and commitments. Sources of risks are sometimes creators of risk e.g. signing of the performance agreement results in quantification of target to be met and setting of timelines for those targets. Once there are targets and timelines, there are equally risks that can make achievement of the target not be realized. Even if they are realised, there is a risk that they may not be realised according to the scheduled time.

Fone and Young's (2005) model of risk assessment management model gives a different area of emphasis. One can identify with this context for risk assessment by Fone and Young's model is applicable in public sector organizations in that it allows for a broad scope of risk assessment and organization wide risk assessment in the public sector which is vast and dynamic. The challenge about this model is that it

focused more stated objectives. There is a risk field area, which gets left outside the defined parameters in Fone and Young's risk assessment model, yet it has potential risks.

The risk field the researcher is referring to is the area of the unstated intentions or objectives, which falls out of Fone and Young's (2005) COCAS model. It can be argued that, Fone and Young's mode assumes that objectives stated may be the only source of risk. This may not be necessarily true. What about those objectives managers may have, without openly declaring them? According to Haimes (1998) risk modeling must differ in multiple objective settings, whether there are declared or non declared objectives. Haimes argument implies that risk assessment should differ in multiple objective settings both for declared and non-declared objectives. Therefore an assumption should not be made that the declared objectives are potential risk areas in risk assessment.

The iceberg theory of French and Bell (2001) in which the organization are viewed as having alliances, political and, power motives suggests that cultures, attitudes, alliances contribute more to achievement or non-achievement of organisational objectives. Fone and Young 's (2005) Model does not consider these aspects of the organisation and their importance in risk assessment and modeling, yet Senior and Flemming (2006) state clearly that these aspects contribute largely to the success or failure of change initiatives in organisations.

4.6.3.4 Organization Risk Management Model (ORM)

Fone and Young (2005) in the ORM model emphasize that risk management must be part of executive management responsibilities in an organization. This model contrasts sharply with the traditional risk management, which used to be driven from the finance unit in the organizations, and limited to the responsibility of the risk manager in that unit, which in most cases would be just one manager with not more than three staff members. Fone and Young (2005) argue that, whilst some people

still view this model as relevant in today's environment, managers operate in a very dynamic and turbulent environment and need an organisation wide risk management approach.

The public sector strategic manager needs to take cognizance of this model and apply it for successful public management effectiveness and efficiency, given that all risk have a probability and impact to citizen who rely on Government for services. Fone and Young's (2005) model seems to emphasize a need for an integrated approach in risk management, although this is not very explicitly stated in the model. The strength of this model is that it has elements of Enterprise Wide Risk Management but emphasises the need to practice risk management across the organization.

4.6.3.5 Integrated Risk Management Model

Integrated Risk Management links risk management from portfolio to programme and project levels. According to Hillson (2009), effective implementation of integrated risk management can produce a number of benefits to the organization, which are not available from the typical limited-scope risk process. OGC (2010) also advocates for integrated risk management from strategic, programme and project level for successful portfolio, programme and project management.

Haimes (1998) adds that "totalistic risk" management cuts across the organization horizontally and addresses risk vertically at strategic tactical and operational levels. It is clear that integrated risk management like ERM goes beyond business unit risk management. This can be more applicable in whole of Government programmes where goals are shared and objectives are spread into more than one Government department. Literature describes ERM as a mechanism for addressing risks outside business units.

Hillson (2009) claims that, vision alone cannot create business benefits and many organizations use projects as the change vehicle to deliver the capability, which leads to the desired automation. Project /programme objectives sit between the strategic and tactical levels, since they are defined in relation to the strategic vision, and they in turn define the requirements for projects. Project objectives, therefore should provide the link between the overall vision and the projects which are established to implement that vision.

According to Hillson (2003) objectives are used to measure the value of project deliverables. Many projects fail because of the disconnection between strategic vision and tactical project deliverables, often as a result of poorly defined project/programme objectives. This space between the two levels of strategy and tactics requires careful and proactive management if projects are to succeed in delivering the required benefits to the business. Yet it is precisely in this area occupied by project or programme objectives that businesses are most at risk and managing risk between strategic, project, and programme levels becomes crucial.

Hillson (1999) further claims that a “zero risk” enterprise or project does not exist, and indeed it is not desirable. Since the available benefits are determined to a large extent by the degree of risk an organization is prepared to confront. Risk is however not the same as uncertainty. Risk arises when uncertainty has the potential to affect objectives, and can be defined as “Any uncertain event or set of circumstances that, should it occur, would have an effect on one or more objectives” (Association for Project Management, 2004).

Newland (1997) and Hillson (1999, 2003) assert that the uncertain environment, within which projects and business are undertaken, resulting in a level of risk exposure, affects project objectives. Risk management exists to address this risk exposure, leading to an acceptable and manageable level of risk. This increases the chance of meeting project objectives, which in turn maximizes the likelihood of

achieving the required objectives and business benefits. Furthermore, there is a clear link between risk management and business performance.

Effective risk management should lead to realization of business benefits. This is evidence of the importance of integration “and all levels risk management” in organizations. Such models for risk management address risk across programmes and business units.

It may be a challenge to apply the same medicine to different sicknesses in Government programmes. Risk management requires a more focused approach especially where strategy is implemented. Whist is acknowledged that risk management need focus of management and organisation and has got standards for application (ISO, 2009).

Theories discussed in this part one of this chapter have shown evidence that when applied appropriately and effectively risk management can be used a transformative system to improve strategy implementation in organisations.

4.7 PART 2: STRATEGY IMPLEMENTATION

This part 2 discusses strategy implementation under sections: 1 and 2.

Section 1 discusses the theory of strategy implementation under the following themes: the concept of strategy and strategy implementation: an analysis, and strategy implementation as a transformative system, a theme which covers the sub themes namely the strategy implementation environment, the customers of strategy implementation, culture and strategy implementation, the actors in strategy implementation and the world view of strategic managers.

Section 2 discusses the case in point, that is, the ECPGDS, under the following sub-themes: the background of the Eastern Cape Province Administration as the context for strategy, the ECPGDS as a transformative system of the Eastern Cape Government, as well as the content, the expected outcomes, and the risks of the ECPDGS.

4.7.1 The Concept of Strategy

The concept of strategy creates a mental image, which seems to emphasize the planning aspect of strategy. This may be emanating from different interpretations of the definition of strategy; “strategy as a direction the organization is taking to achieve its long term objective “(Johnson *et al.* 2005). This definition of strategy denotes being intentional and emphasizes the long term view in planning.

Mintzberg and Walters (1985) express a different view of strategy, noting that, not all strategies are intended, and thereby introducing the concepts of emergent strategies and unintended strategies. In addition, Pettigrew (1987) claims that strategy is non-routine, unstructured, complex and involving issues of context content and process.

Mintzberg (1994) adds that the view of strategy as top down, neat in fashion, with clear steps of establishing the vision, mission and goals, conducting environmental analysis to design strategic, tactic and operational plans, and implementing those through the organisational changes in the structure and the control systems, did not reflect strategy appropriately.

According to Joyce and Woods, (2001), other critiques of this view support Mintzberg’s (1994) view, citing the challenge of ignoring the uncertainty of the organisational environment as well as the emergent strategies that are always part of many organizations. Mintzberg and Waters (1985) and Joyce and Woods (2001)

respectively expressed a view that emergent strategies are a reality in organizations, and in a way demonstrate flexibility as managers in organizations and prove (through emergent strategies), that not all achieved strategies in the organization are the results of initially intended strategies.

Mintzberg (1994) claims that, whilst strategic planning is the crucial element of strategy; it had been given more focus compared to the other elements of strategy. Mintzberg added that strategic planning has therefore fallen from its pedestal. This view implies that whilst strategic planning is the essential and important element of strategy, it should not be emphasized of the detriment of other elements. Hrebiniak (2005) confirms this view and notes that poor implementation of strategy can fail even the best formulated strategy.

Another viewpoint on strategy is the behavioral view of strategy by Mintzberg (1978). According to this view, strategy in an organization is a by-product of patterns of decisions and outputs that may not necessarily be rational. There is also the interpretative view of strategy, which argue that strategy is the product of minds and ideologies of individuals and groups in the organization

Chakravathy (1987) suggests that the lack of a fit between the strategic plan and its environment may render the strategy and plan redundant thereby not assisting in the required interventions. Hamel and Prahalad (1994) contest this view, arguing that that the limitation of this model is that, it does not encourage thinking beyond the present. It is clear, from the different views of strategy discussed above that, strategy is a complex concept.

There have also been serious concerns on the ability of organizations to implement successfully designed strategies. According to Noble (1999) strategy poses an even more serious challenge than strategy formulation and even the best formulated strategy may fail to yield good performance results.

Smit *et al.* (2007) views strategy within the context of management and argue that strategy formulation, implementation, monitoring and control are all phases of strategy and strategic management functions. This view seems to concur with Hrebiniak and Joyce's (1984) cited in Noble, (1999b)'s argue that strategy implementation designates the managerial interventions to align organisational action with strategic intention Floyd and Wooldridge (1992) cited in Noble (1999b) suggest that strategy and implementation are complex phenomena and researchers differ in their view of what makes a good strategy.

It is clear, from the statements above that academic debates on strategy have been focusing on strategy and its environment, with the emphasis on "fit" between strategy and environment. The divergent views on strategy prove that the subject of strategy is a complex phenomenon. This is even more so, given the need to provide a foundation to describing the implementation of strategy, which is a challenge of today's manager.

4.7.2 Strategy Implementation: An Analysis

Strategy implementation has been recorded as the most significant challenge for managers in corporations, firms and Government (Yang *et al.* 2010).

According to Allio (2005) cited in Yang *et al.*(2010), research revealed that 57 percent of Chinese, firms which were surveyed were unsuccessful at executing strategic initiatives over the past three years, according to a survey of 276 senior operating executives in 2004 The survey also reported in the White Paper on Strategy Implementation in the Chinese firms that a whopping 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

Additionally, Heracleous (2002) asserts that strategy implementation needs to be handled with caution, if the organizations performance is to improve (Hrebiniak, 2005; Yang *et al.* 2010; Cater and Pucko, 2010).

Analysis on strategy implementation failure factors shows the main factors associated with strategy implementation to be as follows: the content, context, process and the outcome, all influence strategy implementation (Bryson and Bromiley, 1993; Okumus, 2001; Pettigrew; 1987; Skivington and Daft, 1991). Mintzberg and Quinn (1998) confirm this view and note that whether internal or external; the context needs to be appropriate to managing the strategy.

It is clear from the views highlighted above that the context of strategy is crucial in strategy implementation. It also evident that the context is one of the factors that contributes positively or negatively to strategy implementation. Therefore strategy implementation context needs to be managed effectively for strategy implementation to succeed. Chakravathy (1987) proposes that there is a need for taking a conscious decision in the application of strategic management to strategy implementation. Chakravathy adds that, this decision can be made based on information possessed by a strategic manager about the organization, with a fundamental purpose and a goal to achieve the organization's intended results.

Yang *et al.* (2010) argues that the information for strategic management must be drawn from the recorded factors that influence strategy implementation. Okumus (2003) gives the following framework elements for analysis of strategy implementation:

- (a) The formulation of the strategy
- (b) The environmental uncertainty
- (c) The organisational structure
- (d) The organisational culture
- (e) The leadership of the organization

- (f) The people
- (g) Organisational planning and resource allocation
- (h) Communication of the strategy
- (i) Control and outcome of strategy

Okumus further suggests that, the various strategy implementation frameworks take different approaches in the analysis of strategy implementation and failure factors, according to Okumus (2003). These frameworks are as follows:

- (a) A simple approach to listing and describing the implementation factors
- (b) Models that suggest a sequential, rational implantation process that may be difficult to adopt in a complex situations
- (c) Frameworks that place the emphasis on the context and process while ignoring the elaboration of issues such as the relative importance of implementation factors, their specific roles, and their impact on the overall implementation process.

Whilst the frameworks for strategy analysis are acknowledged, the challenge is that they present these elements of strategy implementation in a neat and linear fashion, yet this is not the case in reality. Consequently, this may not be a sufficient reflection of reality during strategy implementation as there are many interruptions and surprises that go with strategy implementation. O'toole (2004) asserts that during implementation, implementers confront issues they do not anticipate and cater for.

Given the arguments of O'toole (2004) and Okumusu (2003), it is clear that, different options may need to be explored and strategies put in place for managing risks that may crop up during the implementation of strategy. It is also evident that no single theory alone seems to sufficiently explain fully the strategy implementation failures.

Brynard, (2005) claims that, what compounds the complex issue of strategy implementation, is the reality that even strategy implementers themselves do not agree with the factors causing implementation failures, nor when and where implementation begins and ends. This denotes a gap in the strategy implementation literature.

Quinn (1980) and Ohmae (1983) extrapolate that there has been limited focus on strategy implementation as an aspect of strategic management, which explains some of the gaps in strategy implementation research. The challenge with the current frameworks is that, whilst they tend to emphasize the elements and process flows in strategy implementation rather than strategy implementation as a whole.

There seems to be a convergence of views, however, that the success of strategy implementation depends on a combination of factors, put together in a purposeful way and managed effectively, to ensure the achievement of successful strategy implementation (Mintzberg, 1994; Hrebiniak, 2005; Lorenzi *et al.*, 2008; and Cater and Pucko, 2010).

Given that, there is no single, and right, way of defining a complex problem such as strategy implementation, a systems approach of examining the phenomenon in holistic approach, may be a necessary approach. According to Checkland (1972), The Soft Systems Model, as a learning system, which is used to model human activities, for representing the problems, modeling them for debates about reality, and in pursuit of problem solving becomes useful in such a complex situation.

4.7.3 Strategy Implementation as a transformative system

Based on Checkland's (1975) definition of the Soft System Model and transformative systems as well their application, combined with Johnson *et al.*(2005) definition of strategy, it can be inferred that strategy implementation is a transformative system.

Strategy implementation is a transformative system, which is implemented for the purpose of bringing about a positive and desired change in an organisational system. The Soft System Model views the elements of strategy implementation as components of the transformative system, interrelated and functioning together to bring about the desired change (in this case, successful strategy implementation).

According to Jackson (2003), when implementing a transformative system, it is advisable to apply an interactive approach, whereby planners and implementers are involved in trying to solve their problems, by making their own strategic choices. The choices made must have the ability of moving them towards a desired change. Jackson (2003) notes that, according to the Soft Systems approach transformative systems have the ability to bring about the required positive change in an organization.

Jackson adds that, when strategists implement a transformative system, different options must be explored, so as to give the strategy planners an opportunity to identify which transformation system will address their problem situation. Checkland (1975) emphasizes that, it is important to do a constant check to see if the transformative system fits the existing culture of the change environment.

Checkland (1972) further advises that, where a transformative system is implemented, there are areas of analysis for definition of a problem. These are: Customers, Actors, Transformative system, World view of the manager, Owners and, Environmental constraints. (All these elements were explained in chapter three of this thesis.

Table 4.7: “CATWOE” elements and their definitions as applied in strategy implementation.

<i>Customers</i>	Customers in the Strategy implementation are the beneficiaries of the strategy and as well as functionaries who must implement the strategy.
<i>Actors</i>	<i>Imply the Strategic manager/s, hired to implement the transformative system)</i>
<i>World view of the strategy Manager</i>	The interpretation of reality by the strategic manager as evidenced by the leadership managerial approach applied in strategy implementation and strategic management.
<i>Owners</i>	The functionaries in the transformative environment who can sabotage strategy implementation.
<i>Environmental Constraints</i>	The strategy implementation context

The “CATWOE” framework is used to analyse strategy implementation in the following section. These elements are all represented in the rich picture of strategy implementation as shown in the Figure below. Rich picture of strategy implementation, factors contributing to strategy failure and integration of risk management, a chosen model for strategy implementation as a transformative system:

Strategy Implementation problem analysis shows various contributing failure factors in the picture, namely the strategy planning, the people, the context, the process, the systems and the culture. Strategy implementation also demonstrates the systematic interactions between the customer, the owners, the implementers and the environment of strategy implementation.

Customers are shown as citizens; they are asking a question, why are they experiencing poor service delivery, (a problem).

The world view of the manager looking at the strategy implementation prompts another question, amongst the factors implicated for services delivery, is there a better way of managing the factors that are unanticipated, and surface during strategy implementation and contributes to failure in implemented Government strategies?, Given the evidence that there are many failure factors implicated in strategy implementation O'toole (2004) that confront implementers upon implementation of strategy and take them by surprise

According to previous argument in this thesis, the integration of risk management throughout the cycle of strategic management can increase the degree of success in strategy implementation (White 1999).

This implies that: risk assessment can be done for all the elements of the CATWOE framework as follows:

- (a) Risk assessment to the customers
- (b) Risk assessment to the functionaries who are implementing strategy
- (c) Risk assessment to the managerial leadership, capacity and strategy implementation skills
- (d) Risk assessment of the implementation tactics and communication of strategy

- (e) Risk assessment of the implementation environment and the culture of an organisation. That is, risk assessment to all the implementation factors in the context of strategy implementation as identified by Okumus (2001).

Additionally, there must be:

- (a) Risk assessment to the world view of the strategic management strategy content:
- (b) The objectives of the strategy.
- (c) Risk assessment to the Actors in strategy implementation
- (d) The implementers need to assess the attitudes and prejudices that would make Strategy Implementation to fail.
- (e) Environment of strategy implementation externally with its constraints must continuously be scanned for risk that can contribute to Strategy Implementation.

Internal Environmental assessment must include areas in the big block shown in the picture and include the following keys strategic management areas:

- Organisational structure
- Control mechanisms
- Financial management.

Risk assessment is also conducted in the key operational areas shown in the rectangular box within the rich picture namely:

- Operational planning
- Resource allocation management
- Information management
- Communication

As an option, risk management is integrated into various factors associated with strategy implementation failure so as to enhance the strategy implementation and improve implementation results.

Once the identified risks are treated, the risk management strategy supports the strategy implementation and ensures that what O'toole (2004) believes are the anticipated problems that implementation encounters during implementation, will be well managed throughout.

The ultimate effect will be an increased degree of success in strategy implementation. The citizens can rate the success and give their verdict, which indicates whether strategy implementation has succeeded, or not.

The section below discusses each of the elements of strategy implementation environment. .

4.7.3.1 The Customers and Strategy implementation

As defined earlier, the customers in strategy implementation are the beneficiaries of the strategy. The functionaries who will carry out activities that contribute to the achievement of the objectives of the strategy are also customers in strategy implementation.

Strategy implementation success and failure have an impact on the beneficiaries. Beneficiaries, on the other hand can also influence the outcome of the implemented strategy. Therefore, it is crucial to communicate the strategy to the customers of the strategy, more specifically the objectives and the benefits of the strategy.

Yang, *et al* (2010) cautions that, communication in strategy Implementation research is understood differently by different researchers.

Functionaries in strategy implementation are also viewed as customers, given that the strategy owner relies on the functionaries to implement activities that will lead to the achievement of the strategy objectives. This implies that the involvement of

functionaries is crucial, at the earliest level of strategy to ensure their understanding and buy into the strategy.

Okumus (2001), Noble (1999), Cater and Pucko (2010), and Yang, *et.al* (2010) emphasize the importance of communicating the strategy to the customers, as one of the critical success factors in strategy implementation. In confirming this view, Checkland (1972) pronounces that if the customers are not aware of the transformative system or if the transformative system is not suited to the transformational environment, the culture of the transformative environment, as – well-the customers can sabotage the transformative system. It is clear that, poor communication of strategy contributes to failure in strategy implementations, even in a well formulated strategy. Two scenarios are given below, where strategy implementers have good intentions and strategy had good objectives but what is lacking is communicating strategy to the customers of the strategy.

4.7.4.1 The environmental context and strategy implementation Strategy implementation in the system of Government (The environment)

According to Checkland (1972) the environment can be a constraint in the implementation of the transformative strategy. According to Hood (1991) public management models emphasizes the use of proven private sector methods and tools in public sector organizations to improve performance and manage for excellence. Total Quality Management and Balance Scorecard (Kaplan and Norton, 2001) are models in strategic management that are specific in the step by step implementation of strategy and strategic management, and these models are recently being explored by public sector organizations for performance improvement and excellence.

