



**"THE PERCEPTION OF CORPORATE SERVICES IN A METROPOLITAN
MUNICIPALITY ON KING III GOOD GOVERNANCE COMPLIANCE"**

by

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**THE PERCEPTION OF CORPORATE SERVICES IN A METROPOLITAN MUNICIPALITY
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DECLARATION

I, Newton Sly Mutiro, declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

24 May 2013

Signed

Date

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ABSTRACT

Good governance has been and is a growing phenomenon for almost all business organisations regardless of size, profit margins and purpose for existence. Government, quasi-government, non-governmental organisations and even civic organisations have adopted a project-based approach to business.

The City of Cape Town Metropolitan Municipality is one such organisation that had adopted a project-based approach to business. The challenge was how to effectively and efficiently implement governance issues around projects and business organisations. Most organisations can easily be misled if issues of governance are not clearly defined and followed.

A project-based approach helps in defining the resources needed at specific times, the time required for a specific task and the cost of a specific operation. In a multi-project environment (programme) resources are shared in a well-defined manner.

The City of Cape Town Metropolitan Municipality has a huge responsibility in terms of successfully initiating, planning and implementing projects successfully. The magnitude and the dynamic complexities of their operation call for proper governance structures to be established within any municipality if service delivery is the main objective.

Managing complex and mega projects calls for certain leadership traits. A fusion of these traits at different management levels will be critical for effective delivery of services to the electorate. Models and plans need to be in place as guidance to successful implementation of projects.

A number of people, committees and institutions have developed different governance frameworks that can be adopted by organisations as a guide to good governance. This research is based on King III guide to good governance.

Challenges experienced by other Municipalities and business organisations e.g. Nelson Mandela Municipality, Eastern Cape Education Department, Transnet, LeisureNet, Limpopo Provincial government and many others, directly relate to poor governance. This therefore calls for the investigation of the Corporate Services directorate in the City of Cape Town Metropolitan Municipality to establish the level of compliance with what King III had recommended as a framework for good governance.

The City of Cape Town Metropolitan Municipality has different general governance frameworks in place. However they do not use them effectively because of different issues identified by the researcher. The major challenges facing the City of Cape Town Metropolitan Municipality are

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effective governance communication and lack of training in the practice of good governance. There were serious discrepancies when it comes to understanding and interpreting governance issues within the different levels of management.

It is expected that an organisation like the City of Cape Town Metropolitan Municipality should have proper communication channels and effective training programmes. The researcher also found that information is not readily available to people who need it most yet the expectation is that information be readily available.

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DEDICATIONS

To Sammantha Tatenda and Leeroy Asante Brooklyn

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CHAPTER ONE: INTRODUCTION

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1.1 Introduction

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The Cadbury Committee triggered a change in the way businesses are supposed to operate. It shifted the focus from maximisation of profits using any means possible to maximisation of profits through smart partnership, caring for the environment, honest business dealings, no business conflict of interest, audit controls and many more. This is what business organisations are now battling to implement and maintain and the City of Cape Town Metropolitan Municipality is not an exception.

1.1.1 Background to the Research

The research was conducted at the City of Cape Town Metropolitan Municipality in the Corporate Services directorate. In preparation of this research, the researcher carried out a participative preliminary research into the handling of business and projects within this organisation. The issues around the Nelson Mandela Municipality, Makana Municipality in the Eastern Cape and Mantsopa Municipality all point to a lack of good corporate governance, a problem experienced in some other business organisations in South Africa as well.

There had been many service delivery strikes and demonstrations in South Africa and they all relate to maladministration and poor governance.

According to the Institute for Security Studies (2005), many reasons for these protests are offered. The primary reason appears to be dissatisfaction with the delivery of basic municipal services such as running water, roads, electricity, toilets and houses. Professor Nico Le Roux from the school of Public Management and Administration at the University of Pretoria in his article 'The Reason Behind Service Delivery Protest in South Africa' pointed out that all leads to poor governance. (Le Roux, 2005)

Other reasons that tie to poor governance include rampant corruption and nepotism within local government structure. The then Minister for Cooperative Governance and Traditional Affairs, Sicelo Shiceka, speaking to the South African Local Government Association in East London on Wednesday 22 April 2009, admitted that "many of our municipalities are in a state of paralysis and dysfunction" (Institute for Security Studies, 2009).

According to the Minister, local governments are perceived to be incompetent, disorganised and 'riddled with corruption and maladministration', (Institute for Security Studies, 2009) The general public have a perception that municipalities because of their nature do not practise good governance in their day-to-day business operations.

The King III guide is a new offering into ethics and governance and is influenced by the Cadbury Committee report in the United Kingdom in 1992. After that the King Committee on Corporate Governance was formed in 1993 under the auspices of the Institute of Directors.

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Corporate governance was institutionalised in South Africa in 1994 after the first King Report on Corporate Governance was published in November 1994. The basis of Corporate Governance is good financial, social, ethical and environmental practice. Corporate governance advocates an integrated approach to good governance in the interest of a wide range of stakeholders. The King I report formalised the need for companies to recognise that they no longer act independently from the society and environment in which they operate.

From its inception the Committee published three reports, i.e. King I -1994; King II – 2002 and King III – 2009.

King 1 1994

The focus of King I:

Directors of corporates must:

Define the purpose of the organisation

Define values of the organisation

Identify all stakeholders

Develop, implement and monitor a strategy which combines these factors

King II 2002

King II is an improvement on King I and the following are critical:

1. Characteristics of good Corporate Governance
 - Discipline; transparency; independence; accountability
 - Responsibility; fairness; social responsibility
2. Critical issues in King II
 - Board of Directors – the most critical factor in sound Corporate governance
 - Risk management – there is need for adequate disclosure of risk
 - Internal audit
 - Integrated sustainability
 - Accounting and auditing
 - Communication

These are critical ingredients to sound project management. From the project perspective it is therefore imperative to investigate to what extent a corporate adheres to the executive guide to corporate governance. The City of Cape Town Metropolitan Municipality is a public corporate that should have the most projects because of its operational nature and the diverse services it provides. The City of Cape Town Metropolitan Municipality has a great need for good corporate governance. The results of this analysis can be used to improve

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service delivery to the public. The results can also be used as a basis to improve faith between all stakeholders.

King III 2009

This framework applies to all companies. The focus is on:

- Directors and the Chief Executive Officer – roles, responsibility and power
- King III builds on sustainability – accountability, environmental issues, governance, strategy and sustainability
- Risk-based approach to internal audit
- Beefed up Audit Committees

1.2 Statement of research problem

The nature of municipalities is complex; they have to provide a wide range of services, water, sanitation, housing, education services, electricity and many others. Coordinating and managing all these is a big challenge since all cut across many different department and other private stakeholders. Municipality operates in a very dynamic environment which requires good governance and management practices. The public perceives municipalities as practising corruption, nepotism, deploying ANC ‘comrades’ without qualification and skills to manage and governance effectively (Institute for Security Studies, 2009). Municipalities are perceived as providing shoddy services.

Against this background, the research reads as follows: **“The Perception of Corporate Services in a Metropolitan Municipality on King III Good Governance Compliance”**

The Corporate Services directorate in the City of Cape Town Metropolitan Municipality runs a large number of projects which require a clear approach in terms of governance. The more the projects being run, the more complex the operational environment will be. Consequently the governance issues that arise are likely to be more challenging.

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1.3 Research question, sub-questions and objectives

Research problem	Local governments/city councils tend not to practice good governance in project implementation and business organisation.
Research question	What is the perception of the Corporate Services in a Metropolitan Municipality on King III good governance compliance?

Research sub-question	Research method(s)	Objectives
What is the importance of adhering to good guidelines of corporate governance?	Literature review Interviews (structured and unstructured)	Establish how management views the relevance of corporate governance in projects and business.
What governance model(s) has (have) been developed and applied by the City of Cape Town Metropolitan Municipality?	Literature analysis Interviews	Determine which governance models are used and to what extent they are being adhered to in projects and business.

Table 1.3.1 Research question and sub-questions

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1.4 Current status of the research area

1.4.1 Introduction

Corporate governance refers to the way in which organisations are directed and are being controlled (Smerdon, R. 1998:1). This implies that the responsibility for corporate governance of publicly owned organisations lies with the board of directors (IOD Report, 1994:1).

Business organisations generally require good governance practices if they are to survive.

The Board of Directors has a huge role to make sure business organisations are complying with good governance practices. This now also applies to public organisations which, when not governed properly, are most likely not to succeed.

Because of their nature projects represent a complete business cycle. Most business organisations will exist for a very long time before they eventually close. During their long life span businesses can build governance models and incorporate them gradually into their day to day operations. Unlike business organisations, project organisations work within a limited timeframe and budgets; hence effective governance models need to be in place at the start of the projects.

In project environments the notion of accountability extends beyond the interest of the shareholders to include all stakeholders. (Collier & Roberts 2001:68)

According to Mckinsey (2002), Board practices are more important than financial performances.

Some projects are destructive in nature and this call for organisations to adopt a triple bottom line, i.e. the economic, environmental and social aspect of the project(s). In South Africa there are many challenges in corporate governance within Municipalities and other government entities.

The City of Cape Town Metropolitan Municipality represents a major employer, contractor and business partner in the Western Cape and has many different projects.

Ethics and governance cannot be separated from each other. Organisations need to be accountable for their actions, be environmentally sensitive and have a sound social responsibility. Good business and project practice is critical for the survival of any organisation, whether it is a profit making or non-profit making entity.

Good business practice is critical for the City of Cape Town Metropolitan Municipality. Adherence to good practice can result in the improvement of service delivery since it is the core business of any municipality. Enhancing service delivery will eventually improve the quality of life of the people in the Cape Town Metropolitan area.

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1.4.2 Research objectives

The general objective of this research is to determine the perception of employees in the Corporate Services directorate within the City of Cape Town Metropolitan Municipality on good governance issues as stipulated by the King III framework on governance issues.

The objectives of this research are stated below:

1. Establish the extent to which management and the general workforce within the City of Cape Town Metropolitan Municipality Corporate Services directorate perceive the corporate governance guidelines and good practice as stipulated by King III.
2. Determine which governance model(s) is (are) used by the City of Cape Town Metropolitan Municipality Corporate Services directorate and to what extent they are being adhered to in projects and business governance.
3. Establish the readiness to deal with governance issues within the City of Cape Town Metropolitan Municipality Corporate Services directorate.
4. To make some recommendations if necessary regarding the governance models used by the City of Cape Town Metropolitan Municipality Corporate Services directorate.

1.4.3 Benefits of good governance practice

Some of the benefits to be derived from good governance models and practice will include improved trust and good working relationships among stakeholders, improved transparency, improved accountability, increased profit margins, better decision-making processes and increased end-user productivity.

On the other hand good governance practices encourage environmentally friendly practices, increase social responsibility and improve business effectiveness and efficiency. The general economies of scale are also going to improve.(OECD, 2007) If an organisation achieves all the above improvements, then the greater public is going to benefit. Hence there will be a reduction in the number of service delivery protests.

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1.5. Units or levels of analysis

The unit of analysis for this research is the Corporate Services directorate of City of Cape Town Metropolitan Municipality.

1.6 Data analysis methods

Data was collected via survey questionnaires. Data collected from survey was analysed in terms of a descriptive analysis. Participants in this research have given the researcher informed consent and privacy of information will be respected.

1.7 Delineation of the research

The research was limited to the Corporate Services directorate of the City of Cape Town Metropolitan Municipality located in the Western Cape. The day to day operation will not be part of the research; only operations that relate to projects will be looked at.

1.8 Contribution of the research

The proposed research has the potential to highlight the benefits of adhering to good guidance on corporate governance, to create a blueprint for the Corporate Services directorate in the City of Cape Town Metropolitan Municipality for governance, and to develop strategic governance models for projects and business for the City of Cape Town Metropolitan Municipality.

The major contribution of this research will be the enhancement of service delivery in the area under its jurisdiction. This will directly benefit the public at large and hopefully reduce the number of service delivery protests.

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1.9 Project plan

	Activity	Start Date	Completion Date	Status
1	Topic discovery	November 2010	January 2011	Complete
2	Identify study leader	December 2010	January 2011	Complete
3	Finalisation of topic	February 2011	March 2011	Complete
4	Meeting with supervisor	February 2011	March 2011	Complete
5	Develop research proposal	November 2010	December 2010	Complete
6	Submit research proposal	November 2010	November 2010	Complete
7	Conduct research (collect, process and analyse data)	February 2012	March 2012	Complete
8	Research proposal re-submission	February 2012	February 2012	Complete
9	Construct questionnaires and interview questions	March 2011	April 2011	Complete
10	Write dissertation	April 2011	May 2011	Complete
11	Finalise dissertation (Edit, protect, verify)	July 2012	May 2013	Complete
12	Submit dissertation	August 2012	June 2013	Complete
13	Edit and binding	May 2013	June 2013	Complete

Table 1.8.1 The project plan and steps

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CHAPTER TWO: LITERATURE REVIEW

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- 2.4 Importance of resources to project governance
- 2.5 Politics, Power and Projects
- 2.6 Effects of leadership styles on good project governance
 - 2.6.1 Transactional leadership
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2.1 Purpose of the chapter

The purpose of this chapter is to review different relevant publications that have been generated by previous authors and researchers and to see how they impact on the City of Cape Town Metropolitan Municipality. Much research has been undertaken to try and establish what the challenges really are that Municipalities face in pursuing good corporate governance.

Municipalities across the globe tend to have similar challenges because of their nature. Provision of services to the public is a major problem, given the operational dynamics, resource limitations, skill shortage, lack of focus, the large number of clients to service; this coupled with the lack of wisdom and willingness to serve people becomes a disaster (Kaselowski E, 2008).

The level of corruption and nepotism in municipalities is very high; hence the ever increasing number of service delivery protests in the Republic of South Africa and the world over.

Given the high number of researchers who have spent valuable time making recommendations to municipalities, it remains a mystery why municipalities do not change their governance approach to provide a better service to the community. This chapter digs deeper into the publications developed by researchers and authors and extracts information critical to good governance in relation to King III.

2.2 Introduction to governance

2.2.1 The Cadbury Report

The Cadbury Committee was set up in May 1991 by the Financial Reporting Council, the London Stock Exchange and the accountancy profession to address financial aspects of corporate governance, (Cadbury Report, 1992).

Adrian Cadbury was appointed Chairman of the Committee. The committee sponsors were concerned at the perceived low level of confidence both in financial reporting and in the ability of auditors to provide the safeguards which users of the company's report sought and expected (The Combined Code Report, 2000).

The purpose of the Cadbury Committee was justified for the following reason:

- The economy of the country depended on the drive and efficiency of its companies. Thus the effectiveness with which their boards discharged their responsibilities would determine Britain's competitive position.

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- At the heart of the Committee's recommendation was a Code of Best Practice designed to achieve the necessary high standards of corporate behaviour. The London Stock Exchange intended to require all listed companies in the United Kingdom to abide by the code.
- By adhering to the code, listed companies would strengthen both their control over business and their public accountability. This would strike a balance between meeting the standards of corporate governance then expected of them and retaining the essential spirit of enterprise.
- Bringing greater clarity to the respective responsibilities of directors, shareholders and auditors would also strengthen trust in the corporate system.
- To strengthen the unitary board system and increase its effectiveness. All directors were responsible for the stewardship of the company's assets.
- It believed that the approach, based on compliance with a voluntary code coupled with disclosure would prove more effective than a statutory code. It was directed at establishing best practice (The Combined Code Report, 2000).

The underlying factors were seen as the looseness of accounting standards, the absence of a clear framework for ensuring that directors kept under review the controls in their business, and competitive pressures both on companies and on auditors (Cadbury Report, 1992).

These concerns about the working of the corporate system were highlighted by some unexpected failures of major companies and by the criticisms of the lack of effective board accountability (Cadbury report, 1992).

The Cadbury Report looks at different personnel and functions within business organisations that are necessary for good corporate governance.

The report helps organisations to develop clear governance frameworks on which decisions and operations are going to be based. The Cadbury Committee developed the code of best practice based on the code principles, i.e. openness, integrity and accountability (Cadbury Report, 1992).

Integrity means both straightforward dealings and completeness. The integrity of the reports depends on the integrity of those who prepare and present them (The Combined Code Report, 2000).

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Boards of directors are accountable to their shareholders and both have to play their part in making accountability effective, through quality of information which boards provide to shareholders, and shareholders through their willingness to exercise their responsibilities as owners (The Combined Code Report, 2000).

The Cadbury Committee made a number of recommendations on the following:

1. The board – the role of the board, the structure of the board, the role of the chairman, directorship i.e. executive and non-executive directorship, remunerations, audit committees and internal controls
2. Auditing – professional objectivity of auditing, appointment of auditors and rotation of auditors, internal controls, fraud and illegal acts, auditors' liability and confidence
3. Shareholders – accountability and responsibility, communication and influence.

2.2.2 Definition of corporate and project governance

Corporate governance can be defined as the system by which an organisation or company is directed and controlled in order to achieve its objectives. (CPA Audit, 2007)

Project governance is a process of structuring and managing all of the relationships/interactions between all stakeholders who are party to the project (government, sponsor, suppliers, indigenous peoples, etc.)(Jorr, R.2007).

This system provides the mechanics for the organisation to operate effectively and efficiently towards its predefined organisational objectives. It also provides the foundation and structures on which organisational rules and policies are developed, which conduct is acceptable and what is not acceptable and how the organisational performance and compliance is monitored and measured (Kaselowski, E. 2008).

Good corporate governance enables the organisation to set its objectives and provides assurance to all stakeholders that the objectives set are going to be achieved. The Queensland Government (2002) stated that corporate governance is the "glue" between the organisation and its objective (Kaselowski E, 2008). Without good corporate governance there is very little assurance that the organisation will function properly, efficiently and effectively as it will have planned.

Corporate governance provides organisations with the structure through which objectives are set, the means of attaining those objectives and how the performance is measured (Cadbury A, 1992). Poor corporate governance can have extremely negative effects on the organisation (Tarimo, J.2006). Possibly the biggest contributing factor towards poor

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corporate governance within any organisation is the quality and management of the information asset of the organisation on which all critical strategic decisions are based.

Information management is critical for any organisation to remain competitive and to be able to sustain itself. Objectives, plans, goals, aims are all dependent on the information available. Hence if the information is not correct and timeous, then critical decisions will be arrived at based on wrong information.

The lack of sound corporate governance principles in organisations such as Parmalat, WorldCom, LeisureNet and others has been stated as the major cause for accounting fraud and poor organisational performance (Ramaswamy, V. 2005).

2.2.3 Importance of good governance

Sound corporate governance is vital for organisations to remain competitive (Centre for Business Research, 2004).

In order to protect investors, various new laws, practices and regulations have recently been published which define the implementation of better governance principles and techniques (Loyd, S. 2004). Both the Sarbanes-Oxley Act in the United States and the King Report in South Africa are examples of such laws and practices.

Board Executives and CEOs worldwide have started to investigate their companies' internal governance practices for fear of being found guilty of negligence and perhaps facing prison terms for violating these corporate governance mandates (Changepoint Corporation, 2004).

Corporate governance addresses more than just disclosure and compliance. Other issues such as effectiveness and efficiency of operations and the safeguarding of assets also form part of effective corporate governance strategies (CPA Audits, 2007).

The main objective of corporate governance is to enhance the well-being of any organisation providing it with the four key governance aspects (Kurkure, A P. 2006).

The first aspect is the provision of a strategic vision. Organisations that are well governed provide for the development of objectives and strategic long-term and short-term plans. Secondly, well governed organisations have predictable operations and outcomes and this predictability aspect helps to cultivate investor trust. Transparency is the aspect of corporate governance that enables all stakeholders to have a clear picture of the organisation. Lastly, accountability allows organisational entities to be mapped to specific processes and procedures.

These aspects of corporate governance contribute highly to better stakeholder satisfaction.

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2.2.4 Project governance

Most organisations, public, private and quasi-government, have changed their approach to business. They have adopted a project-based approach to business for better management and effectiveness.

It is in this context that project governance becomes paramount to City of Cape Town Metropolitan Municipality.

Corporate governance cannot be complete without project governance since most corporate core business is project implementation and management. Corporate governance has moved to project level. Project governance is an approach and concept that has been adopted by almost every business organisation. Adopting a project-based approach to business has many benefits, including being able to show weakness in projects.

2.3 Introduction to King I, II and King III

In 1993 the King Committee on corporate governance was formed here in South Africa under the auspices of the Institute of Directors. This was a direct response to the Cadbury Committee report into the financial aspects of corporate governance in the United Kingdom.

The purpose of the King Committee was to look at corporate governance in the context of the Republic of South Africa.

Of interest were the social and political transformation and the readmission of South Africa into the international community. The first report (King I report) was published in November 1994 and this led to the institutionalisation of corporate governance in South Africa.

The King I Report advocates an integrated approach to good corporate governance in the interest of a wide range of stakeholders. It embraced the fundamental principle of good financial, social, ethical and environmental practice (Ernst & Young, 2003).