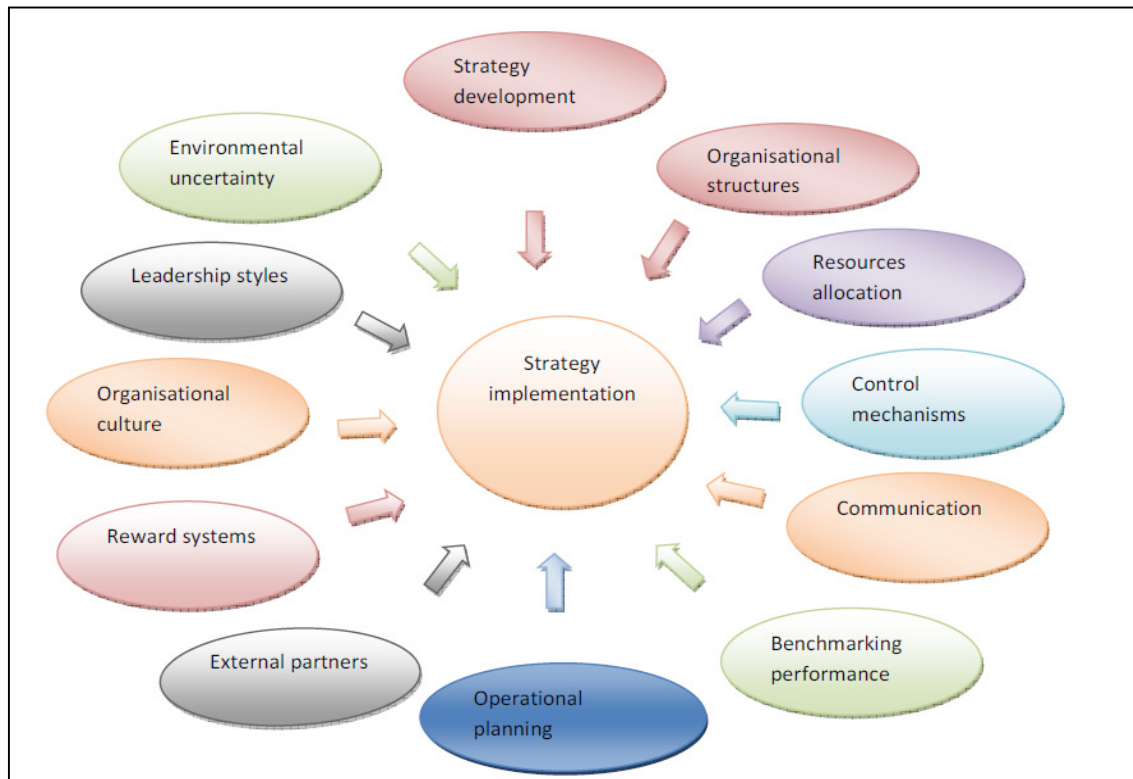
Berry and Weschler (1995) and Flynn and Talbot (1996) endorse the view of extending strategic management from private sector to public sector. Strategy implementation in the Government as a system requires a holistic approach to

analysis, given the various contexts and different perspectives on elements that influence strategy implementation. Based on the arguments above strategy implementation in the system of Government has different dimensions compared to strategy implementation in the private sector. Managers in Government need to take cognizance of these differences in managing strategy implementation.

It is also clear that, an unprepared environment for strategy implementation in an organization can sabotage strategy implementation, as a suggested in the works of (Noble (1999a) Higgins (2005); Qi (2005); Brenes (2000), Mena and Molina, (2007).

Ngobeni (2011) analyses the frameworks and develops a framework for analysing factors for strategy implementation that are applicable to the Municipalities of South Africa. These factors are applicable to Government departments of South Africa and can contribute to the success or failure of strategy implementation. A summary of all the contextual factors of strategy implementation from the different approaches that are applicable to Government are adopted from Ngobeni (2011) and are shown in figure 4.7.

Figure 4.7: Strategy implementation context in the SA Municipalities, similar to Government departments according to Ngobeni (2011)



Source: Ngobeni (2011)

As shown in o Figure 4.7 above, Ngobeni ‘s (2011) identified factors that are crucial for strategy implementation to succeed and these include culture , strategy, structure, the reward systems, leadership style, communication of strategy, benchmarking performance, resource allocation, to name a few. According to Ngobeni (2011) if any of these factors are not considered and managed effectively, strategy implementation may not succeed.

Organisational culture has been sighted frequently as a cause of failure (Senior and Fleming (2006) Pike (2001) Joyce and Woods (2001). Organization culture context has been argued by various researchers as central to failure of either change programmes or implemented programmes (Lorenzi *et al.* 2008).

In concurring with this view, Senior and Fleming (2006) cautioned that there are occasions where changing cultures is too risky. Consideration therefore must be given to managing around the culture rather than changing it (Senior and Fleming, 2006). Strebell (1996) add that those who pretend that the same kind of change medicine can be applied no matter what the context may be very naïve.

Central to organisational culture and change is what French and Bell (1990) identified as the “iceberg metaphor” which means that what is visible and can be seen in the formal aspect of the organization is less massive and complicated, and what is underneath the water is ten times bigger and yet invisible. This is more endemic in public sector organizations, where there are a high number of full time employees on site. It is in this hidden aspect that the concepts of culture, politics and power play an important role in facilitating or blocking changes in the organization according (Senior and Fleming 2006).

Power and organisational structures, leadership and management context, strategy implementation process, and environmental context of strategy implementation are all frequently cited by authors in this field (Hrebiniak, 2005 and Noble, 1999). In addition, political, economic, technological environments influence strategy implementation.

4.7.4.2 Culture and Strategy implementation in the Government departments

Research on understanding organisational culture before implementing changes is critical so as to decide whether to change the culture or to work around it (Senior and Fleming, 2006; Pike (2001). Chapman (2002) in his analysis of cultural context in-Government asserts that traditions embedded in culture can be a blind spot when

practiced over time, and may not necessarily be good, but, no one would be able to identify them easily for change and the need to address them.

Chapman (2002) claims that, some practices in the Government systems have been in existence over time and may be a blind spot. He adds that learning does not come easily in Government because of obstacles that exist within the Government policy process, which are:

- (a) An aversion to failure, exacerbated by the political process of Government whereby another party's failures would be used to score points rather than learn lessons.
- (b) The pressure for uniformity in Public Service.
- (c) Shared assumptions between the Ministers and the civil servants that command and control is the correct way to exercise power.
- (d) Lack of evaluation of previous policies.
- (e) Lack of time to do anything rather than cope with events (crisis management)
- (f) Traditional secrecy in government.

According to Chapman (2002), the cultural context of Government may be counter to effective strategy implementation. Chapman argues that the implementation field of Government is known for dominance turf of wars and negotiation between departments, subsequently making performance secondary to other considerations.

It is clear from Chapman's (2002) caution about the cultural context of government, as stated above, that the requirements for strategy implementation cited by authors Noble (1999), Hrebiniak (2005), Yang *et al.* (2010) and Kaplan and Norton (2001) may be constrained by the cultural context that exist in government. This is a risk, an event that is probable, which if it occurs, may impact negatively on strategy implementation in government. It then becomes crucial that public managers are sensitive to this risk.

As stated earlier, according to Lorenzi (2002) strategy implementation involves change. Noble (1999) states that, successful implementation of strategies and improved performance in an organization depend on the preparation of the organization for strategy implementation.

Additionally, Kaplan and Norton (2001) claim that effective strategy implementation requires mapping of a strategy for implementation and continuous monitoring of operations to the strategy. It also requires having a clear strategy map with assigned and clear responsibilities for all and effective implementation. In addition, theories of Business Process Management also emphasize the dependence of strategy, structure, people, processes, technology, and the importance of alignment of those for achieving business objectives (Hung, 2006).

In another view, Pettigrew *et al.* (1992) assert that strategic change is affected by the cultural context of any organization, and as such much pressure for innovation is created by new global conditions. The actual amount of innovation will be mediated by the receptivity of people in the organization, which become a challenge to effectiveness. This is applicable to strategy implementation. Pettigrew's (1992) view seems to agree with Senior and Fleming (2006) who emphasize that culture can block or facilitate change.

It is therefore clear that strategy implementation involves change. Chapman (2002) also argues that the culture in Government system may be elusive.

Young (2006) adds that implementing strategy has inherent risks. It is crucial that strategic managers are aware of the dynamic environment of the public sector so that they can be careful when setting targets and designing public sector strategies. Hillson (2006) recommend that managers must perform a scientific risk assessment before implementing strategies so that they can be aware of risks and opportunities in their environment. Hillson maintains that doing so will ensure an increased degree of success in strategy implementation and programmes

Debra and Yeates (2008) and Young (2006) concur in their argument that strategy implementation has inherent risks. It is clear that risk management has to accompany each strategy being implemented as suggested by OGC (2010). In the system of government, where there are many policies and strategies being implemented (Brynard, 2005), risk management has to, even be more holistic and comprehensive.

This is a concern, given the argument by Siswana (2007) that integrated risk management is still new in government. Yet the risk field of the Government system is broader than that of the private sector (Fone and Young, 2000).

Culture in strategy implementation context is the by-product of both the environment and the actors. It is therefore important that when dealing with factors that influence strategy implementation, risk assessment is done for the environment and for the actors in strategy implementation.

.7.5 The Actors in strategy implementation

Actors in strategy implementation are strategic managers. They have a managerial leadership responsibility to ensure achievement of strategy objective.

Literature in management evolution evidences a paradigm shift of management from transactional approaches of leadership, with just goal achievement as an objective to an approach that seeks excellence in all aspects of managing the organization. This includes customer satisfaction, financial management, and people management for improved outputs as can be seen in the balanced score card approach of Kaplan and Norton (2001).

From these emergent management perspectives, it can be argued that role of the strategic manager is to ensure that the organization is managed in such a way that there is stability, accountability and achievement of objectives and ability of a

manager to influence the followers. Smit *et al.* (2007) concur that the role of manager is evolving based on the era of management and governing management theories at that particular era.

The development of the contingency approach has been based on the systems approach to management with the basic premise is that, the environment largely dictates the management approach, (both external and Internal) and the organization finds itself at a given time (Smit *et al.* 2007). The main argument in favour of this (contingency) approach is that it “recognizes that every organization within the organization is unique” (Smit *et al.*, 2007).

The challenge about managerial leadership theories is that they emphasize on the by-product of managerial leadership and the ability to influence the followers. Very little is said about the worldview or the interpretation of reality by the strategic manager and its influence on managerial leadership.

Perhaps the basis is the view that the management era influences the managerial leadership approach. Checkland’s (1972) view states that the world view of strategic manager influences his or her interpretation of reality becomes relevant in this context. It is therefore crucial to pay attention to both the world view of the strategic manager and the influence made by a strategic manager in context for strategy implementation.

4.7.6 The world view of the manager in strategy implementation

An organization as a system needs management to function effectively. Management’s role in this context includes, but is not limited to, preparing the organization for its mandate. This preparation extends to preparation of subordinates.

Preparation means continuously looking for relationships and connections that if combined will result in the achievement of expected results. Observation and years of experience in management practice has shown that the, literature presents a view of a manager in a static position in the organization throughout the era of being given the responsibility of strategic management for the achievement of objectives.

This view of a strategic manager in a dynamic environment who is not moving according to different phases in his or her journey of management in the organization is very neat and convincing, However, it poses a challenge in that, it is not in line with the current practice of strategic managers in public sector, particularly in government, whereby not only the environment is dynamic but managers are always in transition.

It is considered important to note this view of a manger as it has a direct influence on strategy implementation. As to whether the success in this journey of a strategic manager is determined by the strategic management, leadership capabilities or organisational environment is yet another question.

There is a scholarly debate about whether managers are leaders and about how effective a managerial leader is within modern public and private organizations. The questions are relevant, yet remain unsolved. The following authors provide different explanations about leadership, leaders and managerial leadership. Therefore, the argument that management theories provide an understanding of the context and why strategy implementation cannot be discussed in isolation of the other components of the whole becomes even more relevant, even more so when trying to understand the world view of the strategic manager in strategy implementation context.. According to Lau (1999), the world view of a strategic manager plays a crucial role in strategy implementation.

Given that strategy implementation is becoming a more complex concept in the real world, managers need to have a conceptual model to integrate and make the concept of strategy implementation clearer (Lau, 1999). Lau suggests that if there is

a single set of concepts with standard descriptions, this may assist strategy implementers and strategic managers, firstly to integrate strategy implementation into real world activities and also to communicate better.

Perhaps the framework commonly used to assess the world view of a strategic manager is that of strategic leadership. Leadership however can be a learnt behavior. As to whether it is sufficient to measure the world view of a strategic manager remains a question. It is clear, from the arguments above that the managerial leadership approach, based on the world view of a strategic manager can support strategy implementation and vice versa. Welter and Egmont (2006) refer to the concept of the world view of the strategic manager as a “prepared mind” of a leader.

The analysis of strategy implementation research literature reveals that there must be preparedness for strategy implementation, both from the perspective of the Strategy Actors (the strategy implementers) and the owners of the strategy. The Owners of the strategy are the board members in private sector and, politicians in the public sector. The actors are the implementers of strategy at all levels. This applies, from the executive management to line function managers. Strategic managers play a crucial role in facilitating the preparedness of low level managers (as structured in the organisational hierarchy) and functionaries in the organization.

Welter and Egmon (2006) suggest a mechanism that can get managers to be prepared for strategy implementation. Welter and Egmon propose that managers need to sense the early signals of the future and make sense of these signals, especially if they are in conflict with today’s truths. Managers need to be prepared for their future problems and opportunities as they continuously manifest themselves in the management environment and prepare their management environment to deal effectively with the opportunities and future problems.

Managers also need to be able to help those who work with them, i.e. customers, employees, suppliers, and other stakeholders in a way to prepare their minds as well. Joyce and Wood (2001) add that, the ever changing environments in organizations need constant strategic actions and competencies.

In view of the prepared manager concept, Welter and Egmon (2006) propose a Sense-Response Cycle that helps managers to do four things:

- (a) To sense changes in their internal and external environments.
- (b) To make sense of these changes in the light of their purpose, circumstances, and goals.
- (c) To decide on a course of action or inaction.
- (d) To act on the decision and get others to act.

The elements in Welter and Egmont's (2006) Sense–Response Cycle suggest a combination of leadership and management activities. This implies that management and leadership are not totally exclusive of each other.

Extensive research and academic work has been done in seeking to separate leadership from management. It is clear that there is a need for the essential partnership between management and leadership. Because both management and leadership are learnable, it is more beneficial to have both management and leadership abilities in one person – a manager who can lead or a leader who can manage.

Tibane (2011) argues that the world view of a strategic manager can be seen in the managerial leadership approach of a strategic manager, and Tibane adds that, the need for managerial leadership is even more expedient in the 21st century when organizations employ more of knowledge workers than muscle workers.

If all capital assets (land, money, machines, technologies, etc.) are handled by people, it comes to reason that maximizing human capital becomes crucial to realizing the full potential of all other capitals. There is also evidence that the neglect of human capital is the neglect of all other capitals (Pike, 2001). John Tibane of Tibane Consulting is quoted in his address to the Senior Managers in the Department of Rural Development and Land Reform (2011) that “In addition to tough-minded decision making, delegation, monitoring, and adjustment, managers must assume the leadership task of influencing people at the following four levels to make strategy implementation work:

- (a) Influencing the way people think [Attitude]
- (b) Influencing the way people feel [Climate]
- (c) Influencing the way people act [Culture]
- (d) Influencing the way people interact [Service].

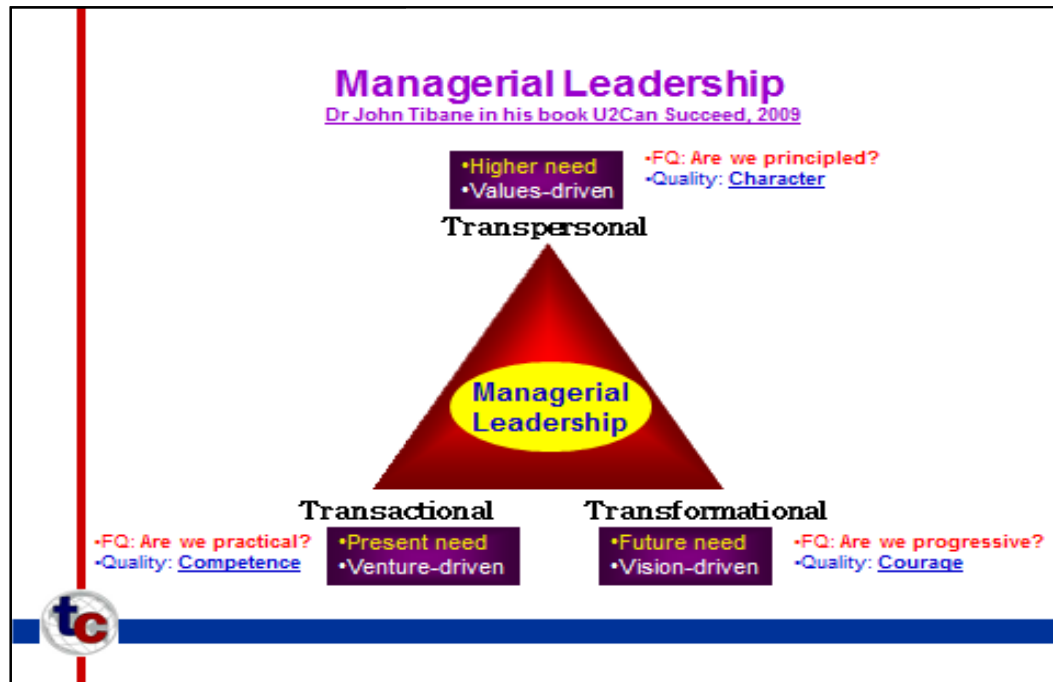
From Tibane’s (2011) argument, it is clear that people issues are critical and must be taken into account when managing strategy implementation in the organization system. Tibane’s view seems to concur with Pike (2001) who argues that, managing people risks is crucial for improving performance in organizations.

According to Tibane (2011) a success triad as a conceptual model can assist managers and strategy implementers to implement strategy successfully. Tibane argues that the triad model can help managers and leaders to examine themselves in terms of where they are; so that they can pay their attention to what drives them, how they relate to their subordinates and how all of that influences strategy implementation.

This triad principle, according to Tibane, is important to achievable success in strategy implementation and leadership in general. Tibane cautions, however that managers must always ensure balance of this triad, because failure do often results

in tension and conflict. Tibane (2011) however concedes that, different people will tend to lean towards one dimension, it is important to keep the balance.

Figure 4.8: Managerial Leadership Dimensions



Source: Adapted with permission from U2Can Succeed by Tibane (2009)

The above diagram in Figure 4.8 depicts what Tibane calls “The Success Triad”, and it demonstrates that managerial leadership is three-dimensional: with transactional, transformational and transpersonal dimensions. Tibane’s (2011) model appears to have been adopted from Kanungo’s (2001) transactional leadership, Devannas (1990) transformational leadership, and Howell and Hall-Merendas (1999) transpersonal leadership.

The following Section discusses these dimensions as they are influenced by the world view of the strategic manager and how they in turn impact on strategy implementation. Each leadership dimension is first described for clarity, and then

discussed with its required qualities and strategy implementation considerations in relation to it, according to Tibane (2011).

4.7.6.1 Transactional Dimension

This dimension is called transactional because it focuses on the business at hand. It is a give and take process. At this level, success is technical in nature and is evidence based. The focus of the transactional management leadership is on the present need.

Managers with the transactional oriented managerial leadership approach tend to be task-driven. They measure success by efficiency of the organization or firm they are position to lead and manage. According to Tibane (2011) managers of transactional leadership and management orientation are satisfied and feel successful in terms of how well they perform tasks, doing it on time, doing it according to specifications of the contract, and getting positive compliments.

Because the transactional dimension is almost technical and successful implementation is measured by tangible results, pragmatism is key performance at this level. This managerial leadership orientation may be successful in achieving task at hand but that does not guarantee achievement of overall goals of the strategy in this transitional dimension.

The second challenge about transactional managerial leadership orientation is that, it may strive for delivery against all odds, at the expense of the subordinates, in that the strain may be too much on subordinates. Given that successful implementation, at this level, is about meeting the present need, executing a specific task, and producing pre-determined results, the single most important quality needed is competence. Tibane (2011) described competence as a required set of attitudes, knowledge and skills to perform a particular function.

4.7.6.2 Transformational Dimension

According to Tibane (2011), this dimension is called transformational because its motivation is taking the organization to the future. The focus of transformational strategic manager is not on what is, but on what can be. Tibane (2011) views this focus as the essence of the reason for strategy implementation. At this level managers are concerned about the organisation's future needs.

The organisation's daily routines are informed by the specifications of the future. Managerial leaders anticipate the next bounce of the ball, making sure that they do not sabotage the organisation's future because of a present need. Tibane (2011) adds that, a vision-driven strategy implementation stretches organizations to prepare to become providers of choice in the future environment.

The challenge about this transformational strategic manager may be what happens if the orientation of a strategic manager is not rounded but one dimensional. Organization systems are dynamic systems that require versatile and contemporary management approaches that are relevant at that given time.

4.7.6.3 Transpersonal Dimension

According to Tibane (2011) the word 'transpersonal' here is used to mean 'beyond the person'. Managerial leaders of the transpersonal dimension know that it is not about them. Managerial leaders know that they live and work to contribute to something larger than themselves. This is a dimension of selflessness and altruism. The focus of transpersonal leadership is on higher and nobler needs. These are needs which when they are met, the world (and not just the organization) gets better. According to Tibane (2011) managerial leaders of transpersonal dimension orientation are concerned about the world's sustainability.