In adopting a participative corporate governance system of enterprise and integrity, the King Committee in 1994 formalised the need for companies to recognise that they no longer act independently from the society and environment in which they operate (IOD, 1994).

Since the publication of the Cadbury Report it has become fashionable to refer to corporate governance as “the system by which companies are directed and controlled” (Smerdon,R.1998:1).

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2.3.1 King I - 1994

The King Report on corporate governance in South Africa also used this formulation as their working definition (Institute of Directors, 1994). The definition implies that the responsibility for corporate governance of publicly owned companies lies with the Board of Directors of such companies.

The emphasis in King I Report was on:

- Advocating an inclusive approach
- Separating ownership and management
- Moving to the triple Bottom Line, i.e. Environment, Profit & Revenue and Social Responsibility
- Ensuring that Directors of corporates:
 - Define the purpose of the organisation
 - Define values of the organisation
 - Identify all stakeholders
 - Develop, implement and monitor strategies which combine these factors (Malan, D., Rassouw, G., Van Der Watt A. 2009).

The King I report was very critical. South Africa was going through a number of social, political and economic transformations (IOD Report, 2002).

While the King Committee remained firmly committed to the above governance concepts, a number of far-reaching recommendations contained in the King I Report of 1994 have been superseded by legislation in the social and political transformation that coincided with its release (IOD Report, 2002).

Of particular interest are the Labour Relations Act (No. 75 of 1997), Employment Equity Act (No. 55 of 1998), Basic Conditions of Employment Act (No 75 of 1997), National Environment Management Act (No. 107 of 1998), Companies Act (No. 61 of 1973), Insider Trading Act (No. 135 of 1998) and the Public Finance Management Act (No. 1 of 1999).

The above legislation led to the review of the King I Report of 1994. This was followed by the publication of the King II Report of 2002.

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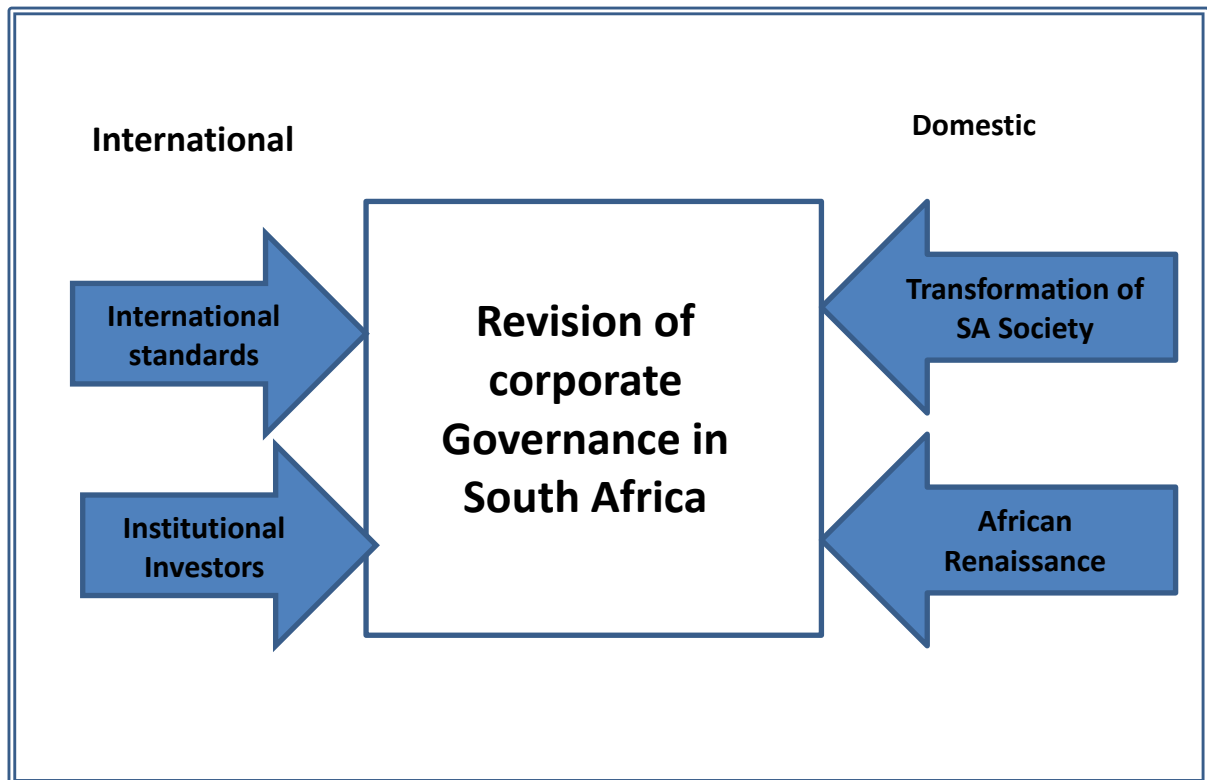


Figure 2.3.1 Factors influencing a review of King 1

2.3.2 King II – 2002

The development of the King II report was in partnership with a number of organisations including the JSE, Deloitte & Touche, KPMG, Anderson, SASOL, ESKOM, Transnet and many others (IOD Report, 2002).

King II is an improvement of King I and the following are critical:

- 1 Characteristics of good corporate governance
 - Discipline; transparency; independence; accountability
 - Responsibility; fairness; social responsibility(Malan D, Rassouw G, Van Der Watt A, 2009)
- 2 Critical issues in King II
 - Board of Directors – the most critical factor in sound corporate governance
 - Risk management – there is need for adequate disclosure of risk
 - Internal audit
 - Integrated sustainability
 - Accounting and auditing
 - Compliance and enforcement
 - Communication (Malan D, Rassouw G, Van Der Watt A, 2009)

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The above is applicable to all companies on JSE, banks, finance and insurance entities and of importance to public sector enterprises and agencies that fall under the Public Finance Management Act and the Local Government, Municipal Finance Management Act.

The Cape Town Metropolitan Municipality falls under the last three; hence it is also governed by the recommendations of King II (Institute of Directors, 2002). These are critical ingredients to sound project management. From the project perspective it is therefore imperative to investigate to what extent the City of Cape Town Metropolitan Municipality as a corporate adheres to the executive guide to corporate governance.

The City of Cape Town Metropolitan Municipality is a public corporate that should have many projects because of its operational nature and the diverse services it provides. It should therefore have a great need for corporate governance.

The King II Report contains recommendations that can be easily manipulated. To tighten the grip and incorporate the new Companies Act of South Africa and changes in international governance trends, King II Report was reviewed, giving birth to the new King III Report in 2009.

2.3.3 King III – 2009

The need for King III is seen in the context of :

- The Companies Act, which was to become effective in 2010
- The King Committee and its sub-committees being prepared to complete the Report, without any remuneration.
- A growing emphasis on the need for comprehensive reporting (Summary of report on Governance for South Africa 2009, South African Institute of Chartered Accountants)

Legislation which governs companies falls under many headings. Amongst such statutes are the following:

- The Companies Act
- The Public Finance Management Act
- The Municipal Finance Management Act

The Public Finance Management Act and the Municipal Finance Management Act relate directly to the City of Cape Town Metropolitan Municipality. This framework applies to all entities, regardless of the manner and form of incorporation or establishment (IOD, 2009).

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According to King III (IOD, 2009) “the terms ‘company’, ‘board’ and ‘directors’ refer to the functional responsibility of those charged with governance in any entity and should be adapted as appropriate”. The effects and recommendations of King III to the public sector organisations should be read in conjunction with the Public Finance Management Act (PricewaterhouseCoopers Report, 2009).

The focus is on:

- Directors and the Chief Executive Officer – roles, responsibility and power
- King III builds on sustainability – accountability, environmental issues, governance, strategy and sustainability
- Risk-based approach to internal audit
- Beefed up Audit Committees
- Annual review of internal financial controls
- IT Governance
- Alternative Dispute Resolution (ADR)
- Directors – performance evaluations, developing business rescue plans, identifying all stakeholders etc. (IOD, 2009).

Of particular interest is that, while King II stated “may”, King III states “must”.

The King III Report has key principles and the Report places great emphasis on:

- Leadership
- Sustainability; and
- Corporate Citizenship(Summary of report on Governance for South Africa 2009, South African Institute of Chartered Accountants)

2.3.3.1 Corporate citizenship, leadership integrity & responsibility

Principle 2.1 The organisation is seen to be a responsible corporate citizen

Principle 2.1 is very important to the City of Cape Town Metropolitan Municipality. The principle looks beyond performance and places emphasis on the triple bottom line consisting of:

- Economic
- Social
- Environmental (Summary of report on Governance for South Africa 2009, South African Institute of Chartered Accountants)

This implies the City of Cape Town Metropolitan Municipality should:

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- Have a holistic approach to economic, social and environmental issues to allow effective management of business opportunities and risks.
- Work together in its on-going enrichment of society to ensure maximum business impact.
- Incorporate into the culture of the business good corporate citizenship.

Principle 2.2 The organisation should develop strategies and policies to guide its activities, to fall in line with the action of good corporate citizenship.

According to Summary of report on Governance for South Africa 2009, South African Institute of Chartered Accountants, corporate citizenship should be relevant to the national needs of the countries in which it operates. The tangible programmes are results, adopted in South Africa, include:

- Transformation
- Human rights
- Human capital
- Social capital
- Safety and Health

Good corporate citizenship programmes require the commitment of leaders and a focus on corporate citizenship, as distinct from public relations.

Principle 2.4 The cultivation and promotion of ethical corporate culture

The responsibility to create and implement an ethical corporate culture lies with the Board. The Boards should ensure that an ethical management process exists, which consists of the following:

- Ethics, risk and opportunity profile
- Code of ethics: the organisation should ensure that a code of ethics is developed. This will guide the organisation in its relationship with stakeholders.
- Integrated ethics: ensure that the ethical standards described in the code of ethics are included in the organisation's strategies and operations.
- Ethical performance reporting and disclosure: assessing the organisation's performance in the implementation of ethics. Ethical performance should be disclosed to the stakeholders.
- An ethical corporate culture requires:
 - That all directors follow ethical standards;
 - That the interest of stakeholders should be taken into account in making decisions;

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- That the conduct of individuals needs to improve moral values;
- That business activities should be conducted with integrity, fairness and vision;
- That poor performance is never blamed on the exercise of good ethical standards.

2.3.3.2 Managing stakeholder relationships

Managing stakeholders is very important for an organisation like City of Cape Metropolitan Municipality. They have many stakeholders. In the Summary of report on Governance for South Africa 2009, South African Institute of Chartered Accountants; Principle 8.1 looks at identifying the stakeholders and understanding their expectations.

Principle 8.2 The organisation should proactively manage the relationship with stakeholders.

This principle includes the following:

- Once stakeholders have been identified, a strategy should be developed to communicate with stakeholder groups
- The organisation should consider whether it is appropriate to publish a list of stakeholder groupings and stakeholder policies
- On an annual basis the organisation should consider reporting on its dealings with stakeholders
- A close stakeholder relationship may enable companies to anticipate, understand and respond to external changes.

Principle 8.6 Transparent and effective communication – building and maintaining relationships

The City of Cape Town Metropolitan Municipality has a huge responsibility in terms of fulfilling this principle. The principle specifies the following:

- The principle of constructive engagement with all shareholders/stakeholders should be particularly considered.
- The possibility of reducing confrontations by a structured process of engagement should be borne in mind by management and directors
- Protection of minority shareholders from abusive actions by controlling shareholders.

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Principle 8.7 Promote mutual respect between the organisation and its stakeholders.

Key points under this principle are:

- The organisation and its stakeholders should adhere to a similar standard of corporate governance to encourage mutual respect
- The quality of corporate governance practice by strategic stakeholders should be monitored.
- Poor employee relations often result in low morale. In order to ensure a well motivated workforce, it is important to maintain effective communication.
- It is important for the organisation to strategically engage its employees.
- Continual, respectful and candid employee communications should ensure leadership credibility.
- It is important to align the employees' best interests with those of the organisation.
- Clear and transparent disclosure should be the norm at all times.

The City of Cape Town Metropolitan Municipality has to abide by the code of King III and the purpose of this research is to establish its perception of good governance in projects and business, given the framework of King III.

2.4 Importance of resources to project governance

Projects by their nature are difficult to govern because they are time bound. Projects borrow human resources for a fixed duration and additionally they require other project resources. All this needs to relate to the budget available. Projects create their own operational environment; hence their governance is very important.

According to Padmakumar, R (2010), organisational politics manifest themselves through the struggle for resources, personal conflicts, competition for power, leadership and tactical influence executed by individuals and groups to attain power, building personal stature, controlling access to information, not revealing real intentions, building coalitions etc. This is very dangerous for successful project implementation and governance.

2.5 Politics, power and projects

Like any other organisation the level of compliance with good governance in projects and business will be influenced by a number of factors. The leadership of the City of Cape Town Metropolitan Municipality is a political leadership governed and influenced by political ideologies; on the other side projects come from a business perspective. Project managers need to be business focused.

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This alone creates challenges for the ordinary people on the ground. (Pinto, J K. 1998). Understanding the role of politics in successful project management is required of knowledgeable personnel who have to use power and politics to promote successful project implementation.

Of course, the importance of politics and power is highly acknowledged in the successful implementation of projects. However, once the political aspect starts to influence project implementation the transparency gap shrinks and the level of good governance goes down. In his book "Power and Politics in Project Management"(Pinto, J K. 1998) argues that once politicians start calling the shots it will automatically hamper the project manager and the project team; hence the project loses direction and the project will eventually fail.

Having the project manager at the helm of the project allows the project to be executed according to the plan and also allows the project governance model to be useful. Project managers need that authority to conduct formal performance evaluations on their projects and project team, which will help to drive the project forward.

Managing the project in the face of corporate politics is the major challenge to a project manager and to project success (Pinto, J K. 1998). Politics strips the project manager of power, i.e. positional power and personal power, creating instability within the project environments.

This instability will eventually lead to project failure. Once the project fails the project manager will be solely to blame since the political elements will not be mentioned as a major cause of project failure. The project manager becomes the centre of authority and responsibility; hence he or she will be accountable and responsible (Pinto, J K. 1998).

Organisational or corporate politics comes into play here in full force. So how does the project manager strike a balance in terms of understanding the politics and the technical aspect of the project? The ability to balance this will define project success (School of Business – Penn State, 2000).

According to Kaselowski, E; public institutions like the City of Cape Town Metropolitan Municipality suffer a double impact of politicking in project and business organisation.

Any organisation has politics of some sort: there is the normal corporate politics usually brought up by the type of leadership driving the organisation; then we have national politics that directly affect Cape Town Metropolitan Municipality as a public organisation. These two spheres of politics make project governance a big headache for those in leadership (Kaselowski, E. 2008).

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Most of the empirical research has indicated significant relationship between perceptions of organisational politics and detrimental individual outcomes, including high levels of absenteeism, turnover intentions, anxiety, stress; and including lower levels of job satisfaction, organisational satisfaction, job performance and organisational citizenship (Poon, 2006; Rosen 2009).

In general, people in project organisations typically respond to their perceptions of politics in one of three ways, i.e. by withdrawal or planning to quit, by increased work involvement or by responding with similar or more aggressive political behaviour (Ferris & Kacmar, 1992). This will impact on the project governance negatively or positively, depending on the reaction type of individuals.

Some studies have also indicated that politics had little impact on job satisfaction, absenteeism and job anxiety among project team members (Feris, 1996; Witt, Andrew & Kacmar, 2000).

Valle & Wit (2001) tested the hypothesis that perceptions of organisational politics are more strongly related to job dissatisfaction among project members who assign low importance to teamwork than among those who assign high importance to teamwork. This was done by using data from 355 full time employees of a customer service organisation in the USA.

2.6 Effects of leadership styles on good project governance

A leader is identified as a person who sets the direction and influences people to follow that direction. Some early researchers attempted to define effective leadership styles and to relate them to various aspects of organisational outcomes (Blake & Mouton, 1964, Lewin et al., 1939). Leadership is one of the most significant aspects in the modern organisational context. It is often considered as a factor that has a major influence on the performance of organisations, managers and employees (Wang et al., 2005). There is a strong correlation between leadership style, perception of organisational politics and good governance (Kacmar & Baron, 1999). Governance is practised in an organisational environment and one of the factors that are critical is the leadership style (Prabhakar, G V. 2010).

2.6.1 Transactional leadership

Modern researchers are focused on the facets of leadership, i.e. Transactional and Transformational (Bass, 1985). Transactional theories focus on the role of supervision, organisation and group performance (European Journal of Social Sciences, 2010).

These theories base leadership on a system of reward and punishment; reward when successful and punish when there is failure. This is very critical in project governance where failure to govern effectively has severe consequences for the Project Team and

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stakeholders, especially Project Sponsors who will have taken the risk to fund the project (European Journal of Social Science, 2010).

With a task-oriented style, a transactional leader occupies the middle area of the continuum. Leaders with this style largely react to the performance of their employees and reward for compliance to their directives, a factor Northouse, P.G. (2001) called "contingent reward". Transactional leaders do not address employees' needs, motivations, or development. In general, their focus does not include intangibles, such as goodwill, because the influence of similar intangibles may be subtle, future oriented, or not easily calculated.

Organisational positions are defined according to tasks to be fulfilled, and employees are evaluated on the same. Workaholic patterns are modelled and rewarded (Graham, 1995, p.47).

Transactional leaders "focus on the exchanges that occur between leaders and their followers" (Northouse, P G. 2001, p. 132) and use "corrective criticism, negative feedback, and negative reinforcement" (Northouse, P G. 2001 p. 140) actively and passively.

2.6.2 Transformational leadership

Transformational leadership style is very important in the project environment because it focuses on relationship management, team management and individual team member management. This is critical in facilitating the implementation of governance models (European Journal of Social Science, 2010).

Transformational leadership extends to the fulfilment of individual potential.

Both transactional leadership and transformational leadership are directly related to the organisational politics as illustrated by the research model below (Vigoda & Kapun, 2005) in Figure 2.6.2.1.

The transformational (Bass, 1985; Burns, 1978) style occupies the opposite end of the leadership continuum from the autocratic style. Its characteristics overlap the participative and servant (Greenleaf, 1977) styles but can be distinguished by its motivating power.

Within the continuum of styles, a transformational leader may swing from "charismatic" to "individualised consideration" (Northouse, P G. 2001). We focused on the latter, which shows a leader approaching employees in a caring way, coaching each to develop his or her capabilities and to grow intellectually and professionally. The transformational leadership style overlaps with the servant leadership style in its attempts to share knowledge and power and to recognise the "have-nots ... as equal stakeholders in the life of the organization" (Northouse, P G. 2001, p. 257).

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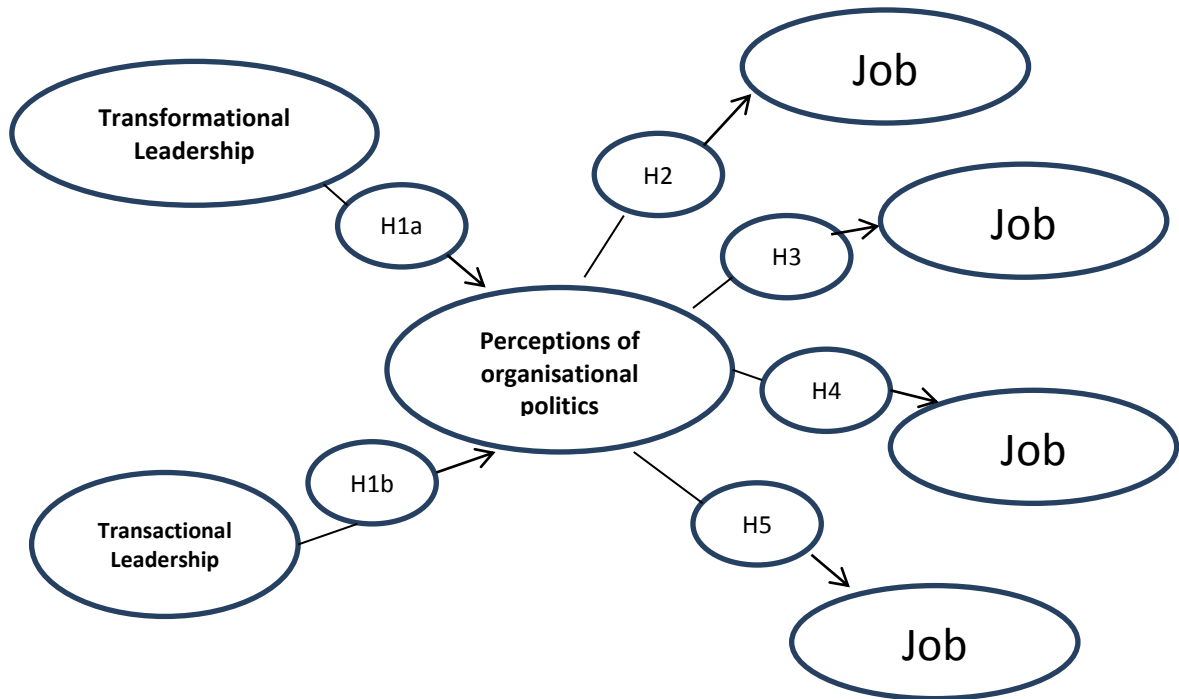


Figure 2.6.2.1The link between Transactional & Transformational leadership

Interpretation of the research model

H1a: Transformational Leadership is negatively associated with perceptions of organisational politics.