Tibane (2011) notes that, whilst at the transactional and transformational levels leaders and strategy implementers are driven by venture and vision-driven respectively. At transpersonal level they put more emphasis on values. Their behaviour is governed by values. In addressing higher needs, managerial leaders apply higher values. Managerial leaders that fall within this category value things such as life, the sacredness of work, sustainable growth, peace and morality. At this level managerial leaders focus on the notion that “the principles shape the world we live in”.

For this reason managerial leaders make sure that, as they go about their daily businesses, they interact with colleagues and clients. They are principle-centered. Transpersonal managerial leaders are great cultivators of shared organisational values (Tibane, 2011). It is worth noting that in today’s organization, strategic managers need all of the three dimensions of management, transactional, transformation and transpersonal, given the dynamic and performance driven environment they operate in. It is clear, from the managerial leadership contexts above, which the worldview of a strategic manager, evident by the leadership and management approach contributes to strategy implementation.

Strategic managers in Government departments therefore need to be aware of their world view. As the world view determines the way they will perceive and solve managerial problems. Their world view will also influence strategy implementation contexts. Lastly, for strategy implementation to succeed managers need to be sensitive to their own management and leadership style so that they can adjust them if the need arises.

In conclusion, whilst theories of strategy and strategic management are in the search for a best “fit” model, not only to describe challenges in strategy implementation but that which will work for today’s strategic manager that can contribute to effective

strategy implementation, Strebelle (1996) cautions that, a naïve approach of applying the same change medicine to different contexts cannot work.

Strategists today argue that what works, is a consequence of the ability to think outside the box. To discover the future is not necessary to be a seer but it is essential to be unorthodox (Hamel and Prahalad 1994). Innovation seems to have taken centre stage as a success factor in successful strategy implementation, and it is therefore evident that current success models suggest that the old orientation and mentality have been taken over.

It is clear that strategy implementation research has not managed to reach a consensus on what causes implementation failures.

A systems approach to the analysis of strategy implementation seems to bridge the gap, and integrated risk management throughout the implementation process can address challenges to effectiveness.

Additionally, risk management in strategy implementation frameworks literature is mentioned briefly, as a step in the choice of strategy (Noble, 1999; Okumus, 2001, 2003, Kaplan and Norton, (2001, Yang *et al.*, 2010), yet, White (1999) argues that managers need to manage risks effectively to achieve the objectives of the organization which Wenk (2005) adds that whilst it may not be possible to avoid uncertainty, it can be managed by proactively identifying the risks.

As suggested by NAO (2004), Mc Phee (2001) Barret (2005), Hillson (2010), White (1999), and Nombembe (2010), integrated risk management has the ability to bring about an increased degree of achievement of Government objectives in strategy implementation. It is therefore crucial to view risk management as a transformative system that can interact with other elements in the strategy implementation context.

The following Section discusses the case in point for strategy implementation: The ECPGDS: A case in point, for this study.

4.8 THE EASTERN CAPE PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY: A CASE IN POINT

The Eastern Cape launched the ECPGDS, and according to Togna (2005), this Strategy is to be implemented by Government departments, community, private sector and non-governmental organizations. Eastern Cape Provincial Government is expected to lead in the implementation of the ECPGDS.

This section discusses the background of the Eastern Cape Province and then proceeds to discuss the ECPGDS, in terms of its context content, strengths and weakness. SWOT analysis has been used as a tool for assessment. The latter part of this section discusses the risk pertaining to the ECPGDS implementation. The risks related to implementation of the ECPGDS are also discussed in the section here-under.

4.8.1 The Eastern Cape Provincial Administration context.

The clusters that are existent and are operational in the ECPA are all contributing to the objectives of the ECPGDS. The following are the four clusters in the Province:

- (a) The Governance and Administration cluster
- (b) The Economic Growth and Governance cluster
- (c) The Social Sector cluster
- (d) The Safety and Justice cluster

In South Africa in general and in the Eastern Cape Province in particular Government priorities are expressed in the Cluster Programme of Action. The clusters play a critical role in monitoring performance against the targets in the cluster Programme of Action. The departments in the Eastern Cape Province are differentiated as small and big departments. The classification is determined by the budget they control and the public sector appointment level of the accounting officer that heads the department. In big departments the accounting officer is the Head of the Department.

The big departments in the ECPA are: Department of Health (DoH), Department of Social Development (Dosed), Department of Education (DoE) Department of Agriculture and Rural Development (DoARDev) and Department of Local Government and Traditional Affairs (DLGTA). Each Department reports progress on implementation of the Cluster Programme of Action in the Cluster.

According to the Constitution the Premiers have the responsibility of managing the Province and are accountable to the President. However, the Constitution of the Republic of South Africa also allows for the national sphere of Government to take over the administration of the provincial sphere of government, where the provincial sphere is viewed as not having the capabilities to deal with its challenges.

In the same principle, the Constitution allows for the provincial sphere to take over the administration of the local Government sphere where local Government is viewed as not having the capacity to deal effectively with local Government sphere challenges. In this regard, some municipalities in the Eastern Cape had their administration taken over by the Provincial Administration in 2009/10.

4.8.2 Service Delivery and Risks in the Eastern Cape

The Eastern Cape Province faces a number of challenges according to the Auditor-General Report of 2009 to 2010 report. Leadership has also been cited as a challenge in this Province, and spells a need for greater support from national and provincial Treasury. Two departments, namely the Departments of Health and Education have been cited as having more challenges in this Province, according to the AG report of 2009 to 2010.

Auditor -General of RSA also reports that, there is a lack of direction and an organisational structure that does not promote good governance and accountability in Government departments in this Province , hence their inability to account for budget expenditure (AGSA, 2011).

As a result of the status explained above, the Department of Education has been placed under administration by the National Sphere of Government since October 2010 and there have been frequent media reports on lack of cooperation and struggles between the unions and the incumbent Head of department (HOD) placed by national Government to be the accounting officer of the department under administration.

This and other generic challenges faced by departments such as: (a) poorer-to-inadequate levels of 'non-financial' and performance management reporting, (b) poor and inconsistent work ethic as well work orientation/ work culture, (c) continued capacity issues in certain Departments, and (d) various persistent Auditor-General disclaimers have been reported as a challenge in ECPA since 2003, according to IMET Report (2007).

According to the Auditor - General of SA's report of 2007-2008, out of thirteen Provincial Departments analyzed, two (16%) Departments received adverse audit opinions, namely Education and Health. In addition, five (38%) Departments were financially qualified, namely Agriculture, Economic Development, Environmental Affairs, Housing, Local Government and Traditional Affairs, Roads and Transport, and Social Development (AGSA, 2009).

While efforts are being made to improve governance as evident by improved accountability, risk management and internal controls, slow progress has been reported. The Auditor-General reports that, even the recommendations from the Standing Committee on Public Accounts for 2007-2008 financial year that were tabled before the legislature have not been implemented in the end of the year 2009-2010 (AGSA, 2010).

The Provincial Auditor - General Report of 2007-08 reported that six (46%) departments were unqualified financially; there are concerns in the areas of internal control, governance and legislative non-compliance. These are (a) Public Works, (b) Safety and Liaison, (c) Sport, Recreation, Arts and Culture, (d) the Office of the Premier, (v) Provincial Legislature, and (vi) Provincial Treasury. This is the background of the Province and the risks that are currently a reality in the Province, which has set targets to achieve by 2014 in the ECPGDS. According to the Auditor General of South Africa, effective risk management can improve service delivery and governance in Government departments (Nombembe, 2010).

Given the various challenges discussed under section 4.8.2 of this thesis, the Eastern Cape Province need a transformative system to bring about improvement in the state areas of challenge and an integrated risk management approach across Government departments. This Province identified the ECPDS as one of the transformative mechanism to ensure collaboration and improved Province through a programme implemented across Government and private sector.

4.8.3 The Eastern Cape PGDS: A transformative system

The Eastern Cape PGDS was conceptualised by the Province to be transformative system, which would bring about integration and coordination as well as service delivery and transformation in Government departments of the Eastern Cape (Togna, 2005). The ECPGDS is designed to mobilize joint service delivery among the agencies, communities, civil society and nongovernmental organizations and the Government of the Eastern Cape. This design characteristic makes the ECPGDS fits the description of a Whole of Government “WOG” programme.

WOG programmes are driven centrally of the Premiers’ Office .It mobilizes all sectors of Government and community to work together and contribute to the achievement of the outcomes of Government by implementing clearly defined programmes with specific objectives. WOG Programme assists in both the speedy delivery of Government programmes, improve service delivery and customer experience, improve monitoring and evaluation of Government programmes (Hunt, 2005).

The ECPGDS is intended to address poverty and unemployment and ensure better the life of the citizens of the Eastern Cape, as well as modernization Eastern Cape government. The ECPGDS has a programme and plan that outline a ten-year vision of sustainable growth and human development in the Province, a strategy plan, a set of feasible programmes and a fiscal framework designed to expedite achievement of the national goal of “a better life for all.”

The plan also contains growth and poverty reduction targets that inform a set of feasible and affordable programmes underpinned by broad-based consensus on the human development path to be followed by the Province. Lastly the plan includes programmes to address the short-term needs and crises of the Province, as well as community based human and income poverty reduction initiatives. The ECPGDP reflects the Eastern Cape government’s shift towards more integrated approaches to

service delivery, which includes working closely with social partners, and building capacity, particularly in local Government.

As stated earlier in the development of the ECPGDS Section, all Provinces have taken on national targets and MDGs and reflect them within the ECPGDS (CSIR, 2010). The ECPGDP attempts to interpret these national targets at a provincial scale. Gathering from the Office of the Premier's assessment of the PGDP in the Eastern Cape, there is an admission that more time and resources will be needed to realise the PGDP targets. Concerns have been raised about meeting the PGDS and Millennium development goals, given the current decline in the mining and agriculture as well as other external global economic forces at play, there is no way that the Province will be able to halve unemployment and reduce poverty significantly by 2014 (CSIR, 2010).

The formulation of the ECPGDS may not have been viewed as perfect (MEC comments on the plan) and needing review of the pillars of the PGDP (ECSSEC assessment report). It is a hope for many, to bridge the economy divide and make advances towards the achievement of the Millennium Development Goals

WOG requires special attention in coordination and implementation areas to prevent implementation failures. The risk management strategies of such programmes need to be tailor made to address coordination, joint implementation, joint reporting and institutional arrangements that go hand in hand with programmes of this nature. The discussion on the WOG is viewed as important for the study for the following main reasons:

- (a) ECPGDS is a WOG Programme as the PGDS are implemented nationally in South Africa. All Provinces have their growth and development strategies although the study focused on the ECPGDS.

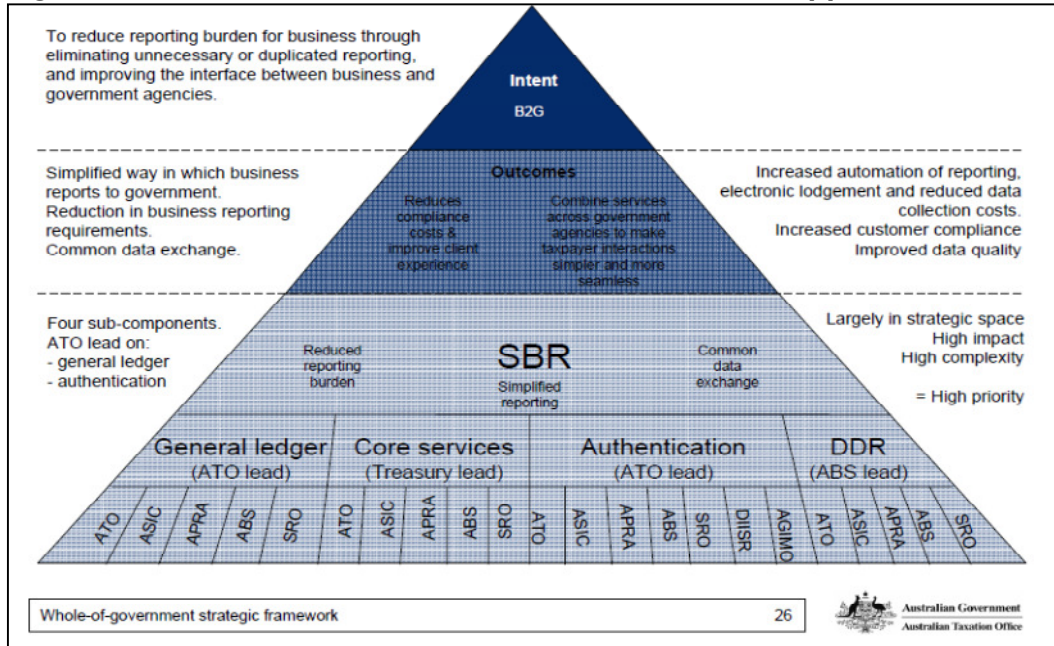
- (b) The emphasis on WOG programme is to move away from silo approach in service delivery.
- (c) This approach of moving away from silo towards an integrated approach is the priority for the RSA government.
- (d) The RSA government .has recently adopted the outcome-based approach, which is WOG in approach, and the nation is getting heads around understanding this concept and its principles.
- (e) Since “Whole of Government programmes is new in South Africa, the intention is to share lessons learnt from the global community on the principles and frameworks of the whole of Government programmes , even more importantly, for the public sector strategic managers to know how to manage them’.

4.8.4 The characteristics of the ECPGDP

The ECPGDS formulation approach and principle follow those of a whole WOG programmes as can be seen in the WOG for other countries, for example in Australia, Canada and Chile. In the WOG implementation approach the agenda of Government is at the centre and agencies, NGOs, NPOs, private sector, business and Government entities, all contribute to the outcomes of Government and ultimately to the policy intent of the State, through implementation of clearly defined programmes.

There is a specific framework for the WOG programme initiatives and Figure 4.9 below shows a sample framework for the Whole of Government programme for Australia

Figure 4.9: Framework for the “Whole of Government” Approach



Source: Australian Government Strategy Framework (2002)

WOG programme have been popular in Government recently and South Africa like other countries is implementing these programme. Although there is a view that WOG programmes fast track service delivery, they have their challenges. Benefits of and challenged of whole of Government programmes are discussed below to provide clarity.

(a) Benefits for WOG Approach Initiatives

- (i) Beneficiaries are involved and participate in the design of their future.
- (ii) Clear benefits are delivered to Government faster.
- (iii) Customer experience improves.

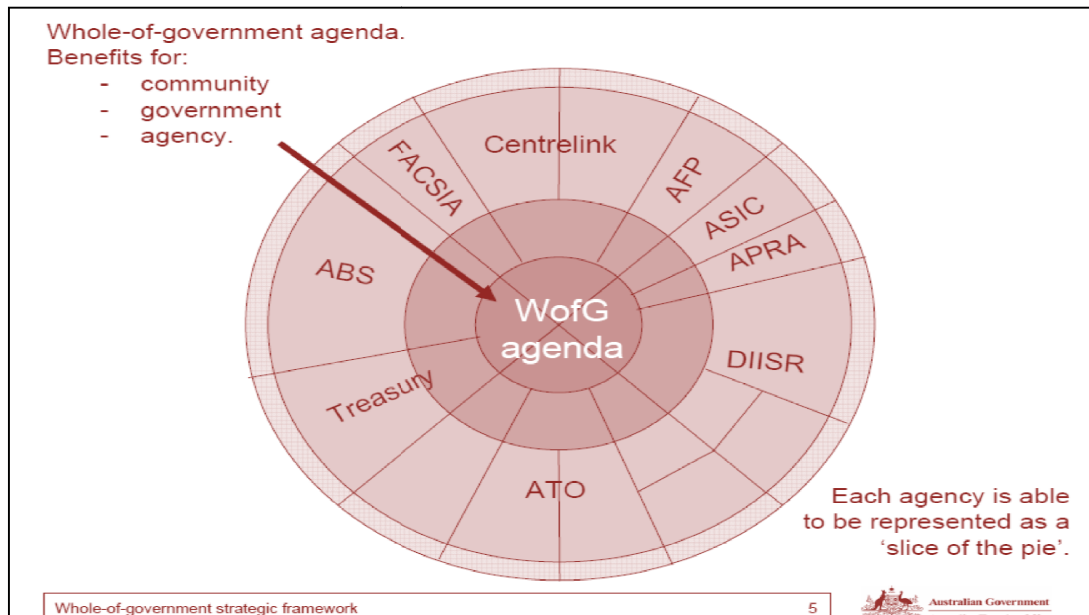
(b) Weaknesses in the WOG Implementation

- (i) WOG approaches make rhetorical (or mantra) overtures toward cross-cutting incentives.
- (ii) It asks people to step outside their traditional incentive structures and risk the novel, the unconventional, and the passionate social activist “sleeping rough” approach of the UK Demonstrations.
- (iii) It cuts across hierarchy, authority, organisational form and budgets, but usually has no or limited budget itself. Put differently, it asks hierarchies to behave differently with no necessary incentives for doing so.
- (iv) Occasionally, there is an inter-agency or collaborative program grant, but in the broad scheme of things, it is relatively insignificant to the way Government is structured and operates.

(c) Challenges for Whole of Government implementation

- (i) **Political buy-in and commitment:** WOG agendas tend to be promulgated by central agency, people in positions of formal power’ but the buy in and uptake of the programme remain a challenge.
- (ii) **Additional side tasks for managers:** For most managers, any involvement in WOG initiatives tends to be a side-show’(Bartos, 2005)
- (iii) **Accountability reactions.’** The WOG exercise may be a “fine weather” *model* when interest and resources are sufficient to generate actions. It can work under a specific constellation` (Australian Government Agencies, 2005)

Figure 4.10: Whole of Government Framework approach



Source: Australia Whole of Government strategy

4.8.5 *The Content of PDGS*

A functional integration and WOG approach was followed in the design of the ECPGDS. As stated in chapter 3 of this thesis, WOG programmes” that are popular in the public sector reform are those programmes of Government that move from a silo approach to functional integration in the delivery of Government priorities, public policy and Government programmes. In programmes of this nature, four operational levels of ‘joining’ in the public sector are also identified, namely interdepartmental, intradepartmental, intergovernmental and inter-sectoral. ECPGDS has been designed in the whole of Government approach.

As explained in the orientation chapter, ECPGDS implementation cuts across Government departments, local municipalities, private sector and citizens, and Government departments are at the centre of coordination and lead implementation of the ECPGDS.

The PGDP is viewed as a transformation tool, not just a social tool but also in terms of the public sector (Togna, 2005). Minister Nkwinti, who was the MEC in the Eastern Cape Province, then cautioned that, as a kind of transformation, the PDGS is not going to be voluntary, and easy, and as such needs enforced implementation to ensure success. The PGDP has to formed part of performance agreements of Head of Departments.

Literature on implementation success models that determine success in the implementation of strategy, identify the following contexts: the leadership context, the change context, the culture context, the content, the competencies, and the process of strategy implementation as critical for strategy implementation (Lau, 1999; Okumus (2001), (2003), Hrebiniak (2005), Cater and Pucko (2010) Joyce and Woods (2001).The ECPGDS is examined under those themes, as discussed in Sections that follow.

The content is taken from the design and the programmes of the ECPGDS. The ECPGDS was initially developed. From it, a plan (PGDP) was developed which was launched in 2004. The plan had 'flagship programmes' which were to support the PGDP implementation and were planned for the period of the 2004-2007 Medium Term Expenditure Framework (MTEF). The ECPGDS has the following pillars: Eradication of Poverty, Agrarian Transformation, Manufacturing and Diversification, Infrastructure Development, Human Resource Development and Public Sector Transformation. The pillars had various projects implemented and led by Departments that form part of the clusters of the Eastern Cape (PGDP, 2004).

The PGDP is designed to deal with the spread and incident of poverty and unemployment, as well as the spatial inequality – the imbalances – between different regions. The plan prioritises interventions in three sectors, namely: manufacturing, agriculture and tourism.

Its programmes are built on Government's existing interventions, particularly those that create jobs and fight poverty. At the same time, it intends to redirect Government plans and spending towards addressing fundamental problems in the economy (the PGDP document). The PGDP programmes are grouped into five clusters of interventions: poverty reduction and job creation, improved service delivery, gearing the state to drive economic transformation, projects that can "crowd in" investment into rural economy, human resource development, and accelerating manufacturing output and employment. The following criterion is the bases for selecting programmes for the ECPGDS, according to the Provincial Growth and Development Plan (PGDP) document:

- (a) There must be evidence of participation by the Province's people in the development process.
- (b) The programme must be able to steer the Government towards using its limited resources to play a bigger and more effective role in facilitating economic growth.
- (c) The programme must use the State resources in a way that centralises the needs of the poor, gradually moving from short-term welfare to drawing the poor into mainstream.
- (d) Programme must optimize job creation and economic opportunities through targeted procurement and supply chain management to promote local economic development and Black Economic Empowerment, and encourage the use of labour-intensive technology where appropriate.
- (e) Must rapidly open access by the poor to finance and assets such as land, plants and machinery. This is what is meant by "increasing the asset base" of the poor.
- (f) Effectively deal with HIV/AIDS through a comprehensive prevention, treatment and care programme that does not place additional pressures on the state's safety net (and funds) in the medium-to-long range.

- (g) Programme must accelerate state transformation to more efficiently deliver social services, and more effectively honour constitutional obligations to the poorest of the poor; and lastly
- (h) Programme must develop and enhance the potential for women and youth, and increase their participation in the development process and economic activities.

From these programmes core objectives and foundation objectives are identified and are discussed below.

4.8.6 The core objectives of the ECPGDS

- (a) **Core Objective 1:** Implement systematic poverty eradication programmes through a holistic, integrated and multi-dimensional approach that is biased towards the poor. According to the PGDP poverty means lack of access to opportunities (income, skills, knowledge, self-confidence and decision-making) necessary for sustainable livelihood particularly vulnerable groups are women, older people, children and people with disabilities. Generally those with the least control over decision-making. Poverty has economic, social and political dimensions and can only be eradicated if the underlying structural causes are addressed (The PGDP booklet, 2004).
- (b) **Core Objective 2:** Implement agrarian transformation and strengthening household food security. This objective is viewed as a key to poverty eradication that can lead directly to better incomes and more jobs for the poorest families in the Eastern Cape. Instead of focusing on *agriculture* in a narrow sense, the PGDP deliberately uses the word, *agrarian*, to take into account a broad range of factors and activities that are related to agriculture, including land use and

ownership. THE PGDP flagship programmes operate under the following objectives:

- (i) **The Agriculture Infrastructure Programme:** Packaging and delivering agricultural infrastructure, such as earth dams, dipping tanks, shearing sheds, access roads, small-scale irrigation infrastructure and storage facilities. The aim is to kick start development in the agricultural sector, particularly in poorer areas, through consolidation and provision of basic infrastructure, linking initiatives by various Departments and municipalities to provide roads, transport and basic services to rural areas.
 - (ii) **Massive Food Programme:** To increase production of food crops and to encourage access to new markets through infrastructure, credit and training support.
 - (iii) **Siyazondla Homestead Food Production Programme:** Growing of nutritional food in homestead gardens to meet immediate needs of food supply, and also to create more options for households to exchange goods and raise incomes, particularly when they produce surplus food.
 - (iv) **The Integrated Nutritional Programme:** Eliminating malnutrition, stunting, underweight, hunger and deficiencies, particularly targeting young children, pregnant or lactating mothers and primary school children.
- (c) **Core Objective 3:** Achieve the consolidation, development and diversification of the manufacturing based and tourism potential. From the onset, there was a level of uncertainty on the concreteness of the plan. One MEC said, pointing to a weakness in the plan, “We have been discussing vigorously but we could not come out with an explicit strategy for industrialization and for infrastructure investment in the

PGDP. As a result, as we begin to implement the programmes, we recognize that this is a fundamental shortcoming”. From the objectives of the ECPGDS, pillars were developed which are based on the programmes of the ECPGDS were identified and are given in Figure 4.11 below.

Figure 4.11: Pillars of the PGDP



(Source: PGDP, 2004)

4.8.6.1 ECPGDS targets from 2004 to 2014

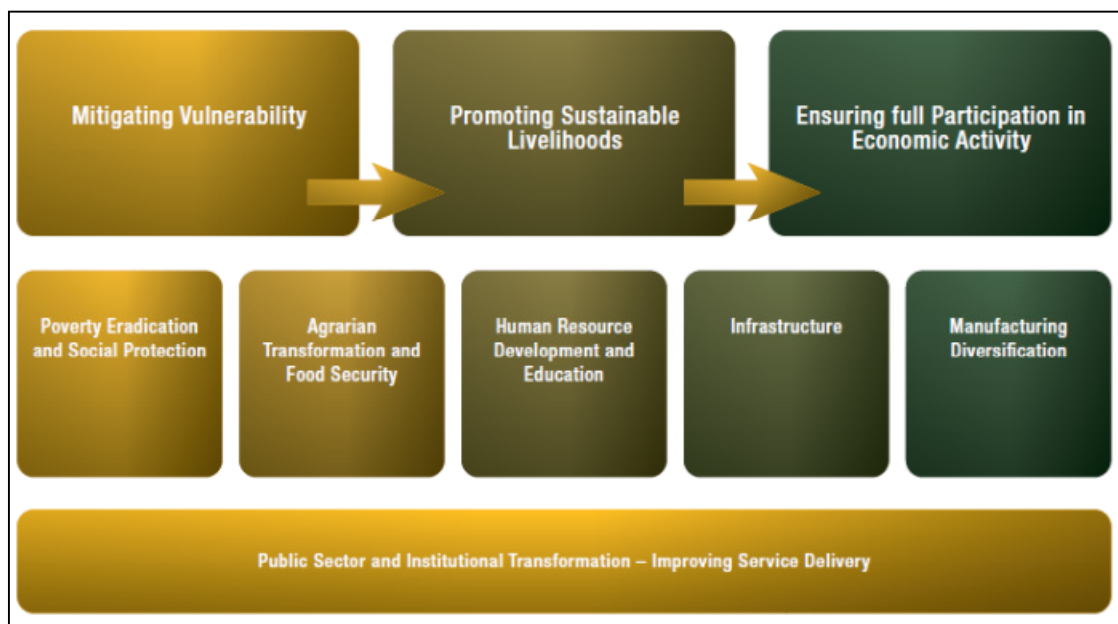
The ECPGDS targets for growth and development in the Eastern Cape for the period 2004-2014 are identified as follows:

- (a) To maintain an economic growth rate of between 5% and 8% per annum.
- (b) To halve the unemployment rate by 2014.
- (c) To reduce between 60% and 80% of the number of households living below the poverty line 2014.

- (d) To reduce by between 60% and 80% the proportion of people suffering from hunger by 2014.
- (e) To establish food self-sufficiency in the Province by 2014.
- (f) To ensure Universal Primary Education (UPE) by 2014, with all children proceeding to the first exit point in a secondary school education.
- (g) To improve the literacy rate in the Province by 50% by 2014.
- (h) To eliminate gender disparity in education and employment by 2014.
- (i) To reduce by two-thirds the under-five mortality rate by 2014.
- (j) To reduce by three-quarters the maternal mortality rate by 2014.
- (k) To halt and begin to reverse the spread of HIV/AIDS by 2014.
- (l) To halt and begin to reverse the spread of tuberculosis by 2014.
- (m) To provide clean water to all in the Province by 2014.
- (n) To eliminate sanitation problems by 2014.

Indicators have to be developed to measure progress on targets. The monitoring and Evaluation framework is designed which has performance targets to measure progress on the PGDS (PGDP, 2004). *The indicators measured progress according to the targets set in line with the Poverty eradication model of the PGDS.* Figure 4.12 below show poverty eradication model of the ECPGDS.

Figure 4.12: Poverty eradication model of the ECPGDS



Source: PGDP document (2004)

4.8.6.2 Budget allocation for the ECPGDS

There was no separate budget allocation for the ECPGDS, Government departments had to allocate ECPGDS projects budget from the funded programmes according to budget vote of the departments. This has been argued to be one of the weaknesses in the planning of the ECPGDS and is viewed to be one of the implementation factors that contributed to the lack of uptake and speedy delivery on ECPGDS projects (CSIR, 2010). Table 2 shows provincial budget by vote.

Table 4.7: Summary of provincial payments and estimates by vote

Votes	Audited 2003/04 R'000	Audited 2004/05 R'000	Audited 2005/06 R'000	Adjusted	Estimated 2007/08 R'000	Change: 2003/04 to 2007/08 %
Office of the Premier	206,696	182,914	253,429	293,123	311,812	50.9
Provincial Legislature	79,615	91,500	111,042	140,590	154,525	94.1
Health	5,243,012	5,180,217	6,120,187	7,336,999	8,142,743	55.3
Social Development	485,386	419,172	539,649	740,802	951,735	96.3
Public works	500,678	494,972	517,297	514,272	617,973	23.3
Education	10,155,301	10,654,446	11,523,158	13,122,087	14,726,061	45.0
Housing & Local Government	1,240,871	997,564	10,082,725	1,260,856	1,574,138	26.8
Agriculture	751,961	821,936	787,327	896,238	989,282	31.5
Economic Development & Environmental Affairs	825,722	672,272	619,239	703,222	620,973	-24
Road & Transport	1,787,978	1,602,694	1,773,007	2,014,413	2,239,065	25.2
Sports, Recreation Arts & Culture	252,205	219,363	270,214	325,670	406,011	61.1
Safety & Liaison	8,781	11,541	12,782	24,365	30,634	24.9
Provincial Treasury	174,010	147,750	118,992	159,245	243,859	40.2
Total Payments & Estimates	21,712,216	21,586,391	23,729,045	27,529,882	31,008,811	42.8

Source: Intergovernmental Fiscal Review 2007,

4.8.7 The process of the development and implementation of the ECPGDS

The South African Government launched the National Growth Strategy in 2003. Currently there is limited evidence of standard characteristics of growth and developments strategies. However, there is evidence that national guidelines are

developed that specified the context, objective and key components of the Growth and Developments Strategies in SA (DPLG, guidelines for ECPGDS).

It is important to note that the PGDP is developed in the absence of the national ECPGDS guidelines. In 2005, a year after the launch of the PGDP, the Presidency released the ECPGDS guidelines, which states that the main function of the ECPGDS is to provide a collaborative framework to drive growth and development. The ECPGDS is designed to serve as a mechanism of alignment to allocate resources equitably and effectively, and to monitor and support the implementation of key local, provincial and national priorities (ECSSEC, 2008).

Eastern Cape is one of the first Provinces to set up a partnership between Government, labour, business and civil society interest in the form of the Eastern Cape Social-Economic Consultative Council (ECSECC). The ECSECC has been intimately involved in the PGDP process since 2003 and continues to play a key role in the current PGDP review process (CSIR, 2010). There is however, a recorded insufficient assessment of readiness and implementation success factors in Government for the implementation of the ECPGDS.

According to CSIR (2010) report on the Provincial Growth and Development Strategies, states that most Provinces reported capacity challenges within their departments to implement the PGDS, due to understaffing which is rife, and departments are struggling to respond to many requirements imposed upon them by their national departments and by the National Treasury as well as other national Public Service requirements, before the additional ECPGDS programmes responsibilities.

Although it could be argued that the cluster system provides for better possibilities for monitoring the ECPGDS, the design of the monitoring framework is such that clusters cannot ensure adequate resource for the alignment of projects with the ECPGDS priorities.

The ECPGDS priorities in some cases are reported to be so broad and all encompassing that any departmental project could be said to be aligned, but not in a manner that helps the departments to decide between a numbers of strategic options that they face. Other departments are struggling to isolate ECPGDS projects while the Departments of Economic Affairs Development is reported to have a better uptake of the ECPGDS than Health, Education and Social Development.

A number of reasons are given for this, including the fact that the Department of Economic Affairs/Development is the objective of economic growth (CSIR, 2010). The latter point came out as a common cause for concern, and the readiness of Provinces to implement the ECPGDS. This makes the implementation of PGDS s to be a risk field, with many unidentified risks that could have a negative influence in the successful implementation

4.8.8 Strengths and weaknesses of ECPGDS planning (SWOT analysis)

According to the CSIR review Report (2010), there have been observed weaknesses in PGDS strategies nationally. The perceived PGDS underlying weaknesses center around, firstly, the inability of Provinces to focus their resources on delivering effectively on their core mandates and yet, at the same time, and in the manner in which they do it, to leverage resources, energy and initiatives which significantly foster economic growth and development, create jobs and significantly improve quality of life.

According to CSIR report (2010) the other weakness is that, most Provinces do not seem to achieve the elusive integrated approach to development due to silo approach to development planning that prevails in government. This situation is exacerbated by the accountability arrangement in that the MECs report both to their

relevant National Ministers and Premiers and are more preoccupied with delivering on the national sector than to aligning with provincial strategies.

It could be further argued that these institutional design weaknesses that originate from challenges inherent in the way in which the inter-governmental system was conceptualized, and in the overall institutional design of the State. Another important disjuncture, for example, is the inter-governmental fiscal system and allocation of core mandates in the Constitution. It is stated that Provinces have primarily a social development mandate and yet, it is assumed that they must pay a significant economic developmental role.

Other weaknesses remain around the ability of Provinces to engage in effective strategic planning with limited evidence of strategic choices being made around future developmental trajectories or a strategic scanning of dynamics as a basis for the identification of relevant issues. The assessment of the progress on the PGDP revealed some weaknesses in the formulation of the plan. The ECCSECC (2008) reports on the PGDP implementation reported a need for the plan to be revisited and reviewed. ECCECC stated that the PGDP needs be updated to reflect the socio-economic realities and requirements of the Eastern Cape, and be brought in line with national Government's initiative to bring about a single Public Service.

The ECCSEC (2008) report added that special emphasis needs to be placed on upgrading the programmatic component in accordance with the technical requirements of portfolio programme management. This should include a definition of measurable objectives, the development of appropriate and measurable indicators, detailed evidence-based assessment of outcomes and intervention points, and risk management measures.

4.8.9 Risk Management in the ECPGDS

According to treasury guidelines of the Republic of South Africa, all Government departments must assess risk and formulate a risk management strategy for monitoring the risks. There is evidence that Government departments in the Eastern Cape and in the Republic of South Africa are still struggling with the uptake of the ECPGDS (CSIR, 2010).

Examples from other countries show that cross functional integration and Whole of Government programme require a specific and focused type of risk management that is inclusive of risk management structures at a political level to drive and oversee risk management of functional integration programmes for them to succeed.

No mention is made on the ECPGDS document of the risk management and the institutional arrangement for strategic risk management to ensure achievement of the ECPGDS objectives.

As discussed earlier in the background Section about the Eastern Cape Province, more than 50% of Government departments and municipalities have failed to achieve clean audit between 2004 and 2008. See the two audits report Tables 4.8 and 4.9

Table 4.8: Audit outcomes for Eastern Cape Government, 2002-200

Department	2002/03	2003/04	2004/05
Social Development	2 qualifications 7 emphasis of matter	Modified Unqualified 7 emphasis of matter	Modified Unqualified 8 emphasis of matter
Roads & Public Works	5 qualifications 4 emphasis of matter	1 qualification 8 emphasis of matter	1 qualification 8 emphasis of matter
Health	Modified Unqualified 15 emphasis of matter	4 Disclaimers 20 emphasis of matter	9 Disclaimers 20 emphasis of matter
Housing, Local Government & Traditional Affairs	3 Disclaimers 6 emphasis of matter	3 Disclaimers 5 emphasis of matter	1 Disclaimer 7 emphasis of matter
Provincial Treasury	Modified Unqualified 7 emphasis of matter	Modified Unqualified 6 emphasis of matter	1 qualification 8 emphasis of matter
Office of the Premier	2 qualifications 4 emphasis of matter	Modified Unqualified 4 emphasis of matter	Modified Unqualified 4 emphasis of matter

Source: IMET Report (2007)

Table 4.9: Audit outcomes for Eastern Cape Government, 2007-2009

Type of audit opinion	2006-07	2007-08	2008-09	2009-10
	Number	Number	Number	Number
Adverse	3	2	0	2
Disclaimer	1	0	2	0
Qualified	7	5	3	2
Financially unqualified (with other matters)	2	6	9	10
Financially unqualified (with no other matters)	0	0	0	0
Total analysed	13	13	14	14

Source: Auditor general website www.agsa.gov.za

4.9 CONCLUSION

This chapter presented a literature survey that explores risk management as a transformative subsystem to improve strategy implementation. The analysis of risk management show that management of risk cannot be limited to strategy choices phase but applied throughout the strategy cycle and even more in strategy implementation phase.

Given that risk unidentified is manifesting in service delivery, resulting in unintended consequences and overtaking the intended objectives, the chapter admits that sound management good practice guidelines demands that managers in public sector be competent in dealing with and managing of risks for strategy, programme and business operations. On approaches to risk management, the chapter mentions different approaches of best practices in some advanced countries. Given the risks identified both by the Auditor General (2009- 2010) and IMT (2008) reports, Eastern Cape Government departments need to strengthen their risk management and

manage risks in an integrated and coordinated manner to improve service delivery and ECPDGS implementation.

Section 1 used the literature to give an analysis of the concepts of strategy and strategy implementation. The literature in this part portrays strategy implementation as a transformative system that covers all aspects of organization including environment, customers, culture, actors in strategy implementation and the world view of strategic managers.

In the end, the chapter discusses the ECPGDS and shows the characteristics in the ECPGDS, which makes it a “WOG”. The ECPGDP as a “WOG” aims to mobilize joint service delivery among the agencies, communities, civil society and non-governmental organizations and Government of the Eastern Cape.

Whilst challenges in service delivery such as, leadership and culture are acknowledged as challenges according to the ECPGDS strategy, IMET closing report, and the Auditor -General Reports for the Eastern Cape show weaknesses in management of risks, which affects service delivery. In this study ECPGDS is shown as a transformation strategy for dealing with poverty, unemployment, creation of better life for the citizens of the Eastern Cape and for modernising Eastern Cape government. Theories on current models of risk management discussed in this chapter argue that, if implemented effectively, appropriately and in an integrated manner risk management can enhance the implementation of strategies and programmes.

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

The aim of this chapter is to describe the research design and methodology used in the study as well as the procedures and tools adopted in collecting and analyzing data for the study. This includes; the area of the target population, the sampling procedures, the ethical considerations, and the data collection and analysis techniques.

The triangulation method used during the inquiry will also be described, and the measures to ensure trustworthiness of the study outlined. The elements of the study necessitate both qualitative and quantitative methods; the reasons for the choice of mixed approach shall be explained in this chapter. Limitations of the research design and method will be described towards the end of this chapter.

5.2 RESEARCH DESIGN

Mouton (2001) differentiates between research design and research methodology. According to Mouton, a research design is the blueprint of how a researcher intends to conduct her/ his research, while the research methodology implies the application of research procedure, tools and method in implementing the chosen research design.

This study is exploratory in its overall approach. It is focused on the assessment of the application of integrated risk management in the implementation of ECPGDS by Eastern Cape Government departments.

As stated in chapter 1, there are three ways of conducting exploratory study, according to Emory and Cooper (1991). These are:

- (a) Search of literature;
- (b) Talking to experts; and
- (c) Conducting focus group interviews. The three suggested methods were applied in the study. Review of related literature, semi-structured interviews with specialists in the field, document analysis and focus group discussions were used in the study.

5.2.1 Area of the Study

The study is conducted in the area of Public management, with a specific focus on the management of risk (Mo R) within the organization. In terms of geographical location, the study is carried out in the Government departments of Eastern Cape Province in Bisho. The units of analysis are Government departments, their application of risk management as contained in their strategic plans, annual performance plans and risk management strategy documents and risk registers used during data collection in the study.

5.2.2 Research Methodology

A mixed strategy of both qualitative and quantitative approaches is utilized in the study. Firstly, qualitative approach is based on the following reasons:

- (a) The study topic presents measurement variables suitable for qualitative undertaking,
- (b) The experiences of strategic planning practitioners are subjective and somewhat difficult to measure quantitatively.

- (c) The richness of the useful information could not be gained if only the quantitative undertaking is followed.
- (d) The use of qualitative operational research methodology is of great value.
- (e) The study is intended to come up with new findings that could be followed up in another study.

Secondly, the quantitative approach is utilized in the data analysis for risk factors in terms of probability of occurrence and consequence of occurrence. Probability and Impact dimensions are assigned numeral values, from 1 to 5 with 1- being the lowest and 5 being the highest according to the Likert scale measurement (Burns and Grove, 2003; Saunders *et al.* 2003)

The study follows a multiple method, whereby both primary and secondary data sources are utilized (Saunders *et al.* 2003). The analysis of documents is used to ascertain key issues identified and addressed in the primary data collection. This approach also enables triangulation in the study. Triangulation is utilized to ensure validity and eliminate bias.

Both semi structured specialist and risk managers at the national level are interviewed. They include those who serve on the national Government risk forum) Pilot-test' or is used to refine the risk register prior to the field work exercise.

5.2.2.1 Study Population

By definition, population is all elements that meet certain criteria for inclusion in a study (Kerlinger and Lee, 1999). As such the study population includes the following:

- (a) Clusters of Government and Administration in the in the Eastern Cape Province i.e., the Economic Growth and Governance cluster, the Social Sector cluster, the Justice cluster, and the Safety and Liaison cluster.
- (b) Big Departments (i.e. departments with budget exceeding R 2 billion for expenditure per financial year, e.g. Eastern Cape Department of Health (ECDOH), Eastern Cape Department of Social development (ECDoSD), Eastern Cape Department of Education (ECDoE), Eastern Cape Department of Rural Development and Agrarian Reform (name changed in 2011) and, Eastern Cape Department of Local Government and Traditional Affairs (ECDLGTA).
- (c) Small Departments, e.g. Public Works Department.
- (d) Specialists (specific participants) in the areas of strategic planning, programme management and risk management.