H1b: Transactional Leadership is positively associated with perceptions of organisational politics.

H2: Perceptions of organisational politics are negatively associated with job involvement.

H3: Perceptions of organisational politics are negatively associated with job satisfaction.

H4: Perceptions of organisational politics are positively associated with turnover intentions.

H5: Perceptions of organisational politics are positively associated with job stress.

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2.7 Organisational culture and citizenship in project governance

Most of empirical research has indicated significant relationships between perceptions of organisational politics and detrimental individual outcomes, including turnover intentions, stress and lower levels of job satisfaction, organisational commitment, job performance and organisational citizenship (Kacmar & Baron, 1999).

Citizenship behaviour is critical in the successful implementation of projects. Individuals are most likely to have a positive evaluation of an organisation when their goals have been met (Hulin, 1991) and this will improve their organisational citizenship and commitment.

Those responsible for the implementation of projects need to have positive citizenship behaviour. Positive citizenship promotes good ethical behaviour and project success.

2.8 Conclusion

It is clear that a number of factors contribute immensely to good governance practices in business and project organisations. Even though the management of resources is signalled as a critical factor for good business and project governance, the nature of management is equally important.

Having a management team that is well informed to drive the vision and mission of the organisation contributes to the success of projects. Management tends to pull in different directions because of the dynamics of the operational environment. Most organisations fail to succeed in the implementation of projects because of poor leadership and management styles. Municipalities and quasi-government organisations are the hardest hit since most of their management personnel are politically oriented rather than objectively oriented.

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CHAPTER THREE: RESEARCH DESIGN

- 3.1 Research Methodology
 - 3.1.1 Research design methods
 - 3.1.1.1 Qualitative /Phenomenological
 - 3.1.1.2 Quantitative /Positivistic
- 3.2 Types of case study research
- 3.3 Questionnaire
- 3.4 Audience
- 3.5 Quality management
- 3.6 Data collected
- 3.7 Conclusion

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3.1 Research Methodology

The City of Cape Town Metropolitan Municipality is a large organisation with many project operations. Because of its size and the magnitude of its projects, the City of Cape Town Metropolitan Municipality is likely to find itself in a very difficult position in terms of effectively managing, implementing, monitoring and adhering to effective governance models and strategies on these projects. The City of Cape Town employs more than 23000 employees and has a budget of R30 Billion for 2012/13 financial year.

The City of Cape Town Metropolitan Municipality finds itself in a very difficult position just like any other organisation in enforcing good corporate governance because of the environment within which it operates. This is coupled with the leadership styles of its leaders and the political connotation that cannot be eliminated in any public institution where the leadership is elected through a political process. Additionally, as officials of a public institution they need to report to the Minister of Local Government, who might have a totally different view of governance.

Pfeffer 1981 defined organisational politics as “the study of power in action”. He suggested that the primary function of leadership is the management of perceptions and meaning that influence organisational outcome. Among these perceptions that Pfeffer referred to is the perception of politics as an influential type of organisational phenomenon. These perceptions affect project implementation and governance. When not properly managed, projects will fail.

3.1.1 Research design

According to Leedy (2001:102) there are two research design approaches, namely:

3.1.1.1 Qualitative or Phenomenological:

Involves the use of words to describe and explain a phenomenon. It is informative and can be conducted on a small sample using data collection methods such as observations and interviews.

3.1.1.2 Quantitative or Positivistic:

Involves the use of numbers to explain and predict a phenomenon. It is representative and can be conducted on a large sample. Data can be collected using some standard instruments.

In this research, the researcher will make use of both qualitative and quantitative research design methods.

Welman and Kruger (2000:191) defined case study research as the research method that requires the researcher to conduct fieldwork when investigating a group or organisation. In

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this research, the researcher will conduct case study research at City of Cape Town Metropolitan Municipality. One of the reasons for selecting case study research for this research project is that it uses multiple methods of data collection, which may be qualitative and quantitative (Yin 1994:89). Hussey, R. and Hussey, J. (1997:66) described the types of case study research, as follows:

3.2 Types of case study research

- **Descriptive case study:** Where the objective of the research lies upon current practice description.
- **Illustrative case studies:** It allows the researcher to show new and potential innovative practices.
- **Experimental case studies:** Highlights difficulties in implementing new procedures and techniques in an organization and evaluating the benefits thereof.
- **Explanatory case studies:** Explains the current situation using existing theories.

In the instance of this research study, existing theories for corporate governance within business and projects will be used for the City of Cape Town Metropolitan Municipality.

For the purpose of this research a mixture of approaches will be adopted. The descriptive and explanatory approaches will be adopted for the bulk of the research and the illustrative approach will be used toward the end of the research.

3.3 Questionnaire

To collect the necessary information for this research the researcher developed a questionnaire that was distributed to the Corporate Services directorate in the City of Cape Town Metropolitan Municipality. In addition to the questionnaire oral interviews were conducted with employees in the Corporate Services directorate within the City of Cape Town Metropolitan Municipality.

The questionnaire was structured with some possible responses for the respondent to choose from. During analysis the responses were assigned nominal values that were used to perform some quantitative analysis. Special statistical analysis software was used in the analysis of results while some deductions were based on the researcher's judgement of the responses from the respondents.

A copy of the questionnaire used to capture data and a letter with the confidentiality clause are given in Appendix B.

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3.4 Audience

Thirty four (34) employees in the Corporate Services directorate within the City of Cape Town Metropolitan Municipality were targeted as the respondents. The majority of the employees who were selected deal directly with projects while some deal with the project office indirectly.

This was meant to get a broader understanding of the perception of the Corporate Services directorate in the City of Cape Town Metropolitan Municipality as far as good governance in projects and business organisation is concerned.

Five out of the thirty-four (34) respondents were also targeted for oral face to face interviews to get a deeper understanding and to cover issues that might have been difficult to address through a questionnaire.

The researcher recorded the interview proceedings as supplementary notes that were used to augment the responses from the questionnaire.

3.5 Quality management

A questionnaire was constructed in a way that ensured that the respondent does not encounter any ambiguities and that the questionnaire was completed with ease. This contributed to the quality of the responses which eventually affected the data collected.

Once correct data has been collected the entire research becomes more valid and appropriate. However the validity of the data and information collected will be affected by the passage of time since some issues identified will be addressed or corrective action will have been taken.

To ensure quality management the questionnaire was examined by a questionnaire expert who checked and made some recommendations. All the recommendations that were suggested for this questionnaire were implemented and the corrected version was rechecked.

Besides going through a questionnaire expert, the questionnaire was also checked by the researcher's supervisors, researcher's co-supervisor and the researcher.

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3.6 Data collected

Out of the total population of 34 in the Corporate Services directorate of the City of Cape Town Metropolitan Municipality 28 questionnaires were collected, some fully completed while others were partially completed. The responses were captured in a statistical analysis package (IBM SPSS) and a sample of the results is shown in Fig 3.11.1 below:

Number	Dept	Position	Gender	Experience	Management Level	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13
1	1/IS & T		Male	More than 10 years	Lower	Very Clear	Very Clear	Once in a while	Once in a while	Never	Never	Yes	
2	2/Programme Office	Project Adminis...	Female	More than 10 years	Lower	Rough idea	Rough idea	Once in a while	Once in a while	Never	Never	Yes	
3	3/Programme Office		Male	More than 10 years	Middle	Moderate	Rough idea	Once in a while	Once in a while			No	
4	4/IS & T	Manager	Male	More than 10 years	Middle	Very Clear	Moderate	Most of the time	Always			Yes	
5	5/IS & T	IT Manager	Male	More than 10 years	Top	Moderate	Moderate	Once in a while	Once in a while	2-5 times	2-5 times	Yes	Once in a
6	6/IS & T		Male	7-10 years	Middle	Moderate	Moderate	Once in a while	Most of the time	2-5 times	2-5 times	No	
7	7/IS & T	Head - EI + Sp...	Male	7-10 years	Lower	Moderate	Moderate	Once in a while	Most of the time	6-10 tim...	Never	No	
8	8/IS & T		Male	More than 10 years	Middle	Very Clear	Very Clear	Always	Always	Once	Never	No	
9	9/IS & T	SPO	Male	More than 10 years	Knowledgeable staff	Moderate	Moderate	Once in a while	Once in a while	Never	Never	Only to a few	
10	10/IS & T		Male	1-3 years	Lower	Not Familiar	Not Famili...	Once in a while	Once in a while	Once	2-5 times	Yes	Once in
11	11/IS & T	Line Manager	Male	7-10 years	Lower	Rough idea	Rough idea	Never	Never	Never	Never	Yes	
12	12/Programme Office		Male	1-3 years	Lower	Rough idea	Moderate	Most of the time	Most of the time			Yes	
13	13/IS & T		Female	7-10 years	Middle	Rough idea	Moderate	Once in a while	Once in a while	Never	Never	Yes	
14	14/Programme Office		Male	7-10 years	Lower	Not Familiar	Rough idea	Once in a while	Once in a while	Never	Never	No	
15	15/IS & T		Female	7-10 years	Lower	Very Clear	Rough idea	Most of the time	Most of the time	Never	2-5 times	No	
16	16/Programme Office		Female	More than 10 years	Middle	Very Clear	Very Clear	Once in a while	Once in a while	2-5 times	2-5 times	Yes	Once in
17	17/IS & T		Female	7-10 years	Top	Moderate	Moderate	Once in a while	Once in a while	Once	Once	No	
18	18/IS & T		Male	1-3 years	Lower	Not Familiar	Rough idea	Once in a while	Once in a while	Never	Never	No	
19	19/Programme Office		Female	1-3 years	Lower	Not Familiar	Not Famili...	Never	Never	Never	Never	No	
20	20/IS & T		Male	4-6 years	Lower	Rough idea	Rough idea	Never	Never	Never	Never	No	
21	21/Programme Office		Male	4-6 years		Moderate	Moderate	Once in a while	Once in a while	Once	Once	Yes	Once in
22	22/IS & T	Manager	Male	7-10 years	Middle	Moderate	Moderate	Most of the time	Once in a while	Once	2-5 times	Yes	Once
23	23/IS & T	Administrator	Male	4-6 years	Lower	Not Familiar	Not Famili...	Never	Never	Never	Never	Only to a few	
24	24/Programme Office	Manager	Male	More than 10 years	Top	Rough idea	Rough idea	Most of the time	Most of the time	Never	Once	Only to a few	
25	25/Programme Office	Program Officer	Female	1-3 years	Lower	Not Familiar	Not Famili...	Never	Never	Never	Never	No	

Figure 3.6.1- A sample of data collected from participants

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3.7 Oral Interview

Oral interview were conducted with five employees in the Corporate Services directorate of the Cape Town Metropolitan Municipality.

All five employees agreed that the City of Cape Town Metropolitan Municipality understand the importance of good corporate governance in business and projects. However, they all agreed implementation was a big challenge since the Council does not have a proper governance model of its own.

The Council relies of general governance frameworks making it difficult to follow and implement on exceptional issues that relate specifically to the Councils operations but not covered by the general framework

3.8 CONCLUSION

The problems that are likely to be faced by the Corporate Services directorate in the City of Cape Town Metropolitan Municipality are being experienced by many organisations. To effectively cover the research, the researcher is used both qualitative and quantitative research approaches. A questionnaire was used to collect data that was captured on specialised software for evaluation and analysis purposes – IBM SPSS Statistics. The questionnaire covered basic questions.

The variations after computing the data depicted various relationships that occur or exist between elements under consideration. The relationship can be positive or negative.

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CHAPTER 4: RESULTS & ANALYSIS

- 4.1 Introduction
- 4.2 Response analysis
 - 4.2.1 Understanding governance issues
 - 4.2.2 Governance issues in projects
 - 4.2.3 Governance model
 - 4.2.4 Effective internal communication system
 - 4.2.5 Application of& adherence to the model
 - 4.2.6 Training
 - 4.2.7 Achievements
- 4.3 Conclusion

THE PERCEPTION OF CORPORATE SERVICES IN A METROPOLITAN MUNICIPALITY ON KING III GOOD GOVERNANCE COMPLIANCE

4.1 Introduction

Data was collected through a questionnaire that targeted a population of 34 participants. 28 completed questionnaires were returned, representing an 82% response rate. The collected data was analysed using IBM SPSS version 2.0. A sample of data captured is given in Table 4.1.1 below:

	Number	Dept	Position	Gender	Experience	ManagementLevel	Q6	Q7	Q8	Q9
1	1	IS & T	Prefer not to say	Male	More than 10 years	Lower	Very Clear	Very Clear	Once in a while	Once in a while
2	2	Programme Office	Project Administrator	Female	More than 10 years	Lower	Rough Idea	Rough idea	Once in a while	Once in a while
3	3	Programme Office	Prefer not to say	Male	More than 10 years	Middle	Moderate	Rough idea	Once in a while	Once in a while
4	4	IS & T	Manager	Male	More than 10 years	Middle	Very Clear	Moderate	Most of the time	Always
5	5	IS & T	IT Manager	Male	More than 10 years	Top	Moderate	Moderate	Once in a while	Once in a while
6	6	IS & T	Prefer not to say	Male	7 - 10 years	Middle	Moderate	Moderate	Once in a while	Most of the time
7	7	IS & T	Head - BI + Spatial	Male	7 - 10 years	Lower	Moderate	Moderate	Once in a while	Most of the time
8	8	IS & T	Prefer not to say	Male	More than 10 years	Middle	Very Clear	Very Clear	Always	Always
9	9	IS & T	SPO	Male	More than 10 years	Knowledgeable staff	Moderate	Moderate	Once in a while	Once in a while
10	10	IS & T	Prefer not to say	Male	1 - 3 years	Lower	Not Familiar	Not Familiar	Once in a while	Once in a while
11	11	IS & T	Line Manager	Male	7 - 10 years	Lower	Rough Idea	Rough idea	Never	Never
12	12	Programme Office	N/A	Male	1 - 3 years	Lower	Rough Idea	Moderate	Most of the time	Most of the time
13	13	IS & T	Prefer not to say	Female	7 - 10 years	Middle	Rough Idea	Moderate	Once in a while	Once in a while
14	14	Programme Office	Prefer not to say	Male	7 - 10 years	Lower	Not Familiar	Rough idea	Once in a while	Once in a while
15	15	IS & T	Prefer not to say	Female	7 - 10 years	Lower	Very Clear	Rough idea	Most of the time	Most of the time
16	16	Programme Office	Prefer not to say	Female	More than 10 years	Middle	Very Clear	Very Clear	Once in a while	Once in a while
17	17	IS & T	Prefer not to say	Female	7 - 10 years	Top	Moderate	Moderate	Once in a while	Once in a while
18	18	IS & T	Prefer not to say	Male	1 - 3 years	Lower	Not Familiar	Rough idea	Once in a while	Once in a while
19	19	Programme Office	Prefer not to say	Female	1 - 3 years	Lower	Not Familiar	Not Familiar	Never	Never
20	20	IS & T	Prefer not to say	Male	4 - 6 years	Lower	Rough Idea	Rough idea	Never	Never
21	21	Programme Office	Prefer not to say	Male	4 - 6 years	.	Moderate	Moderate	Once in a while	Once in a while
22	22	IS & T	Manager	Male	7 - 10 years	Middle	Moderate	Moderate	Most of the time	Once in a while

Table 4.1.1 – Data collected from the participants

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4.2 Response analysis

The data collected, when put into the statistical analysis programme, gives varied outputs which can be interpreted in various ways, one being the belief that municipal governance in the City of Cape Town Metropolitan Municipality (and of course other municipalities) is poor because of a number of factors.

4.2.1 Understanding governance issues

All of the 28 respondents work with projects, more than 32% having done so for more than 10 years, as illustrated in figure 4.2.1.1.

Number of years working with projects

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
1 - 3 years	5	17.9	17.9	17.9
4 - 6 years	6	21.4	21.4	39.3
Valid 7 - 10 years	8	28.6	28.6	67.9
More than 10 years	9	32.1	32.1	100.0
Total	28	100.0	100.0	

Table 4.2.1.1 Number of years working with projects



Figure 4.2.1.1 Bar graph

More than 60% of the respondents had been working on projects for more than seven years. One might expect this to translate into a vast wealth of experience and, in turn, into effective and efficient project management through lessons learnt. However this does not correlate with what is depicted in Figure 4.2.1.2 where respondents rate their understanding of governance.

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Of importance to note is the response from management.

Count

		Number of years working with projects				Total
		1 - 3 years	4 - 6 years	7 - 10 years	More than 10 years	
Management Level	Lower	5	3	4	2	14
	Middle	0	2	3	4	9
	Top	0	0	1	2	3
	Knowledge staff	0	0	0	1	1
Total		5	5	8	9	27

Table 4.2.1.2 Management Level * Number of years working with projects (Cross tabulation)

It is encouraging to note that the bulk of middle and top management had been with the City of Cape Town Metropolitan Municipality for a long time. Hence their expertise can be utilised fully by the lower level management.

The researcher noted that employees with more than 10 years are still at the lower management level. This shows a lack of progression and career development for those employees.

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Not Familiar	6	21.4	21.4	21.4
	Rough Idea	9	32.1	32.1	53.6
	Moderate	8	28.6	28.6	82.1
	Very Clear	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Table 4.2.1.3 Rate your understanding of governance

THE PERCEPTION OF CORPORATE SERVICES IN A METROPOLITAN MUNICIPALITY ON KING III GOOD GOVERNANCE COMPLIANCE

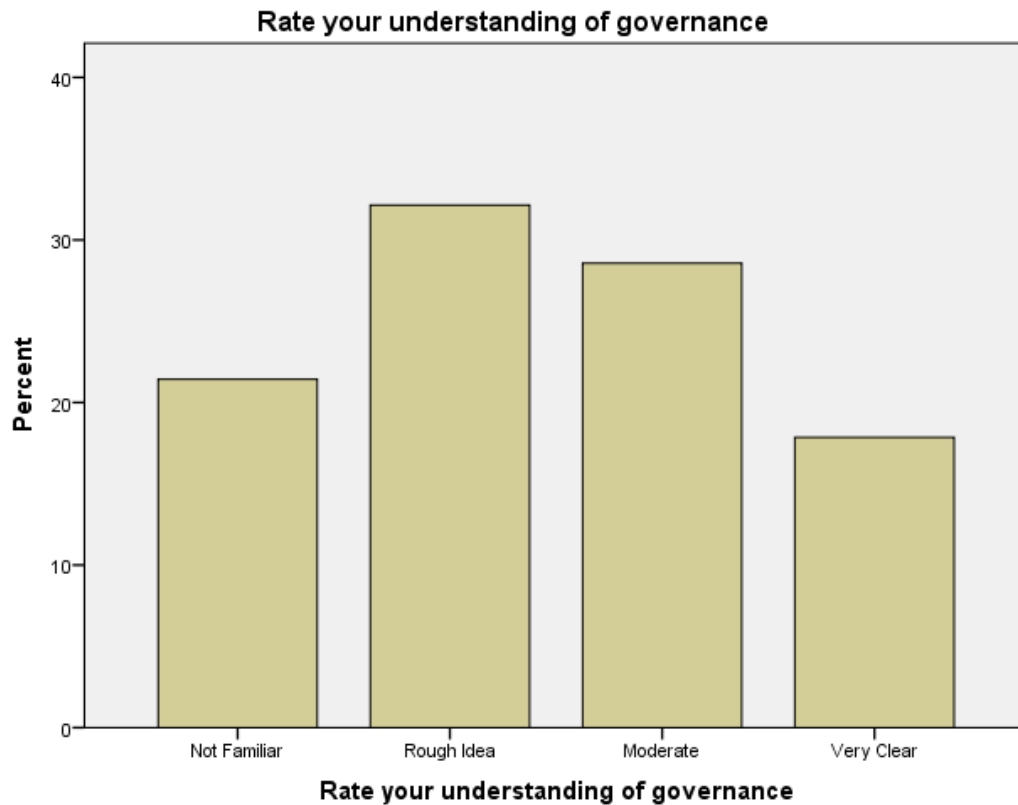


Figure 4.2.1.2

The relationship between the numbers of respondents with a very clear understanding of governance seems not to tally with the number of years respondents had been involved with the planning and implementation of projects.

This suggests that very little is learnt during and after the implementation of projects. This weak relationship is further shown by the fact that issues of governance do not often arise during meetings yet they should form the backbone of the implementation of successful projects.