5.2.2.2 Study Sampling

A sample is a subset of population that is selected for a particular study. "Sampling is thus defined as a process of selecting a group of people, events behaviour or other elements with which to conduct a study", Burns and Grove (2003). Purposive sampling is utilized in the selection of all provincial Government clusters for the study. Purposive sampling technique is also utilized in the selection of specialists (specific participants) in the area of strategic planning, programme management and risk management. The specialist participants are selected because of their specialist knowledge and experience in the field of strategic planning and risk management (Burns and Grove, 2003). The sampling plan is implemented at two levels as follows:

Level 1: Purposeful sampling of Government departments, classified according to the treasury budget allocation and delegations to the departments.

Level 2: Individual purposeful sampling, in which specialist interview group is selected (Group 1). The specialist participants participated in an

unstructured interview group (Group 1), whereby, critical cases are drawn to represent certain sub-groups of the population of particular interest.

Sampling of Government departments involves the selection of, one small department and one big department per cluster for inclusion in the study. A total of four out of five big departments participated in the study. The decision to select two per cluster, in the categories small and big is intended to ensure full representation of all departments in the ECPA. The number of participants in a qualitative study is adequate when saturation of information is achieved in a study area (Burns and Grove, 2003). Saturation of data occurs when additional sampling provides no new information.

Two groups are interviewed using unstructured interview method to complement the focus group. The focus group is made up of six Government departments. The interview groups represent policy, and strategic groups, according to the levels of decision making and risk management discussed in chapter three of the study. The following are the samples used in the study:

5.2.2.3 Group 1: Specialist Interview Group

The specialist interview group comprises of two Political Principals, i.e. the Auditor - Generals at both national and provincial levels where the implementation of the PGDP is taking place, and the ECPGDS Programme Manager. One-to-one specialist interviews are conducted with the respondents. Each respondent is expected to express his/ her opinion of the characteristics of the PGDP Programme plans. As criteria for inclusion in the study, the research participants are to meet three of the four criteria set below

- (a) The participant must be functioning at policy level with seven (7) to ten (10) years experience.

- (b) The participants must be currently doing, or have done work in the area of policy and risks management at national and provincial levels and as such has a fair understanding of growth and development Strategies in the Republic of South Africa and management of related risks.
- (c) The participant must have been involved in the formulation of the ECPGDS strategy prior to 2004 launch of the ECPGDS, and is current on the developments in the Province between 2004 and 2008.
- (d) Must have presented a paper either in risk management in the Republic of South Africa and or a growth and development conference between the calendar years of 2004 – 2008.

The aim of these interviews is to obtain information in the following two areas:

- (a) Characteristics and frameworks of risk management as experienced by these participants.
- (b) Their opinion on the existence of a standard approach in the development of growth and development strategies and application of risk management in them.

5.2.3 Data Collection Techniques and Research Tools

The following data collection techniques and research tools are utilized in the study:

5.2.3.1 Focus Group Technique

Focus group technique is incorporated to allow participants working in the field to express their views and experiences in a focus environment. The focus group

composition is made up of representatives of Government departments who are responsible for strategic planning in their departments.

The focus group members are operating at a strategic, tactical and operational level in their departments, and are responsible for the ECPGDS implementation. They are considered specialists in planning and are members of the Eastern Cape Planning and Monitoring and Evaluation Forum called the PMETT. Participation in the focus group enables focus group participants to describe the risks in the list, categorize and rank them.

The researcher uses a focus group guide document to run the focus group, which detailed; the procedure, the purpose and the objectives of the study. The guide also has three definitions of risk management plus the working definition for purposes of providing clarity to the focus members.

The definition of risk management and strategy implementation is to ensure that both the researcher and the focus group are using the same standard for measurement of risk. An explanation is also given to ensure that; there is a common understanding of the definition of risk, impact probability and their management.

5.2.3.2 Risk Register

The risk register includes the following factors:

- (a) Causes of implementation failure factors, taken from the literature, including literature from Hrebiniak (2005) Cater and Pucko (2010) and Tshayingca-Mashiya (2008).
- (b) Risk factors from the Delphi study of Pare *et al.*(2008)

- (c) Risk factors added by the risk forum for national Government departments where the risk register is piloted.

During the focus group interview, the risk register (soft copy) is projected via the LCD to the participants. Working as a team the focus group members ranked each risk on the scale of 1 to 5. Whereby 1 is the lowest and 5 is the highest on probability and impact. The focus group members are allowed to discuss and agree on the value to put on the register.

This method also allows:

- (a) Members to share their experiences of risks causes, and
- (b) Experiences in relation to risk and its impact on the organization as a guide to the current ranking of risk.

5.2.3.3 Development of the risk registers for administering in the focus group

The researcher compiled a risk register by collecting risk list from three different sources. The sources include literature reviewed on strategy implementation failure factors. The research group according to categories and include these in the risk register. The researcher compares the risk list from reviewed literature and risks in the national risk management strategy for South Africa. These processes lead to a development of a draft risk register for the ECPGDS.

The draft risk register is subjected to the comparison of a study conducted by Pare *et al.* in 2008, which has risk factors for information system strategy implementation. The reason for selecting Pare' *et al.* (2008) risk assessment study is that, it has a unifying framework for risks, where risks are defined, grouped and categorized. This

is what the researcher is attempting to do in this study, structuring risks factors in an integrated whole so as to provide a theory for managerial action.

As a result of comparison with Pare risk study, risk factors that are not in the initial risk register, but are identified in the literature as theory of risk factors associated with implementation failures are added into the final risk register for administering in the focus group.

5.2.3.4 Structured Questionnaire

A questionnaire tool is designed and implemented, based on a 5- point rating Likert scale. The design of the questionnaire is such that it provides responses to the research questions, whilst ensuring control of extraneous variables that shall be identified. The questionnaire tests various areas namely: *Awareness, Application, Training, exposure in Risk Management Knowledge; skills on risk management and the PGDP projects Implemented by the Departments and their system of risk management.*

The questions are structured below and a questionnaire is attached as appendix 1:

Section 1: General Information i.e.

- (a) Name of the respondents department,
- (b) Respondents' portfolio including scope of responsibility,
- (c) Name of respondents Business Unit,
- (d) Name of the oversight Cluster for the respondents department
- (e) Linkages in the respondents programme with the PGDP.

Section 2: Awareness, Application, Training, Exposure in Risk Management, with the following questions:

- (a) Does the department have a Risk Management Unit?
- (b) Is the respondent aware of the Provincial Government Risk Management Strategy?
- (c) If a risk management process exists, is there a Provincial policy that requires its use?
- (d) Does the process evaluate Risk at the Strategic and or business level, and/or at the project level?
- (e) Does the process incorporate the PGDP implementation risks?

Section 3: The PGDP projects implemented by the Department: i.e.

- (a) How many PGDP projects have respondents department implemented in the past year; 5 years or 10 years?
- (b) To what degree is risk management integrated (applied) in the respondents' projects implementation?

Section 4: Knowledge and Skills Section, assessing:

- (a) If respondents 'have received any training on risk management in the past 12 months;
- (b) Respondents' understanding of application of risk management in their portfolio.

Possible responses to the questions varied from Yes, No, Agree, and Agree Partly, Not Agree, Don't Know, Not Integrated, Partially Integrated and Fully Integrated

5.2.3.5 Document analysis

Strategic planning in the Public Service is regulated by the Public Service Regulations (chapter Part III, Section B). As a means of ensuring accuracy and consistency in planning by provincial departments, the National Treasury Regulations provide guidelines for Departments to assist them in compiling the various planning documents (National Treasury, 2002).

The National Treasury planning framework also requires that risk assessment be part of planning. The identified risks and mitigation strategies be presented in the strategic plans and annual performance plans of Government departments. In addition, in line with the legislative framework of risk management for Public Service as presented in chapter 3 of this study, the following documents are reviewed.

Strategic and Operational Plans for the departments participating in the study between the years 2004-2008 i.e. the analysis of documents is undertaken to assess integration of risk management at strategic planning level, as reflected in the provincial Government strategic plans from 2004-2008 strategies.

Additionally the strategic plan documents are analyzed to specifically assess the following:

- (a) Evidence of risk assessment and documented risk factors in the plan.
- (b) A risk management plan for the identified risks.
- (c) Evidence of inclusion of the risk indicators in the Monitoring & Evaluation Indicator list that contained in the strategic planning and annual performance plan documents.
- (d) The Treasury Risk Management Guidelines for South Africa are reviewed and compared to global literature on risk management i.e.

these are consulted as base documents for planning as a requirement of treasury.

- (e) Planning guidelines for Treasury are reviewed. To assess what level of detail in risk management are the departments required to include in the strategic and planning documents.

5.2.3.6 Research Tool Reliability

The pilot study is used to ascertain the reliability of the research instrument as recommended by Polit *et al.* (2001). The questionnaire instrument and risk register are piloted using the risk managers at the national risk management forum.

5.2.3.7 The pilot for the questionnaire instrument was aimed at

- (a) Judging the reliability of the research tools by estimating how well the items reflect the same construct yielding similar results.
- (b) Establishing the consistency of the results of different items for the same construct within the measure
- (c) Developing and testing the adequacy of the research tool
- (d) Assessing the feasibility of a full scale study in designing a research protocol
- (e) Assessing whether the research protocol is realistic and workable or not.
- (f) Establishing whether the sampling frame and technique are effective or not.
- (g) Identifying logistical problems which might occur from using the proposed research method
- (h) Estimating variability in outcomes that helped determine the sample size

- (i) Collecting preliminary data
- (j) Determining what resources (finances) would be needed for the study; and
- (k) Assessing the proposed data analysis techniques in order to uncover potential problems.

5.2.3.8 Risk registers pilot testing

The risk register is tested using the national risk managers from various national Government departments that participate in the Government risk forum in Pretoria, to understand if the implementation risk factors in the risk list make sense to them and can be associated with programme implementation failures.

The risk managers from national Government departments confirm the implementation risk factors and these constitute the final risk factors list in the risk register that is to be implemented in the main study population focus group of strategic planners in the Eastern Cape Province.

5.2.3.9 Data Analysis and Presentation

Descriptive data analysis is used to analyze the data that was collected through the questionnaire, and all data is coded before capturing as follows:

- (a) All qualitative data are captured into an MS Word processor document.
- (b) Quantitative data are captured into an MS Excel Spread Sheet.

Qualitative data is content analyzed by grouping similar or same responses into themes. This allows the researcher to organize the data, group them, classify and synthesize the data. Quantitative data i.e. from the risk register are analyzed using

MS Excel spreadsheet. Data are analyzed and presented in the form of graphs, and tables (see chapter on data analysis and presentation). A comparison of what was undertaken between performance plans and plans to strategic plans is undertaken.

Triangulation is done using Annual Report for the departments to do content analysis for the previous years. This is done because the departments are required to record risks identified during planning, when reporting under non financial performance information reporting.

This part is called Section 2 of the Annual Reports, which reports on predetermined objectives. This area is considered particularly important by the Auditor -General of The Republic of South Africa for the purpose of effective monitoring risk management and the management of departmental strategic and yearly objectives.

5.2.3.10 Permission and study Procedures

The researcher submits a written request to the Heads of Departments that are selected to participate in the study and the Premiers Office of the Eastern Cape Province. The researcher submits a written request to Auditor - General for the use of Auditor General reports in the study. Permission was granted by the Office of the Premier in the Eastern Cape Province. Permission was also granted to assess strategic plans for analysis and annual reports from the Government Press of South Africa.

The chairperson of the Economic and Growth Cluster was consulted for permission to contribute to their work of accelerating the implementation of the PGDP in the Province (The Economic cluster is the cluster that is responsible for driving the implementation of the ECPGDS in the Province). Permission was also sought from the Auditor General for use of information provided about Departments (even though these are public documents).

5.2.3.11 Ethical considerations

Full information about the purpose and uses of participants' contributions was given. Participation in the study was on voluntary basis and appointments for participations were made in advance. The participants were also encouraged to keep confidential their response.

The respondents who participated on behalf of the departments were assured that their names shall remain anonymous whilst the results of the study will be given to the Province. Ethical clearance was obtained from the Ethics Committee of the University of Fort Hare. Courtesy was exercised while conducting the study, and care was exercised in the selection and involvement of the participants.

In compliance with the internationally accepted ethical standards, the following measures were adopted, as recommended by Fisher, 2002; Mugenda, 1999; Behr, 1998; Creswell, 1998; and Kerlinger, 1973):

- (a) All participants who agreed to participate gave verbal consent
- (b) No names of individuals were recorded on the questionnaires
- (c) The completed questionnaires were kept in the safe custody of the researcher
- (d) All secondary sources used in the study were fully acknowledged
- (e) The researcher ensured that respondents were protected from stigmatization
- (f) The study conformed to the principle of voluntary consent where the respondents participated in the study willingly
- (g) Informed consent was based on information regarding, the purpose of the study, a guarantee of anonymity, confidentiality, and positive identification of the researcher

- (h) The researcher was honest in search of genuine research problems and exercised academic freedom in the discussion of any findings.

5.3 CONCLUSION

This chapter discusses the research methods used in the data collection and analysis. Among the topics discussed are the study design, sampling techniques used to obtain the sample population, the instruments for data collection, as well as the procedures used for data collection and data analysis. The next chapter is data analysis and presentation. The next chapter is based on the actual arrangement, presentation and interpretation of the data collected throughout the study.

CHAPTER 6

DATA PRESENTATION AND ANALYSIS

6.1 INTRODUCTION

This chapter presents data analysis and findings of the study. Magi (2005) claims that research is a tool for effecting change agenda and an essential instrument for matching theory with spatial reality for improvement of the society's spatial and non-spatial situations and environments.

The results of the study provide a basis for a better understanding of characteristics of the risk management application within the study context. In this manner some theoretically accepted principles are translated into a form of reality in this chapter. In this way, the Provincial authorities of the Eastern Cape would begin to get to grips with the challenges associated with strategic integrated risk management and its efficacy in the implementation of the ECPGDS.

The aim of the study is to critically assess the application of risk management in the implementation of the ECPGDS of the Eastern Cape Province, South Africa. Data that formed the basis of the discussion was collected from clusters of Government and Administration in the in the Eastern Cape Province, Governments (big and small) as well as from specialist participants in the area of strategic planning, programme management and risk management.

A structured research questionnaire instrument as well as, focus group discussions and the risk register were used to collect data. This chapter analyses and presents data, and discusses the study findings. In pursuance of scientific justification of research outcomes, the phenomenological analysis technique was used. Phenomenological analysis is a recursive, cyclical process of coding based on the

key concepts clustering those coded concepts into themes, revising themes several times to delineate and refine them (Merriam, 1998). This constant comparative method was applied to derive themes from the questionnaires and interviews and to ensure a continuous examination of data as new data was being generated.

6.2 SURVEY RESULTS FROM THE RESPONDENTS

The results obtained from the survey and their interpretations provide an essential feedback on the tenability or amenability of original research objectives and assumptions (Neumann and Krueger, 2003). It should therefore be noted that even if the results obtained from the analysis are in agreement with the assumptions, this does not necessarily mean that some of the theories associated with strategic integrated risk management are finally irrefutably proven to be correct (Mugenda and Mugenda, 1999). More research would still have to be conducted before the outcome of this kind of survey can be regarded as conclusive (Robinson, 1998).

6.2.1 *Description of the Participating DEPARTMENTS*

Figure 6.1: List of Government Departments that participated in the study

No	Department	Classification	Cluster for oversight
1	Office of the Premier	Small	Governance and Administration cluster
2	Social Development	Big	Social Sector cluster
3	Public Works	Big	Economic and Growth cluster
4	Education	Big	Economic and Growth cluster
5	Agriculture and Rural Development	Big	Economic and Growth cluster
6	Sports Recreation, Arts and Culture	Small	Social Sector Cluster

From figure 6.1, the study sample comprise of six out of twelve Government departments. The Departments were classified as either small or big in relation to their oversight clusters.

6.2.2 Results from Document Analysis

Document analysis sought to establish evidence as to whether or not the PGDP Risk Management Plan existed in the Department's strategic plan and annual performance plan for the financial years between 2004 and 2008. As discussed under the section on planning framework of RSA in chapter two of this thesis, strategic plans are developed once in every five years, and the annual performance plans are developed for the MTEF and tabled annually. Annual performance are also used for annual reporting. Findings are as presented in Figure 6.2 below are from the analysis of annual performance plans for the annual years 2004 to 2005; 2005 to 2006, 2006 to 2007, 2007 to 2008, and 2008 to 2009. This system of counting years used by Government departments in South Africa is in line with RSA guidelines for planning and reporting.

Results as presented in Table 6.1 below shows that for the period between 2004 and 2008 no PGDP risk factors were included in the participating Departments strategic plans and annual performance plans.

Figure 6.2: Evidence of risk assessment and Inclusion in Risk Management and Strategies for identified risks in the Annual Performance plan by each Government department

Name of the department	Evidence of PGDP Risk Management Plan in App for the department for each financial year between 2004 and 2008? YES (Y)/NO (N)	Annual Performance Plan				
		FY:2004/05	FY:2005/06	FY:2006/07	FY:2007/08	FY:2008/09
Office of the Premier		N	N	N	N	N
Social Development		N	N	N	N	N
Public Works		N	N	N	N	N
Education		N	N	N	N	N
Housing, Local Government & Traditional Affairs		N	N	N	N	N
Agriculture		N	N	N	N	N

Legend: Y= Yes N= No

6.2.3 Results from Group 1 (specialist group) Interviews

Findings from specialist interview group are as presented in table 6.1 in respect to the guide that detailed; the procedure, the purpose and the objectives of the discussions.

Table 6.1: Group semi structured interviews results findings

Current developments in Public Policy Implementation and Risk Management
(a) <i>Very Important:</i> The involvement of political leaders in the risk assessment and risk management in public policy implementation and implementation of growth and development strategies for Government so that they are part of handling and managing risks that will make them not to achieve the mandates of the ruling party and targets for development.
Application of Risk Management by Politicians and Top level Managers
(a) <i>Very Important:</i> Executing Authority should ask the right questions about risk management from the executive managers for them to be relevant to provide oversight in policy and strategy implementation for increased achievement of objectives.
(b) <i>Very Important:</i> To take critical considerations for implementation success and integrating them into the strategy.
(c) More time is spent on semantics than the actual “planning for success in Implemented Government programmes and strategies.
Risk management a culture in Government Departments
(a) Risk management is not the culture in Government.
(b) A slight improvement towards integrating risk management in Government 03Departments
(c) A lot still needs to be done.
Causes of failure in the PGDP projects implementation at National level
(a) A lot more could have been achieved if an integrated risk management approach was utilized in the management of the PGDP Implementation.
(b) There was no cross cutting risk management plan designed for the PGDP implementation by all Government Departments at national and provincial level.
(c) There was no national risk management strategy for the PGDPs in the period 2004 to 2008.
Reasons for limited success in the implementation of the PGDP Programme and its projects.
(a) Poor planning (that excluded a risk management strategy).
(b) Frequent change in leadership.
(c) Lack of proper knowledge management.
(d) No platform for sharing lessons learnt to prevent repeat of mistakes.
(e) An assumption by Government Departments that PDGP projects budgets would come from Departmental programmes budget was a killer assumption.
(f) Limited funding of some of the PGDP projects.
(g) Limited scope of innovation and focus in PGDP projects implementation.
(h) High staff turnover.
Key things for implementation success and sustainability of the PGDPs
(a) Good planning (that included an integrated risk management strategy).
(b) Sustained leadership.
(c) Good knowledge management strategy.
(d) Presence of a platform for sharing lessons learnt to prevent repeat of mistakes.
(e) Sufficient funding and budget for all the PGDP projects.
(f) Expanded scope of innovation and focus in PGDP projects implementation.
(g) Reduced staff turnover.

Findings as presented in Table 6.1 shows that all the participants were of the consensus that current developments in Public Policy Implementation and Risk Management necessitated the participation and involvement of Political leaders in the risk assessment and risk management and that besides a slight improvement towards integrating risk management as part of governments' culture a lot more still was required to achieve this. Further findings as presented show that:

- (a) The PGDP projects implementation at National level had not totally failed but a lot more could have been achieved if an integrated risk management approach was utilized in the management of the PGDP Implementation.
- (b) Reasons for limited success in the implementation of the PGDP Programme and its projects varied from; poor planning (that excluded a risk management strategy), frequent change in leadership, limited scope of innovation and focus in the PGDP projects implementation etc.
- (c) As such, the group were of the view that the following key things were essential for implementation success and sustainability of the PGDPs, i.e., good planning (that included a risk management strategy), sustained leadership, a great need for a provincial knowledge management strategy so that information gathered is preserved and can be used in risk management strategy, need to reduced staff turnover in management more specifically managers of the ECPGDS, etc.