The researcher can make an assumption that projects that do not have a solid governance framework tend to fail or, if they succeed, are not socially, economically, morally and environmentally friendly and beneficial.

The City of Cape Town Metropolitan Municipality could actually take advantage of the 18% of respondents who have a very clear understanding of governance to help the majority who do not.

This approach would be cost effective to the City of Cape Town Metropolitan Municipality. However it might delay the completion of other projects since time would be required if a formal training environment should have to be created.

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The number of respondents in management is shown in Table 4.2.1.4 and Chart 4.2.1.3 below:

Count		Rate the general understanding of governance within your team or department				Total
		Not Familiar	Rough idea	Moderate	Very Clear	
Management Level	Lower	4	7	2	1	14
	Middle	0	3	4	2	9
	Top	0	1	2	0	3
	Knowledge staff	0	0	1	0	1
Total		4	11	9	3	27

Table 4.2.1.4 - Management Level * Rate the general understanding of governance within your team or department (Cross tabulation)

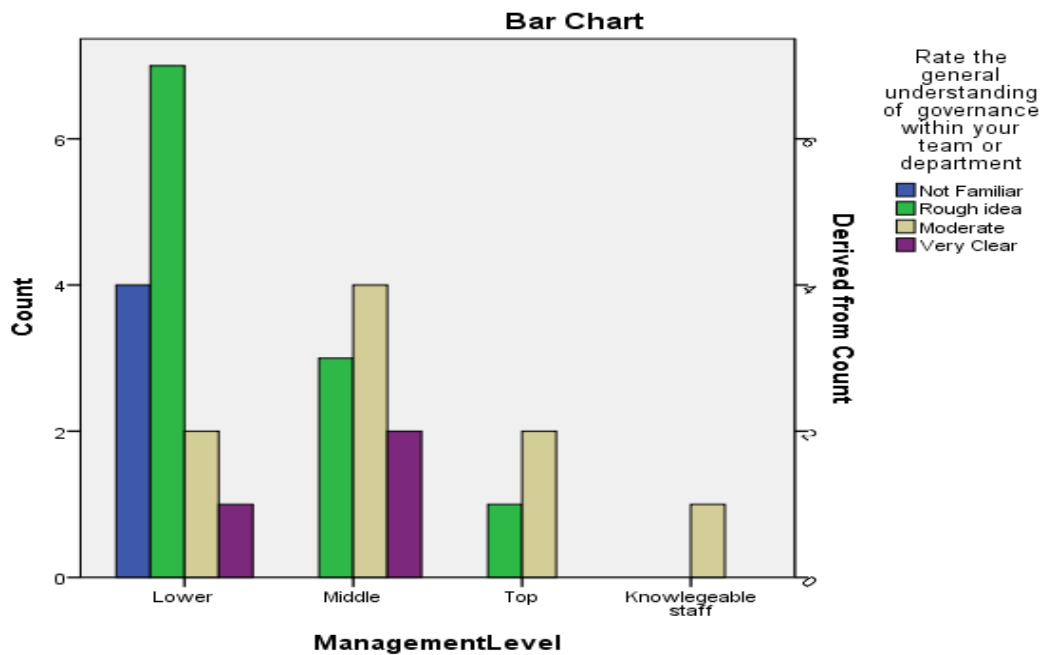


Figure 4.2.1.3

Of importance to note here is that top management does not have a clear understanding of governance issues.

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4.2.2. Governance issues in projects

Figure 4.2.2.1 shows that the most frequent response is that governance issues arise once in a while. 25% of the respondents are at the extremes, i.e. a few indicating that governance issues always arise and more than 20% saying they never occur. This might be as a result of poor understanding of governance issues. Hence when and where they arise employees would not notice they are governance issues.

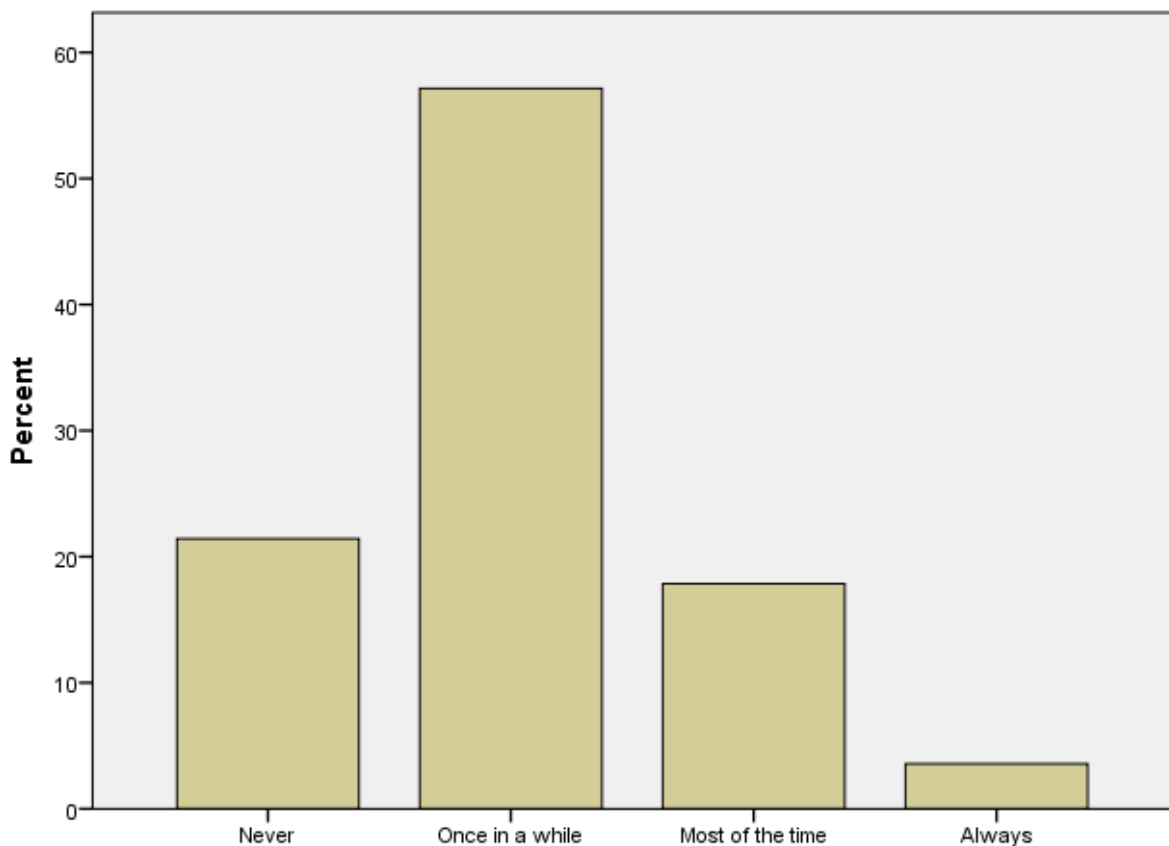


Figure 4.2.2.1 How often do issues of governance arise during meetings?

The almost 20% who indicated “Most of the time” might also be those who said they understand governance issues very clearly. Hence they can recognise issues of governance when they arise.

Of importance to note is that issues of governance had stopped the execution of projects as depicted by Figure 4.2.2.2 below:

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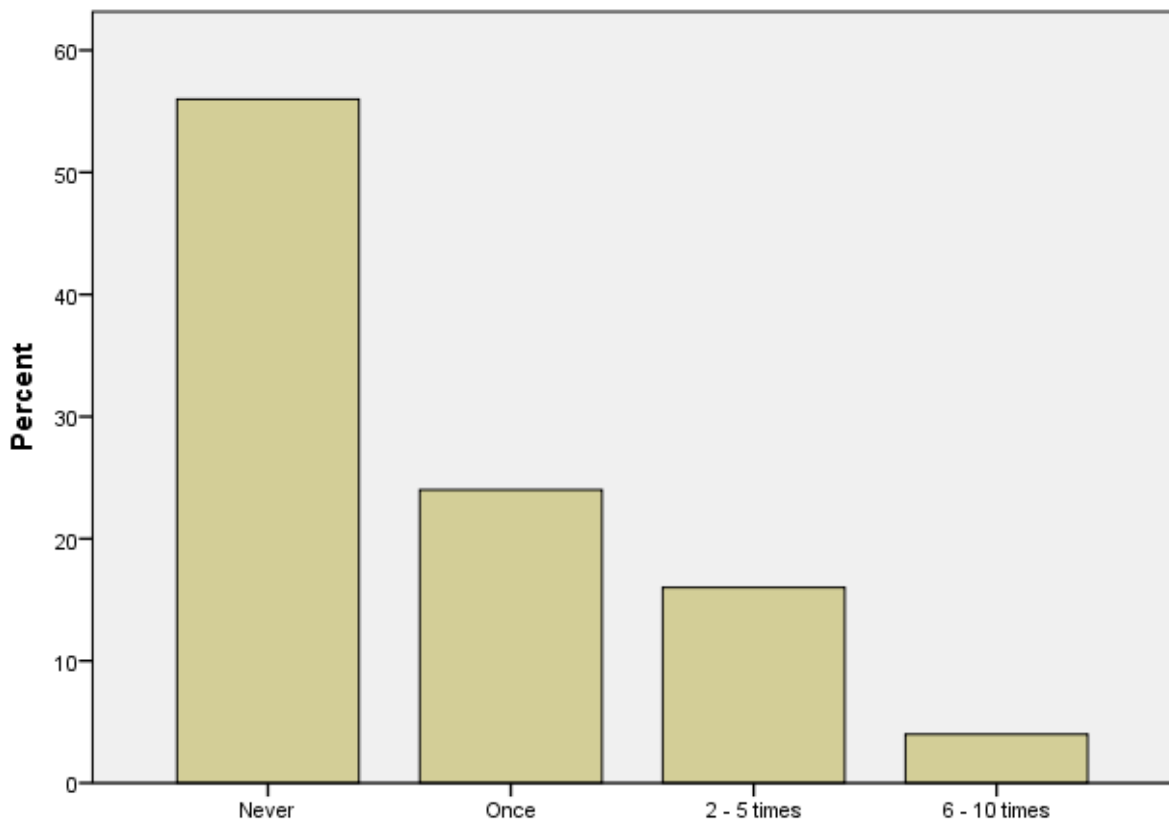


Figure 4.2.2.2 How many times did issues of governance stop the execution of projects?

This definitely should have made the City of Cape Town Metropolitan Municipality relook at governance issues and arrange training to capacitate the respondents with a general understanding in a bid to effectively and efficiently manage governance issues as they directly determine project success or failure on which the City of Cape Town Metropolitan Municipality is judged.