6.2.3 Results from Group 2 (specialist group) interviews

Focus group discussion participants were asked to rank the following identified list of risk factors according to probability and impact from the discussions in Figure 6.3 be

Figure 6.3: Risk list for Identified risk factors for the ECPGDS implementation

Risk No	Risk Description
Risk 1	Political games/conflicts
Risk 2	Poor or non-adjustment of PGDS risk monitoring information to the monitoring plan of the organization
Risk 3	Misalignment of the PGDS and PGDP projects with the local practices and processes
Risk 4	Misjudgment of human and financial resources to the project
Risk 5	Lack of human resources to implement programme
Risk 6	Lack of required knowledge or skills
Risk 7	The PGDP project managers expected to run several projects other than the main project
Risk 8	Allocation of less budget than initially agreed
Risk 9	Not assigning a risk mitigation strategy for each aspect of the organizational risk in project deliverables
Risk 10	Lack of ownership of PGDP projects
Risk 11	Lack of the PGDS projects champion
Risk 12	Poor communication of PGDS and its objectives to stakeholders and beneficiaries
Risk 13	Lack of local personnel knowledgeable in management and supervision
Risk 14	Organizational Instability
Risk 15	Poor perceived PGDS systems usefulness
Risk 16	Negative attitudes on the part of the project team members
Risk 17	Large and complex projects
Risk 18	Unrealistic external Partners
Risk 19	Changes in membership in the project team
Risk 20	Unrealistic Expectations

6.2.4 Risk Register Findings

Findings from the risk register are presented below in Table 6.2. Ranking was undertaken in two phases as follows:

- (a) First risk register rankings were based on the respondents' personal experiences and opinions on probability of risk. The results of this

scoring are reflected in Table 6.2 below. The second risk register rankings are based on the opinion of the respondents and their scoring of their probability of each of the risk factor.

Table 6.2: Ranking based on Risk Impact

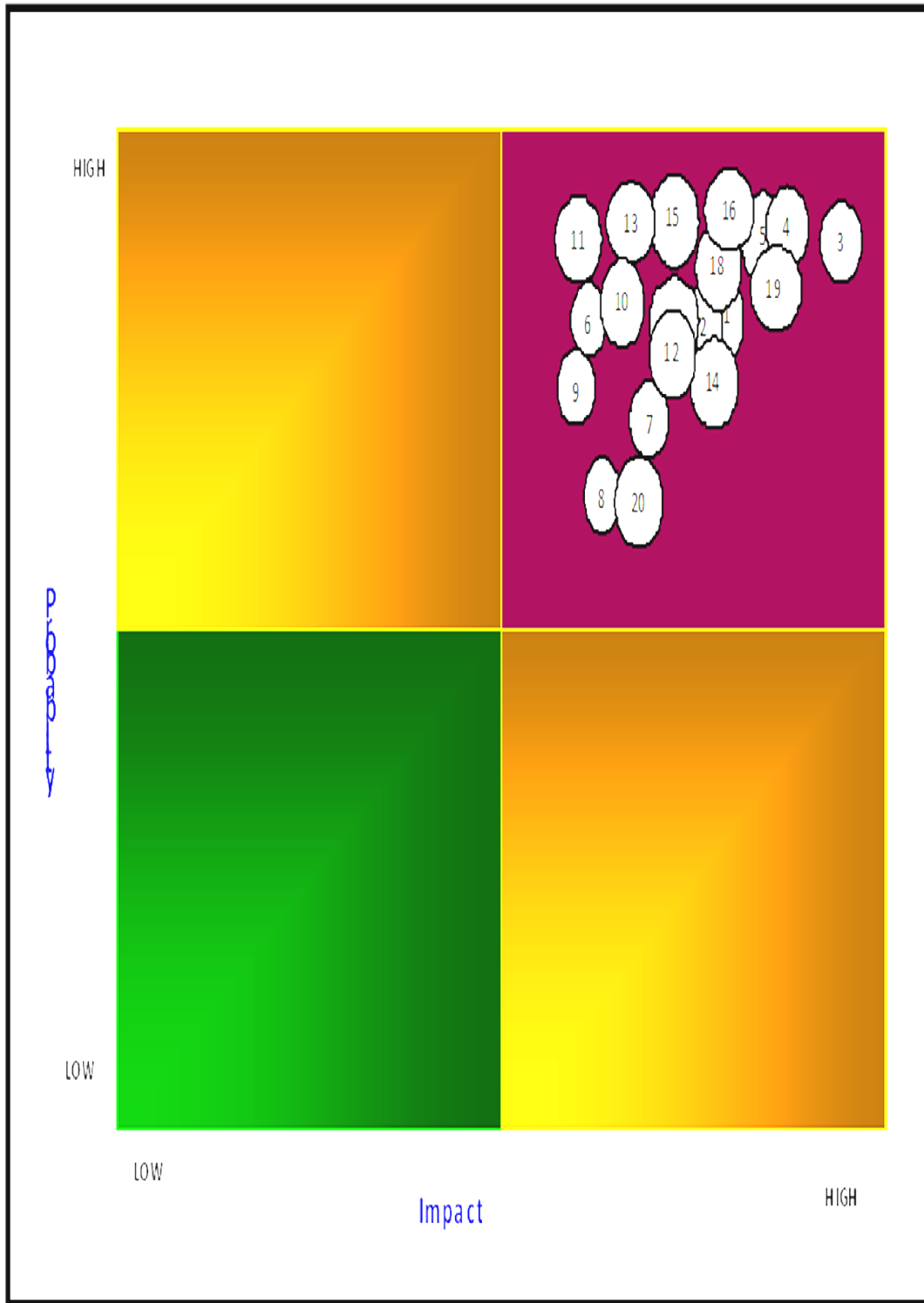
RANKING	RISK FACTORS	IMPACT (RESPONDENTS RANKING OF RISKS) (1 = Low and 5 = High)									Total	Formula
		1	2	3	4	5	6	7	8	9		
		1	Lack of a project champion	4	4	4	4	4	4	4		
2	Poor perceived system usefulness	4	3	3	3	5	5	3	4	4	34	3
3	Misalignment of PGDP projects with local practices and processes	4	4	4	3	3	5	4	3	5	35	3
4	Political games/conflicts	4	4	5	4	4	5	4	4	5	39	3
5	Lack of required knowledge or skills	4	4	4	3	5	5	4	5	4	38	3
6	Changes to membership on the project team	4	3	4	3	4	5	3	3	3	32	3
7	Organisational instability	4	4	3	4	4	4	4	4	4	35	3
8	Negative attitudes on the part of the project team members	4	3	2	4	4	4	5	4	4	34	3
9	Unrealistic expectations	3	2	3	3	3	4	4	3	4	29	2
10	Unreliable external partners	4	5	2	4	3	4	3	3	5	33	3
11	Large and complex projects	4	4	2	3	3	4	3	3	4	30	3
12	Lack of local personnel knowledge management and vision	4	5	4	4	5	3	3	3	5	36	3
13	Not assigning a risk mitigation strategy for each aspect of the organisational risks in project deliverables	4	4	4	3	4	3	3	4	5	34	3
14	Misalignment of human and financial resources to the project	5	4	4	3	5	4	4	5	4	38	3
15	Allocation of less budget than initially agreed	4	4	4	3	4	4	4	3	5	35	3
16	Lack of ownership of PGDP projects	4	5	4	3	3	5	4	4	5	37	3

Table 6.3: Probability Scores of risks by focus group

RANKING	RISK FACTORS	RESPONDENTS RANKING OF RISKS (1 = Low and 5 = High)									TOTAL
		1	2	3	4	5	6	7	8	9	
1	Lack of a project champion	4	3	3	5	4	5	4	5	5	38
2	Poor perceived system usefulness	3	4	5	4	3	5	4	4	5	37
3	Misalignment of the PGDP projects with local practices and processes	5	5	5	5	4	5	5	5	5	44
4	Political games/conflicts	5	4	5	4	5	5	5	5	5	43
5	Lack of required knowledge or skills	4	4	5	4	4	5	4	4	5	39
6	Changes to membership on the project team	4	5	3	4	4	3	4	4	4	35
7	Organizational instability	4	3	2	5	4	4	5	4	5	36
8	Negative attitudes on the part of the project team members	4	3	3	4	4	4	4	3	5	34
9	Unrealistic expectations	3	5	2	4	3	4	4	4	5	34
10	Unreliable external partners	4	5	3	4	3	4	3	3	5	34
11	Large and complex projects	4	5	5	5	4	3	3	4	5	38
12	Lack of local personnel knowledge management and vision	4	4	5	4	4	3	3	4	5	36
13	Not assigning a risk mitigation strategy for each aspect of the organizational risks in project deliverables	4	4	5	5	4	4	5	5	5	41
14	Misalignment of human and financial resources to the project	4	5	5	4	4	4	5	4	5	40
15	Allocation of less budget than initially agreed	4	5	5	4	4	5	5	4	5	41
16	Lack of ownership of the projects	4	5	3	4	4	4	5	4	5	38
17	The PGDP project managers expected to run several projects other than main project	4	5	5	4	4	5	4	4	5	40
18	Poor communication of the PGDP and its objectives to stakeholders and beneficiaries	4	4	5	4	3	5	3	4	5	37
19	Lack of human resources to implement programme	4	5	3	4	5	5	3	4	5	38
20	Poor or non alignment of the PGDP risk monitoring informing the monitoring plan of the Department	5	5	5	4	4	5	5	4	5	42

Figure 6.4: The risk index (risk probability versus risk impact scores)

RISK MATRIX FOR ECPGDS STRATEGY



As shown in Figure 6.4 probability multiplied by the potential impact or consequences of each the risk factor if it should occur i.e. Risk Index was high on most the risks registered.

6.2.5 Findings on Additional risk list added by Focus Group

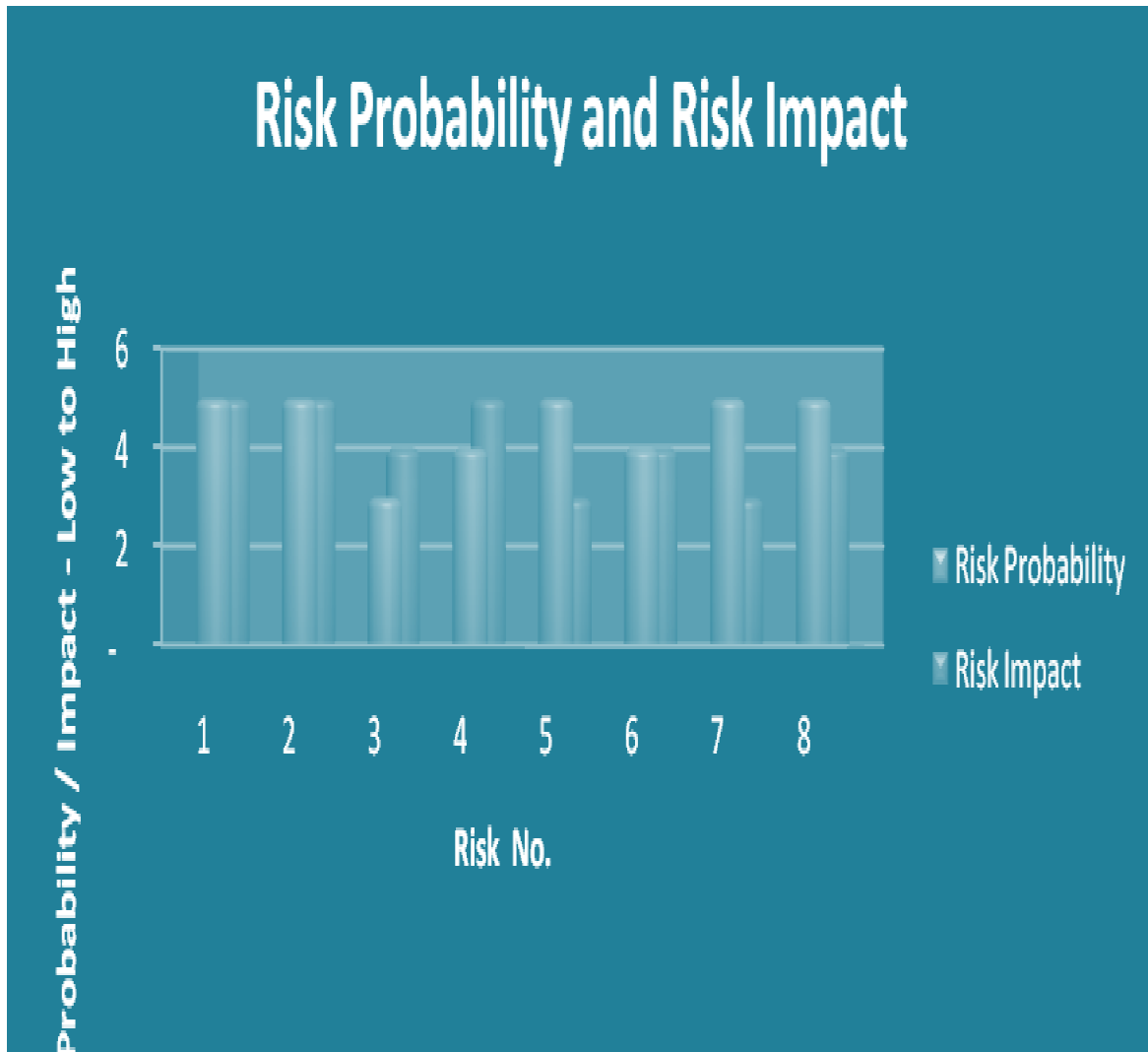
Focus group added other risks on top of the risk list that was provided by the researcher. These were further scored according to probability and impact and results are shown below.

Table 6.5: List of additional Risk Factors from focus group

Risk Number	Risk Factors
1	Poor / inappropriate risk identification and planning for events (e.g. labour unrest, accruals)
2	Lack of inter Departmental and inter-spherical joint planning, resource allocation and coordination (political games?)
3	Lack of awareness of the scope of risk management by Management
4	Corruption and maladministration
5	Poor / Failure in identification of interdependencies
6	Lack of clearly defined roles and responsibilities
7	Lack of engagement of key role-players from the initial stages of development of the ECPGDS
8	Lack of synchronization of planning cycles between National and Provincial sphere and the Local Sphere

A graphical data presentation is set below in Figure 6.5.

Figure 6.5: Ranking of risk probability and risk Impact of additional risk list from focus group



- (a) Poor / inappropriate risk identification and planning for events (e.g. labour unrest, accruals); and lack of interdepartmental and inter-spherical joint planning, resource allocation and coordination (political games) risk factors scored the same score of 5 for both for risk probability and risk impact respectively.

- (b) Lack of awareness of the scope of risk management by Management scored 3 and 4 for risk probability and risk impact respectively.
- (c) Corruption and maladministration scored 4 and 5 for risk probability and risk impact respectively.
- (d) Poor / Failure in identification of interdependencies scored 5 and 3 for probability and impact respectively.
- (e) Both lack of engagement of key role-players from the initial stages of development of the ECPGDS; and lack of synchronization of planning cycles between National and Provincial sphere and the Local Sphere scored 5 for risk probability.
- (f) Overall, all risks had a minimum score of 3 for both probability and impact respectively.

6.2.6 Findings from the structured questionnaire

Findings from the structured questionnaire provided responses to the research questions, whilst ensuring control of extraneous variables that will be identified. Themes measured in the questionnaire included: awareness and experience in the application of risk management. The Summary findings from the structured questionnaires are as presented in Table 6.6 of this chapter.

Table 6.6: Summary findings from the structured questionnaires

Awareness, Application, of Risk Management	
(a)	4 of the sampled 6 departments had risk management units.
(b)	2 Departments reported sharing risk management and internal audit units with other Departments in shared services.
(c)	Only two out of six sampled Departments did not have risk management units.
(d)	The two Departments reported risk management as a shared service.
(e)	Only one 1 respondent was aware of the provincial risk management strategy.
(f)	According to respondents from sampled departments, the provincial risk management strategy was launched in 2010 and was not in place during the period of investigation.
(g)	70% of the respondents reported having risk management procedures or policies in their Departments.
(h)	All 9 respondents from sampled Government departments were not sure whether the policies in their Departments evaluated risk at a strategic business or project level.
(i)	All respondents could not ascertain whether the risk policies in their Departments were aligned to the provincial risk management strategy. The respondent were not even aware if there was a Provincial risk register which contains enterprise –wide risks for the Provinces that Government departments need to be aware of , as they are in the Government departments’ operational environment.
New PGDP projects implementation in the past 10 years	
(a)	The PGDPs projects were implemented by Department in 1 – 5 years period.
(b)	All Departments reported having the PGDP projects and these projects have had between 2-5 years of implementation period.
(c)	All respondents reported no integration of risk management to the implementation the PGDP projects.
Knowledge and Skills about Risk Management	
(a)	2 out of 9 participants from the sampled 6 Departments had received formal training in risk management.
(b)	Only one of the focus group members reported having recently received formal training in over the past twelve months.
(c)	All participants from six (6) sampled departments agreed very strongly that application of risk management in the implementation of the PGDP programme would increase the degree of success in the programme.
General responses	
(a)	Risk management awareness level is limited in Government departments
(b)	Risk management is ad hoc and not part of culture in some of the Government departments in Eastern Cape
(c)	There was non-integration of risk management strategy for the PGDP both at Province and Departmental level.
(d)	Small scale implementation of risk management in Government departments was
(e)	Limited or ad hoc understanding of the application of risk management is in the managers portfolio
(f)	Need for Public managers to assist in the identification of risks of strategy operational and process level and development of measures for review of risk factors.
(g)	Non achievement of objectives has always been the high impact risks and need to be taken seriously by management.

From the table above, summary findings show that majority of the respondents were aware of the application of risk management into their departments or as a shared

service; and that only the minority (2) out of six departments reported having received formal training in risk management.

According to all the respondents from the six sampled departments, integrated risk management application is limited and did not form part of strategic and operational planning between 2004 and 2008.

In addition, the Risk Management Strategy for the Province was launched in 2010 and does not integrate the ECPGDS, yet the PGDS is regarded by the Province as a blue print for Growth and Development in the Eastern Cape Province.

6.3 CONCLUSIONS

The chapter presented the study findings from analyzed data, with sub-sections presenting results from document analysis, risk registers and from the unstructured questionnaire. The following chapter presents the conclusions, implications and recommendations for the study.

CHAPTER 7

DISCUSSION OF FINDINGS AND RECOMMENDATIONS

7.1 INTRODUCTION

The primary thrust of research, including its evaluation and conclusion aspects, in qualitative interpretative methods is to understand the context or situation more than search of universal truths (Willis, Jots and Nikalanta, 1942). Understanding' of particulars of the context or situation is an honorable purpose in research, so as to find law like rules or generalizations that can be used well beyond the situation studied.

These newly understood situations that are generalisable might also lead to finding of new solutions to old problems (English and Mayfield, 1972). The ideas succinctly summaries the important role of research, and how it can assist in deciding how they should behave in dealing with risk management for increased degree of success in implementation of Strategies.

This chapter provides a summary of findings, conclusion and recommendations of the study. In seeking to answer whether or not the objectives of the study have been achieved, a consideration will be undertaken of the study purpose and the research objectives would be undertaken.

7.1.1 Aim of the Study

The aim of the study is to undertake a critical assessment of the application of integrated risk management in the implementation of ECPGDS. To accomplish this aim, the study attempted to address the following objectives:

- (a) To identify the extent of application of integrated risk management in the implementation of the ECPGDS by the Eastern Cape Government departments.
- (b) To establish the risk profile of the ECPGDS.
- (c) To develop a baseline implementation risk matrix for the ECPGDS.
- (d) To develop the a conceptual Model of integrated operational Risk Management for use by Government departments the Eastern Cape Province that is aligned to the legislated planning framework used by the Province.

Section 7.2 provides the evaluation of the outcomes of the study, gives general conclusions of the study, offers recommendations and makes suggestions for further research.

7.2 EVALUATION OF FINDINGS BY RESEARCH OBJECTIVE

This Section summarizes the findings of the research objectives that are used to guide the investigation into the application of risk management in the implementation of the ECPGDS of the Eastern Cape Province, South Africa.

7.2.1 Objective One

Objective one of the study is to identify the extent of application of integrated risk management in the implementation of the ECPGDS by the Eastern Cape Government departments'. The following findings are evidence of the extent to which integration of risk management is applied in the implementation of the PGDS:

- (a) The analysis of results shows that there is a limited application of integrated risk management in the implementation of the PGDS, in the period under review (2004- 2008). According to the findings of this

study, the application of risk management in the implementation of the ECPGDS it was *ad-hoc* and unintentional”.

- (b) Results of the study shows that there is limited understanding of risk management by the strategic planners in Government departments of the Eastern Cape Province. According to the findings, strategic managers in the Eastern Cape Government departments that participated in the study have never received formal training on risk management. According to Barrett (2001), this is an area of concern and a pointer for an immediate intervention, given the evidence (as pointed out in the) Auditor General reports, which show that more than 50 percent of Eastern Cape Government departments having failed to obtain positive audit between the years 2004 and 2008.
- (c) According to the results of the study, managers who participated in the study had a limited involvement in the planning stages of the PGDS and its related risk assessment. Furthermore they did not work together towards the integrated risk management application at the implementation phases of the ECPGDS in their respective Government departments.
- (d) Focus group members, who are strategic planners of the Province, reported that they never received formal training on risk management.
- (e) Risk Management is the responsibility of everyone in the organisation, according to PFMA. Strategic planners of the ECPA who participated in the study reported that, only risk managers who are assigned in the finance section and internal audit sections of the department had competencies for risk management and monitor risks that can influence achievements of objectives. This confirms Martin and Wadell 's(2007) argument that risk management in strategic management is new and an unfamiliar terrain to managers, given that even the measures of risk used in strategic management are borrowed from economics.

- (f) As stated earlier in the study, best practices in risk management suggest that, risk management must totalist in approach, covering project wide, organisational-wide or business-wide aspects Furthermore,, the risk management and support plan should be integrated into the strategic plan and project plan from the onset for the organisation to achieve an increased degree of success in implemented strategies, policies or programme (OGC, 2010).

- (g) Analysis of strategic plans for sampled departments, where evidence of risk management and integration of ECPGDS risk management and support plan was assessed showed that from the sampled Departments, all of the strategic plans and annual performance plans showed no integration of ECPGDS risk management and risk management strategy between the years 2004 and 2008.

7.2.2 Objective Two

Objective two of the study is to establish the Risk Profile of the ECPGDS. The Risk Profile of the ECPGDS was done for the ECPDS by the focus group. After risk identification risk assessment was done so as to rank the risks that have got significant probability and impact in the achievement of the PGDS objective. These risks and their scores are discussed and graphically presented in the data analysis chapter (chapter six, and form part of the risk profile for the ECPDS

The following Table 7.1 below shows the risk profile of ECPDS

- (a) *External Risk*: This is a category of risks that Government is not a sponsor in managing them. This risk may be in private sector, but have a probability of occurrence and impact to the achievement of ECPGDS objectives.

- (b) *Internal Risk: These category of risks are within the Provincial Government department sphere and their risk management, whether it be sharing, treatment or avoidance, and are the responsibility of Eastern Cape Government.*

Table 7.1: Risk Profile of the ECPGS

Risk No.	Risk Description	I/E
Risk 1	Political games/conflicts	I
Risk 2	Poor/ non-alignment of PGDP risk information to the departments monitoring plan	I
Risk 3	Misalignment of PGDP projects with local practices and processes	I/E
Risk 4	Misalignment of human and financial resource to the project	I
Risk 5	Lack of human resources to implement Programme	I/E
Risk 6	Lack of required knowledge or skills	I
Risk 7	PGDP project managers expected to run several projects other than the main project	I
Risk 8	Allocation of less budget than initially agreed	I
Risk 9	Not assigning a risk mitigation strategy for each aspect of the organisational risks in project deliverables.	I
Risk 10	Lack of ownership of PGDP Projects	I/E
Risk 11	Lack of a project champion	I
Risk 12	Poor communication of PGDP and its objectives to stakeholders and beneficiaries	E
Risk 13	Lack of local personnel knowledgeable management and supervision	I/E
Risk 14	Organizational instability	I/E
Risk 15	Poor perceived system usefulness	I/E
Risk 16	Negative attitudes on the part of project team members	I
Risk 17	Large and complex projects	I/E
Risk 18	Unreliable external partners	E
Risk 19	Changes to membership on the project team	I
Risk 20	Unrealistic expectations	I/E

During the focus group the research participants added eight risk factors, which they argued that they have got high probability and they also have high impact index on the achievement of the PGDS objectives.

Risks identified in the two risk lists are used to develop a baseline risk profile of the ECPGDS. The research results show that this will be the first risk profile for the ECPGDS. Table 7.1 and 7.2 shows the risks that form part of the risk profile of the Eastern Cape. A risk management response has been developed for each risk, and the risk monitoring plan, in the risk register for the ECPGDS (attached as annexure).

The following are additional risks with high probability and high impact identified by the strategic planners of the Eastern Cape Government. Members scored probability (1 – 5. Where, 1 is = low and 5 is = high).

Table 7.2: Focus Group ranking of additional risks

Focus Group 26 August 2011 Additional Risks forwarded by the focus groups				
No	Risk	Category	Probability	Impact
1	Poor / inappropriate risk identification and planning for events (eg labour unrest, accruals)	S	5	5
2	Lack of interdepartmental and interspherical joint planning, resource allocation and coordination (political games ?)	S	5	5
3	Lack of awareness of the scope of risk management by Management	S	3	4
4	Corruption and maladministration	O	4	5
5	Poor / Failure in identification of interdependencies	S,O	5	3
6	Lack of clearly defined roles and responsibilities	O	4	4
7	Lack of engagement of key role-players from the initial stages of development of the PGDS	S	5	3
8	Lack of synchronization of planning cycles between National and Provincial sphere and the Local Sphere	S	5	4

(The left column 1 – 8 is not based on the subjective ordering of risks by focus group participants). Both the risks from tables 7.1 and additional risks from table 7.2 form part of the risk profile of the Eastern Cape Province.

7.2.3 Objective three

Objective three of the study is to develop a baseline implementation risk matrix for the ECPGDS'.

The risk register comprises of the baseline implementation risk matrix and is attached as an annexure in the end of the study. (See risk register annexure).

7.2.4 Objective Four

Objective four of the study is to develop a conceptual model of integrated risk management for use by Government departments in the Eastern Cape Province, which is aligned to the legislation framework used by the Province'.

According to Neumann (2003) models or systems are used to solve both simple and complex problems of the practical world They look at how patterns can be used to define abstraction and the two of them can be interwoven into intent [mental images] of the model (systems) (Newman and Matzke, 1994). Models (Systems) approximate or abstract reality, which may be construed in various forms and look at how abstractions can be bridged. They deal with relevant variables that have major impact on decision situations.

Ikoja, 2002 and Migiro, (2006) views a models as a tentative description of what a social process or system might look like, Furthermore, a model is a tool of explanation and analysis-very often in diagrammatic-form which attempts to show how various elements of a situation being studied relate to each other. Migiro (2006) adds that modeling is the last step in the knowledge process. Therefore, according to Neumann, (2003) and Migiro (2006) many forms of models may exist, and a particular form is selected based on the purpose and use of the model.

In the context of integrated risk management for the ECPGDS, the conceptual model could be mapped from abstract specification to practical model designed with relevant sub-systems (Mugula, 1995). In this study, a conceptual model for integrated risk management for ECPGDS implementation is explained; illustrated and subsequent steps to establish the intervention are outlined (from concept to practice).

7.2.4.1 Conceptual model for the ECPGDS and its implementation risk management

The importance of both external and internal environments in strategy implementation success is imperative and beneficial (Okumus, 2003). The importance of including the specific contextual elements of the organizational system in performing risk assessment has been demonstrated both in the literature review and scientific data collected.

The proposed model is adopted from Okumus (2003) framework on strategy implementation, which emphasizes the context, but new aspects are introduced by the researcher. These are based on the Soft Systems Model (SSM) framework of strategy implementation. The proposed model emphasizes double risk assessment and proposes the following new aspects: the scope of risk assessment, the frequency of risk assessment in the organizational system, and the institutional mechanism for risk management for all Government departments.

Pillar One: *The Scope of Risk Assessment*

A wide scope of risk assessment is proposed, which extends to the following components of strategy implementation:

The Customers or beneficiaries of the strategy	=	C
The Actors, meaning the functionaries and people risks	=	A
The Transformation system, that is the content of the strategy	=	T
The World View of the Manager, (Key strategic management areas)	=	W
The Owners of the transformation, meaning both the beneficiaries and strategy owners	=	O
The Environment, meaning the strategy Implementation Context both internal and external to the organisational system	=	E

This “CATWOE” framework of analysis will ensure a “totalistic approach to risk assessment, and assist managers to scan risk from all angles including their own prejudices in strategy Implementation.

Pillar 2: Quarterly risk reviews and risk assessment, to ensure dealing with up to date risks

According to the risk management strategy of the republic of South Africa (2010), Risks assessments must be conducted annually at the time of strategic planning. This approach leads to missing the early identification of implementation risks. This study proposes a new perspective in the timing of risk assessments is proposed in this model.

The risk field of risk in Government is wide (Fone and Young, 2000). Government departments operate in an environment that changes frequently and the needs of community’s change quickly thereby redirecting the business of government. The proposed model suggests that risk assessment must be conducted quarterly alongside monitoring and evaluation, to highlight new risks (early warnings) rather than the standard annual risk assessments that ensure integration of risk review information to the performance monitoring framework and process of the Government departments.

According to current risk assessment models, risk assessment must be done annually. This view is met with challenge in Government where politics, priorities and dynamics change frequently. The fast paced change in politics and priorities of Government requires an up-to-date risk assessment for the up-to-date management of the risk landscape, a point made earlier on this thesis.

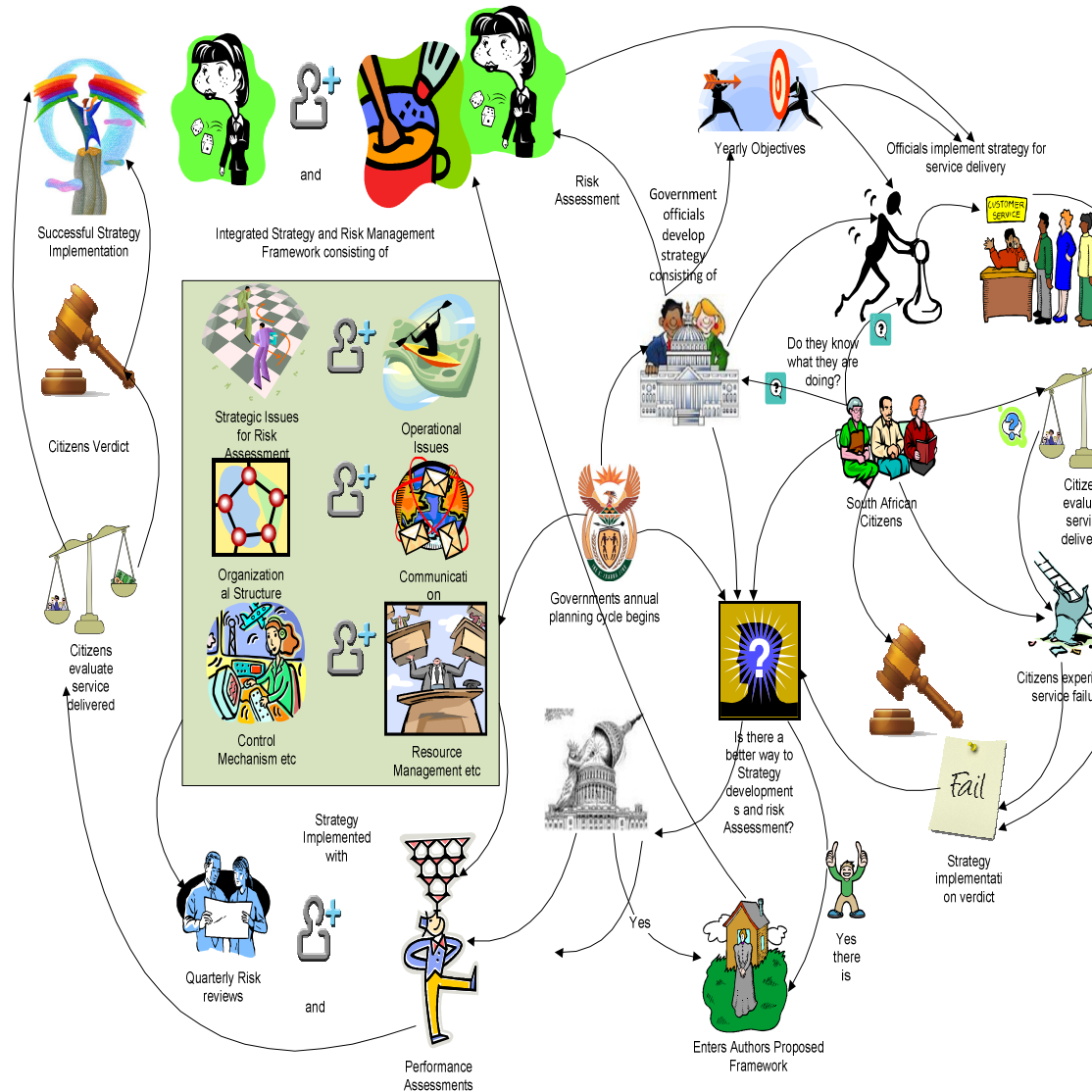
Secondly, according to the planning framework of RSA Government in Strategic planning for every financial year starts in July of the current year. Therefore when the plans are being implemented and the risks are addressed in Government departments, they are based on the plan that was prepared in the previous year and the report of the Auditor General for the previous year. The challenge with this approach is that the risk that may be pre-occupying the management may in fact be out dated risks.

Pillar 3: Institutional framework for ECPGDS risk committee

As per the proposed model integrated approach is imperative where risk managers, strategic planners , as well as monitoring and evaluation managers serve together in a risk committee that monitors performance on objectives and identifies new risks that are likely to influence the achievement of the targets set quarterly, based on the strategy.

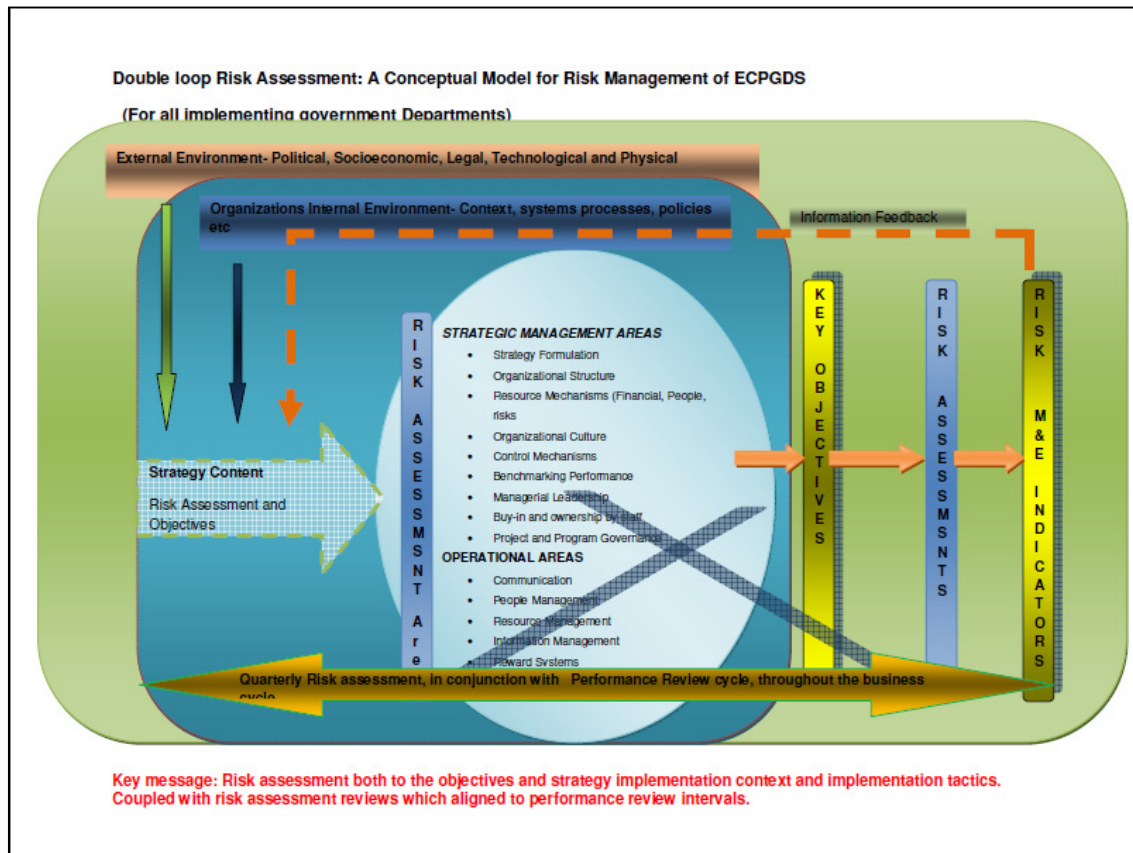
The ECPGDS risk management model proposes an integrated approach where risk managers, strategic planners and monitoring and evaluation managers serve together in a structure that monitors performance and identification of risks that are likely to influence the achievement of quarterly targets based on the strategy. An integrated of risk management throughout the strategic management cycle is demonstrated using in the rich picture in figure 7.1 below:

Figure 7.1: Rich picture showing the integration of risk management throughout the strategic management cycle A Soft systems Model (SSM)



Based on the analysis of risk management application as a transformation system to improve strategy implementation, a conceptual model of integrated risk management of the ECPGDS is proposed. Figure 7.2 below is pictorial view of the proposed model showing the integration of risk management in strategic planning and further identifies the wide risk fields in strategy implementation.

Figure 7.2: Proposed model for the ECPGDS integrated risk management strategy.



7.3 GENERAL CONCLUSIONS OF THE STUDY

Based on the survey results, documents analysis and risk register the following conclusions on document review and survey findings from study show that:

- (a) There is limited application of integrated risk management in the implementation of the ECPGDS and plan.
- (b) There is limited or no integration of the PGDP risk management into daily practices by Government departments.

- (c) Strategic managers at strategic and tactical levels are not aware of a policy mandating them to align their risk management strategies to the provincial risk management strategy.
- (d) There is no risk register for the ECPGDS and the PGDP risk indicators are not integrated into the monitoring and evaluation framework of Government departments (*according to strategic plans and annual performance plans assessed*).
- (e) Results also show that there is no baseline risk profile for the ECPGDS. Management theories state clearly that there must be a baseline risk profile and a risk management strategy for every strategy developed so as to increase the degree of success in the implementation of a strategy and to ensure integration of risk management at different levels, namely strategic, tactic and operation (OGC, 2010; White 1999, Hillson 2010; UK Government Strategy Unit, 2002). Young (2006) added that operational risk management must fit into the strategic and tactical levels of risk management.
- (f) There are no structures for discussing lessons learnt in the implementation of the ECPGDS. This practice can compromise strategy implementation.
- (g) With reference to the new public management model used by government, which put emphasis on management by objectives and results based measurement, the results of the study have shown that fundamental risk indicators are not part of the performance measurement framework of Eastern Cape Government departments, between 2004 and 2008, up until the time when this research report was written (Hood, 1991).
- (h) Results show that there are no structures for joint monitoring of the PGDS risks, which has got representation from all the PGDP implementing Government departments0.

7.4 RECOMMENDATION

The “Whole of Government” programmes , such as the ECPGDS , whereby Government departments, local municipalities , private sector agencies work jointly together in implementing Government strategies have become more frequently used by politicians globally (Hunt, 2006).

These programmes require that special attention be paid to risk management as the possibility of “not owned” risks is higher in these programmes. Risks that have got no ownership need Government to play stewardship and manage them for achievement of strategy objective (UK NAO, 2004).

Given the argument that strategic management in Government is undertaken to improve service delivery (Smit *et al.* 2007), excellence and use of strategic management models that have worked in private sector is also demanded from managers in the Public Service Van de Walt (2001). In this study, the recommendations are based on the evidence from literature reviewed and findings from the study. As such, study recommendations are two-fold. That is, general recommendations and modeling of the system for the integrated risk management for the ECPGDS for adoption. These recommendations are presented in sections 7.4.1 to 7.1.6 below:

7.4.1 General Recommendations

The recommendations emerging from this study are addressed to the Eastern Cape provincial departments, the ECPGDS Programme Managers, and all the interested stakeholders. These recommendations are addressed to private sector, and the provincial and the local Government levels. Conclusions in this study are based on preliminary findings from literature reviewed and empirical evidence emanating from analysed data. They include the following:

7.4.1.1 Recommendation 1

An integrated ECPGDS risk management strategy needs to be adopted for use by the Eastern Cape Government departments.

7.4.1.2 Recommendation 2

A risk assessment must be undertaken based on the objectives, the role of the strategic manager, the beneficiaries of the strategy, and the “how to” part (meaning the context) of the strategy implementation.

The researcher makes this recommendation on the basis of the evidence in chapter 4:2. In positive change intervention, the following factors contribute to the success of the change intervention (according to the “CATWOE” Problem definition in Soft Systems), analysis namely:

The Customers or beneficiaries of the Strategy	=	C
The Actors, meaning the functionaries and people risks	=	A
The Transformation system, that is the content of the strategy	=	T
The World View of the Manager, (Key strategic Management areas)	=	W
The Owners of the transformation, meaning both the beneficiaries And strategy owners	=	O
The Environment, meaning the strategy Implementation Context Both internal and external to the organisational system	=	E

This “CATWOE” framework of analysis will ensure a “totalistic approach to risk assessment, and assist managers to scan risk from all angles including their own prejudices in strategy Implementation.

7.4.1.3 Recommendation 3

Eastern Cape Government strategic managers need to receive formal training on risk management to gain skills on risk management and apply appropriately risk management so as to achieve increased degree of success in implementation of strategies.

7.4.1.4 Recommendation 4

Risk management should be included as a module in public management studies so as to increase the degree of efficiency and effectiveness in public policy implementation and management.

7.4.1.5 Recommendation 5

The proposed integrated risk management conceptual model for the ECPGDS needs to be adopted for use by all Government departments in the Eastern Cape and the stake holders of the ECPGDS, so as to improve the degree of success in the achievement of the strategy objectives.

7.4.1.6 Recommendation 6

It is recommended that the following should guidelines be applied in conjunction with the proposed conceptual model in the development and implementation of the integrated ECPGDS risk Management Strategy

7.5 PROPOSED GUIDELINES FOR THE DEVELOPMENT OF AN INTERGRATED RISK MANAGEMENT STRATEGY FOR THE ECPDGS

7.5.1 Context for the risk management Strategy

The need for risk management policy is mandated by the Public Finance Management Act (PFMA) 1 of 1999, Section 38(1) (a). Risk management is a central part of the organisations strategic management. It is a process whereby an organisation both methodically and intuitively addresses the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities. Risk management is also recognized as an integral part of sound organisational management and is being promoted internationally and in South Africa as a good business practice that is applicable both to the public and the private sectors.

Risk management needs to takes into account the risks involved in any business activity of the department and measure the impact and extent of the risk on the achievement of the department objectives.

7.5.2 The PGDS as the Policy Context

The ECPGDS is developed to reduce poverty and foster growth in the Eastern Cape Province. According to the Constitution of the Republic of South Africa, the public sector must be at the centre for driving economy of the country. It is imperative that the PGDS Policy and Strategy are backed up by an efficient risk management strategy. The management of the PGDS risks is at the following levels, strategic, programme, project and operational levels. Risk Management at these levels needs to be integrated so that the levels of activities within the department would support each other.

The risk management plan of the ECPGDS must be embedded in the strategic planning process of the Province and be integrated into Departmental risk management plans, so that it is taken care of in normal working routines and activities of the departments operational levels. The departmental staff should be aware of the relevance of risk to the achievement of the departmental objectives including the ECPGDS objectives. The departmental processes for the preparation of strategic, annual performance plans and Human Resource plans should take into account the risk management priorities as stated on the risk management plan.

The risk management process is an integral part of Departmental operations and performance management as it identifies key business risks as well as key business priorities and risks in each Department. In addition to the strategy, a risk management policy has to be developed as mandated by the Public Finance Management Act 1 of 1999 and management is to acknowledge commitment to risk management and the following will be stated on the policy:-

- (a) Policy statement;
- (b) Definition of risk management terms;
- (c) Responsibilities;
- (d) Risk Management Process;
- (e) Monitoring and Review.

7.5.3 Constitution Principles and planning framework

The Treasury guidelines for planning require efficient management of Government resources, accountability and transparency to the cultures of SA. In line with the above policy context Section 38 (1) of the PFMA states that the Accounting Officer of a Department must ensure that the Department maintains the following:

- (a) An effective, efficient and transparent systems of financial and risk management and internal control.
- (b) A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of Sections 76 and 77 of Public Finance Management Act 1 of 1999.

According to the above Section of the PFMA, the Heads of Departments have the responsibility of ensuring that a well-defined and documented assessment of processes, systems and outputs, which give result to key risks, is conducted. The assessment has to be conducted on a regular basis (e.g. annually or as per project) (COSO, NAO). Section 45 of the PFMA makes risk management a responsibility of all officials. This section further states that an official in a Government department:

- (a) must ensure that the system of financial management and internal control established for the Department is carried out within the area of responsibility of that official;
- (b) Is responsible for the effective, economical and transparent use of financial and other resources within that official responsibility;
- (c) must take effective and appropriate steps to prevent within that officials' responsibility, any unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due;
- (d) must comply with the provisions of this act to the extent applicable to that official, including delegations and instructions in terms of Section 44;
- (e) Is responsible for the management, including the safeguarding, of assets and the management of liabilities within that official's area of responsibilities.

All officials should ensure that they carry out the financial and internal control system within their areas of responsibility. Employees within sections of the department should also participate in the risk management process by attending workshops on risk management and providing the necessary data.

7.5.4 Risk Profile of the ECPGDS

A risk profile for the ECPGDS has been developed in the study and it shall be consulted in developing the ECPGDS implementation risk management strategy. This is a record of risk assessments conducted, and used to create a risk profile for the ECPGDS. The risk profile entails the following:

- (a) Facilitates identification of risks (in particular to identify the most significant risk issues with which management should consider).
- (b) Captures the reasons for decisions made about what is and is not acceptable exposure.
- (c) Facilities recording of the way in which it is decided to address risk.
- (d) Facilitates reviews and monitoring of risks.
- (e) The highest level risks will be considered by the management as specific risks priorities will change over time and prioritization will consequently change (*Attached as Annexure 6: Is the Risk Profile of ECPGDS*).

7.5.5 Response to risks

Responses to risk must involve one or more of the following:-

- (a) Tolerating risk, supplemented by contingency plans.

- (b) Treating risk in an appropriate way to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit.
- (c) Transferring risk, for example by insurance or paying a third party to take the risk in another way.
- (d) Terminating activities giving rise to the risk where possible.

7.5.6 Issues of opportunity rising from uncertainty

Every organisation functions within an environment, which both influences the organization and is influenced by the organization. The organisation faces risk continuously and provides a context within which risk has to be managed. In addition, each Department is linked to another and has dependency on another for the delivery and attainment of its objectives. Effective risk management needs to give full consideration to the context in which the Department operates.

Government Department risks are as follows:

- (a) **Legislative:** Those risks associated with current or potential changes in national or provincial and local law. Non-compliance is also prominent in legislative risks.
- (b) **Environmental:** Those risks relating to the environmental consequences of progressing the Government's strategic objectives, in terms of energy efficiency, pollution, recycling and land landfill requirements.
- (c) **Customers/citizens:** Those risks associated with failure to meet the current and changing needs and expectations of customers and citizens.

7.5.7 Operational Risks

- (a) Professional: Those risks associated with particular nature of each profession. For example housing service concerns as to the welfare of citizens.
- (b) Financial: Those risks associated with financial planning and control, for example under spending and overspending.
- (c) Legal: Those risks related to breaches of legislation or non-compliance with a particular legislative framework or policy.
- (d) Contractual: Those risks associated with failure of contractors to deliver services or products to the agreed cost and specification.
- (e) Environmental: Those risks related to the environmental consequences of processing Government objectives.
- (f) Technological: Those risks related to reliance on operational equipment, for example, IT systems or equipment and machinery (The Audit Commission (1999)).

7.5.8 Establishment of the risk Management Committee for the ECPGDS

The committee shall be established to perform the following functions:-

- (a) To engineer a joined up planning and risk management structure and process for the ECPGDS.
- (b) To develop and maintain a Whole of Government risk management institutional infrastructure to support and deal with risks that are outside programmes funded by treasury but are contributing to the ECPGDS.
- (c) To ensure that on an ongoing basis the ECPGDS risks shall continue to be monitored.

7.5.9 Risk Review and reporting

The management of risk review, and reporting is to be done for the following reasons:

- (a) To monitor whether the risk profile of the ECPGDS is changing.
- (b) To gain assurance that risk management with the departments is taking care of shared risks of the ECPGDS and to identify early when further action is necessary.
- (c) To ensure that there are designated managers to serve in the ECPGDS risk committee at various level, those managers shall report upwards (on either a quarterly or bi-annually) on the work done. The essence of which is to manage risks and control procedures up to date and appropriate to circumstances within their area of responsibility.

7.5.10 Departmental Risk Appetite

The concept of risk appetite is important in achieving effective risk management. It looks at the level of exposure to risk which is considered tolerable should the risk be realised. It should be noted that some risks are unavoidable and they are not within the ability of the organisation to completely manage them to a tolerable level. For example risk arising from strike actions in which case the department needs to make contingency plans. Risk appetite can be expressed as a series of boundaries that gives the organisation clear guidance on the limits of risk it can take. Identifying departmental risk appetite is a dynamic activity and management should periodically revisit the process to ensure that the stated appetite truly reflects the Departmental current position.

The concept of risk appetite can be further broken down to corporate, delegated and project risk appetite. This facilitates a risk escalation process setting trigger point

where risk issues are escalated to the next level of management as they exceed their agreed appetite.

7.5.11 Communication

Communication with the Departments about risk issues is important to ensure the following:

- (a) Every official understands what departmental risk management strategy is; the risk priorities and how their particular responsibilities fit into the framework.
- (b) Transferable lessons are learned and communicated to those who can benefit from them.
- (c) Each level of management receives regular assurance about the management of risk within their area of control.
- (d) Communication to other departments especially those responsible for direct delivery of the ECPGDS projects to remove any potential misunderstanding about risk priorities.

Communication is important in relation to risks which affect the public and where the public depend on Government to respond to those risks.

7.5.12 Responsibilities and Accountability

- (a) Executive Management of the Province

Political Heads of Government departments need to ensure that the framework for risk management is in place and will assist them to monitor ECPGDS risks as these are priorities of the Province. This framework will assist them to ask the right

questions in providing oversight. Senior management in the Department must also provide assurance on Risk Management and have the following responsibilities:

- (a) Doing formal annual review of risk management.
- (b) Ensuring that the ECPGDS risks are integrated in the Government department's risk management plans.
- (c) Implementing risk management plans, monitoring and reviewing all review performance as well as risks in their departments.
- (d) Review strategic risks and actions plans, on a periodic basis including those identified through the operational risk management process Ensures that an appropriate overarching framework is in place and operational in order that the policy objectives set out above are met.
- (e) Allocate responsibilities to individual Senior Managers to ensure that action plans are developed and implemented to manage risks.
- (f) Identify key risks to business plan of the objectives as an integral part of the business planning process.
- (g) Ensure that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process.
- (h) Ensuring that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process.
- (i) Ensure that an escalation process is in place for key risks in their area of responsibility to facilitate upwards reporting to the Accounting Officer for consideration and review of action plan.
- (j) Ensure that risk to business plan objectives is a standing item on the agenda for the Senior Management team meetings.
- (k) Receives and approve periodic reports on operational risk management issues.

7.5.13 Risk Manager

The Risk Manager's role is to provide a dedicated resource and focus on the development and implementation of the risk management framework.

This involves:-Maintaining appropriate risk assessment methodologies.

- (a) Facilitating risk management workshops.
- (b) Maintain and develop the use of software for risk Management
- (c) Monitoring progress against action plans designed to manage operation risks.
- (d) Identifying training need and organizing the provision of suitable courses.

7.5.14: Risk Owner

Risk owner is the individual charged with the delivery of the task in hand, regardless of size, where this is an individual project the risk owner is the project manager. Management of strategic or operational risks is the responsibility of the individual assigned to ensure that action plans are developed and implemented to manage risks.

These guidelines are proposed as a result of the assessment of the application of risk Management in the Implementation of the PGDP Study, and the Risks register development was consultative process and included Provincial strategic planners and risk managers in the Government departments of the ECPA.

7.6. Conclusion

Findings in this chapter reveal that there has been no integrated approach in the risk of the ECPGDS. According to the implementation theories discussed in this thesis,

strategy implementation involves change and there are risks associated with that change. This change if successfully managed leads to improved performance in organizations, whilst poor management of that change may contribute to a lesser degree of success in strategy implementation.

Public Service managers of the Eastern Cape, who are charged with the responsibility of implementing the ECDP strategy need to view the ECPGDS as a transformative system, meaning that it requires a change strategy and a uniform approach in the management of the risks associated with the transformative strategy.

The study recommends an integrated approach to risk management of the PGDS and further proposes a Model and guidelines for the integrated risk management of the ECPGDS. The study revealed that whilst risk management may be done successfully at operational levels, if the management of risk at those levels is not aligned to programme risk management level and strategic level risk management, it is may not contribute to achievement of the objectives of strategy. This means that, strategy implementation and service delivery may continue to suffer and objectives of strategy may not be realised.

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Annexure 1: QUESTIONNAIRE

General Information	
Name of the Department	

Your portfolio including your scope of responsibility	
Name of your Business Unit	
Name of over sight Cluster for your Dept	
Name of PGDP Programme and / or Projects for implementation in your department	

1. Awareness, Application, Training, Exposure in Risk Management

YES		NO	
-----	--	----	--

1.1 Does your Department have a risk Management unit?

YES		NO	
-----	--	----	--

1.2 Are you aware of the Eastern Cape Provincial Government Risk Management Strategy?

YES		NO	
-----	--	----	--

1.3 Is there a Risk management Policy/ Procedure/ Process for your Department?

YES		NO	
-----	--	----	--

1.3 (a) If a process exists, is it aligned to the Eastern Cape Government Risk Management Policy?

1.3 (b) is there a Provincial policy that mandates its use?

YES		NO	
-----	--	----	--

1.3(c) Does the process evaluate Risk at the Strategic and or business level, and/or at the project level?

Strategic	Business level	Project	Don't Know

1.3 (d) Does the process incorporate PGDP implementation risks

YES		NO	
-----	--	----	--

1.3(e) How was this process developed and have the results been documented?

1.3 (f) Please describe the scope of the risk analysis selected above.

1.4 How long has the Risk management procedure been used?

Years _____

Months _____

1.5 Do you monitor PGDP specific risks?

YES		NO	
-----	--	----	--

1.5 (a) If yes, are the PGDP risk factor incorporated into your monitoring and evaluation (M&E) system

YES		NO	Don't know
-----	--	----	------------

1.5 (b) If yes, is the evidence document?

1.5 (c) If yes, Please provide information source for this evidence for purpose of verification?

e.g.: your software system, risk management meeting's agenda, and senior executive management meeting's agenda.

Information source	Don't know

1.6 How long has the Risk management procedure been used?

Years _____

Months _____

1.7. Does the process evaluate risks in a qualitative and/or quantitative manner?

1.8 Has your Department ever used a risk analysis/management consultant?

YES		NO	
-----	--	----	--

If so, was the experience a success?

YES		NO	
-----	--	----	--

1.7 Does your Department have and use a lessons learned program or a process to follow-up on project performance?

YES		NO	
-----	--	----	--

1.8 Is the application of Risk management is supported by the senior management in this Department?

Agree	Partly Agree	Not Agree	Don't Know

1.9. Application of Risk Management should increase success levels in implementation of PGDP projects.

Agree	Partly Agree	Not Agree	Don't Know

2. PGDP projects Implemented by the Department

2.1 How many PGDP projects has your Department implemented in the past year, 5 years, 10 years?

0-1		2 - 5		5 -10	
-----	--	-------	--	-------	--

2.2 To what degree is Risk Management integrated (Applied) in your projects implementation

Not integrated	Partially integrated	Fully integrated

3. Knowledge and Skills

3.1 Have you received any training on Risk management in the past 12 months?

YES		NO	
-----	--	----	--

3.1 (a) If yes, which one in the training categories below better describes it?

Formal training	Informal training	Self Study

3. 2 What is your understanding of application of Risk management in your portfolio?

ANNEXURE 2: DOCUMENT ANALYSIS DATA COLLECTION TOOL

Name of the department	status	No. of years implementing PGD projects/s	Budget for PGDP project/s	Risk Register attached		No of PGDP specific risk factors listed in register	No of PGDP risk Indicators in the M&E framework of the department
				Yes	No		
E.g. Social Development	erg Big Department						
e.g. Health	e.g. Big/ Small	10 years		e.g. Yes	e.g. No	e.g. 5	e.g. 4

ANNEXURE 3: DISTRICTS OF THE EASTERN CAPE

Amathole District Municipality	East London	23,579	1,664,753	70.6
Cacadu District Municipality	Port Elizabeth	58,194	363,496	6.2
Chris Hani District Municipality	Queenstown	36,695	798,597	21.8
Nelson Mandela Bay Metropolitan Municipality	Port Elizabeth	1,959	1,050,930	536.5
OR Tambo District Municipality	Mthatha	15,968	1,862,218	116.6
Joe Gqabi District Municipality	Barkly East	25,663	308,365	12

Source: STASSA (2002)

ANNEXURE 4: UNEMPLOYMENT RATE IN THE EASTERN CAPE

Municipality	Employed (%)	Unemployed /not economically active (%)
Chris Hani	18.3	81.7
Alfred Nzo	23.69	76.31
Joe Gqabi District	26.3	73.7
Amatole	28.6	71.4
O.R. Tambo	32.06	67.9
Nelson Mandela Bay Metro	38.13	61.87
Cacadu	40.59	59.41

SOURCE: STASSA (2002)

ANNEXURE 5: THE EASTERN CAPE PGDS RISK REGISTER

ECPGDS RISK REGISTER: FOR IMPLEMENTATION CONSIDERATION BY THE EASTERN CAPE GOVERNMENT DEPARTMENTS

Root Cause	Risk Identified	Risk Profile	Possible Outcome of Risk	Risk Mitigation Suggested	Frequency of reporting	Responsibility
		High Risk				
		Medium Risk				
Low Risk						

Policies, Service and blind loyalty	R 1	Political games /conflicts	High Risk	Strategy implementation failure and non-achievement of PGDS objectives	regular risk assignment and reporting	Quarterly	All Government departments
Poor planning & lack of integration in Risk management	R 2	Poor or non-alignment of PGDP risk monitoring information to the monitoring plan of the department	High Risk	Late identification of probability and high impact risks for the PGDS	alignment of the risk review plan to the performance review plan of the department	Quarterly	All Government departments
Lack of poor alignment in planning frameworks	R 3	Misalignment of PGDP projects with local practices and processes	Medium Risk	(1) Lack of buy in and commitment to PGDS (2) No budgeting for PGDS projects	alignment of the PGDP projects with local practices and processes	Quarterly	All Government departments
Poor strategic management and operational planning	R 4	Misalignment of human and financial resource to the project	Medium Risk	No implementation of PGDS	alignment of human and financial resource to the project	Quarterly	All Government departments
Poor planning recruitment	R 5	Lack of human resources to implement Programme	High Risk	No implementation of PGDS	ensure availability of human resources to implement PGDP project	Quarterly	All Government departments

Root Cause	Risk Identified		High Risk	Possible Outcome of Risk	Risk Mitigation Suggested	Frequency of reporting	Responsibility
			Medium Risk				
			Low Risk				
Poor recruitment policy implementation	R 6	Lack of required knowledge or skills	High Risk	Project failure	ensure human resource skilling on the PGDS projects	Quarterly	All Government departments
Poor strategic management & leadership	R 7	PGDP project managers expected to run several projects other than the main project	High Risk	PGDP projects not completed in time	Free PGDS project staff from other projects and allow them to carry out PGDS tasks	Quarterly	All Government departments
Poor strategic & strategic operational management	R 8	Allocation of less budget than initially agreed	Medium Risk	PGDP projects not completed in time	ensure availability of budget throughout the project	Quarterly	All Government departments
Poor planning & lack of integration in Risk management	R 9	Not assigning a risk mitigation strategy for each aspect of the organisational risks in project deliverables.	High Risk	Unidentified risks and the consequences out-weighing PGDP objectives	assign mitigation strategy for each PGDS project delivery risk	Quarterly	All Government departments
Lack of effective risk management	R 10	Lack of ownership of PGDP Projects	High Risk	Poor implementation of PGDS	ensure buy in and ownership into the PGDS projects	Quarterly	All Government departments
Lack of effective risk management	R 11	Lack of a project champion	Medium Risk	PGDP not prioritised	ensure project champion for all PGDS projects	Quarterly	All Government departments

Root Cause	Risk Identified		High Risk	Possible Outcome of Risk	Risk Mitigation Suggested	Frequency of reporting	Responsibility
			Medium Risk				
			Low Risk				
Poor Strategy implementation tactics	R 12	Poor communication of PGDP and its objectives to stakeholders and beneficiaries	High Risk	1.lack of knowledge of PGDS and its benefits	ensure communication of PGDS objectives and its benefits to beneficiaries and stakeholders	Quarterly	All Government departments
Poor planning recruitment	R 13	Lack of local personnel knowledgeable management and supervision	High Risk	No achievement of PGDP objectives and targets	ensure supervisory and appropriate incentives	Quarterly	All Government departments
Poor strategic mangement & leadership	R 14	Organizational instability	Medium Risk	Lack of strategic implementation follow up	strengthen managerial leadership in government departments	Quarterly	All Government departments
Poor communication of PGDS strategy	R 15	Poor PGDS perceived system usefulness	Medium Risk	Lack of buy in of the stategy implementation system	promote understanding of PGDS implementation system	Quarterly	All Government departments
Poor communication and poor strategic managment & leadership	RI 16	Negative attitudes on the part of project team members	Medium Risk	Poor Uptake of the PGDS programs and projects	ensure motivation of PGDS project members at all times	Quarterly	All Government departments
Poor Planning	R 17	Large and complex projects	Medium Risk	Lack of understanding and poor implementation of PGDS	design and implement a strategy implementation map and simplify PGDS projects	Quarterly	All Government departments
Poor planning, lack of integegration in risk mangement	R 18	Unreliable external Partners	Medium Risk	PGDS project failure	release unreliable external partners	Quarterly	All Government departments

Root Cause	Risk Identified		High Risk	Possible Outcome of Risk	Risk Mitigation Suggested	Frequency of reporting	Responsibility
			Medium Risk				
			Low Risk				
Changing priorities in leadership	R 19	Changes to membership on the project team		PGDS projects not completed on time	ensure stability of membership on PGDS project team	Quartely	All Government departments
Poor planning, lack of integegration in risk mangement	R 20	Unrealistic expectations		Failure on part of implementors	realistic planning	Quartely	