For more than 40% of projects to fail is a clear indication that the City of Cape Town Metropolitan Municipality needs to tighten up loose ends, otherwise the cost of these failed projects could paralyse the City of Cape Town Metropolitan Municipality financially and eventually affect the ratepayers through increased tariffs. This would directly impact on service delivery.

All projects have specific timeframes and budgets; hence any delay or cancellation could have huge financial implications. The City of Cape Town Metropolitan Municipality would not be able to recover sunk costs and the only way to try to fill the gap would be through increased rates and this would directly affect the communities the City of Cape Town Metropolitan Municipality is trying to serve.

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The rate at which projects are stopped because stakeholders are not consulted was high. From a management perspective the responses are given in Figure 4.2.2.3 below:

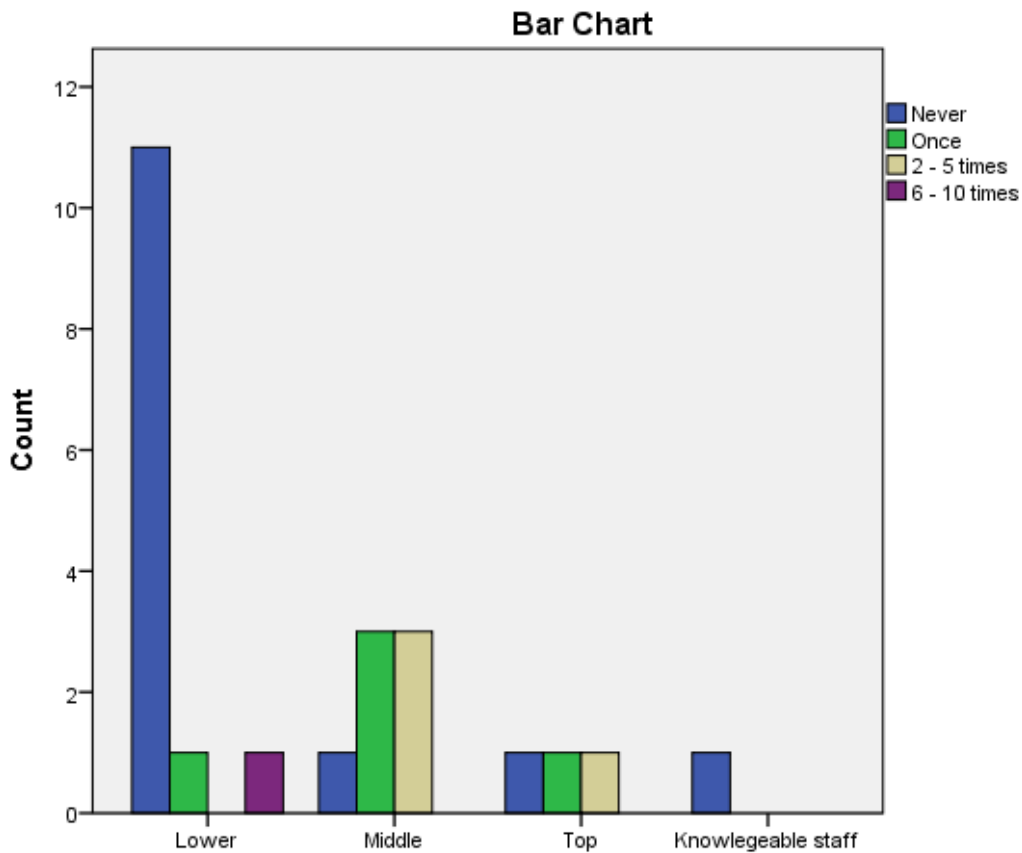


Figure 4.2.2.3 Management Level - How many times did issues of governance stop the execution of projects

A large number of middle management officials acknowledge that projects had been stopped owing to stakeholders not being consulted. This shows poor communication between the City of Cape Town Metropolitan Municipality and its stakeholders.

This contradiction of a vital management principle is very unhealthy. It signifies some communication breakdown between senior and lower management and has the potential to destroy project operations completely. One critical element in King III guide to governance is effective communication processes.

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Another important aspect to consider is the rate at which governance issues arise during the execution of projects. About 82% of the population agreed governance issues arise during the execution of projects as depicted by Table 4.2.2.1 and Figure 4.2.2.4 below.

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Never	5	17.9	17.9
	Once in a while	16	57.1	75.0
	Most of the time	5	17.9	92.9
	Always	2	7.1	100.0
	Total	28	100.0	100.0

Table 4.2.2.1 How often do issues of governance arise during the execution of the project?

Even though 25% of the survey population falls within the “Always” and “Most of the time” brackets, it is this portion that might be important; hence the City of Cape Town Metropolitan Municipality Corporate Services directorate might need to come up with proper governance models that will be available to all involved in project implementation.

The City of Cape Town Metropolitan Municipality Corporate Services directorate is apparently suffering from a lack of proper governance models. Where models are available, they are not readily available to people working on implementing projects.

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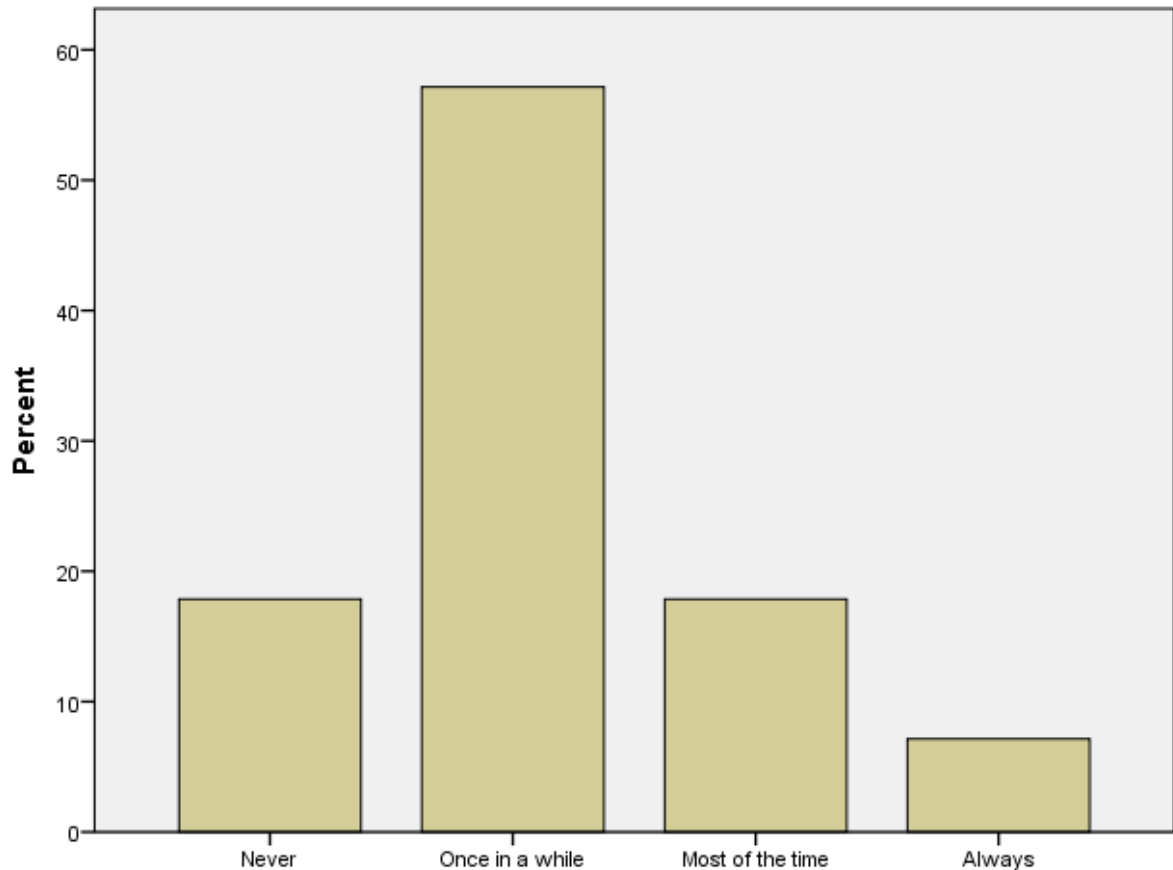


Figure 4.2.2.4 How often do issues of governance arise during the execution of the project?

The almost 18% of the participants (Table 4.2.2.1) who said issues of governance never arise might be attributed to the 21.4% who had initially said they do not understand and are not familiar with governance. Hence when these issues arise they do not recognise them.

The respondents who do not understand governance issues can be traced throughout the questionnaire and they constitute 17 – 24% of the total respondent population. The City of Cape Town Metropolitan Municipality Corporate Services directorate has a huge responsibility to make sure all those who deal with projects have a basic understanding of governance issues.

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4.2.3 Governance Model

Participants tend not to understand whether there is a model or not within the City of Cape Town Metropolitan Municipality Corporate Services directorate. The responses to this critical question are given in Table 4.2.3.1 and 4.2.3.2 below.

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	9	32.1	36.0	36.0
Valid No	16	57.1	64.0	100.0
Total	25	89.3	100.0	
Missing System	3	10.7		
Total	28	100.0		

Table 4.2.3.1 Does the City of Cape Town Metropolitan Municipality have a governance model?

		Does the City of Cape Town Metropolitan Municipality have a governance model?		Total
		Yes	No	
Management Level	Lower	4	9	13
	Middle	4	4	8
	Top	1	2	3
Total		9	15	24

Table 4.2.3.2 Management Level * Does the City of Cape Town Metropolitan Municipality have a governance model? (Cross tabulation)

Out of a population of 34 employees only 9 responses were positive (32%); the bulk of the participants gave a negative response. Since more than 80% of the participants have more than 4 years with the City of Cape Town Metropolitan Municipality and more than 80% of the participants have more than 7 years with the City of Cape Town Metropolitan Municipality, this should translate into a wide range of skills in project management. 62.5% of management said 'No' while 37.5% said 'Yes'.

Those in management positions are also not clear whether the City of Cape Town Metropolitan Municipality has a governance model.

It definitely implies a governance model should be in place and of course employees should be made aware of it through continuous training. The higher number of participants who say there is no governance model indicates that if it exists, then there is poor communication within the City of Cape Town Metropolitan Municipality Corporate Services directorate.

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Communication channels within the City of Cape Town Metropolitan Municipality should be used effectively to convey critical information and for training purposes to empower employees and to manage projects and business organisations effectively.

4.2.4 Effective communication - internal

Of importance to note is that the governance model that exists within the organisation has 38% availability to all with 20% saying it is available only to a selected few, as depicted by Figure 4.2.4.1 below:

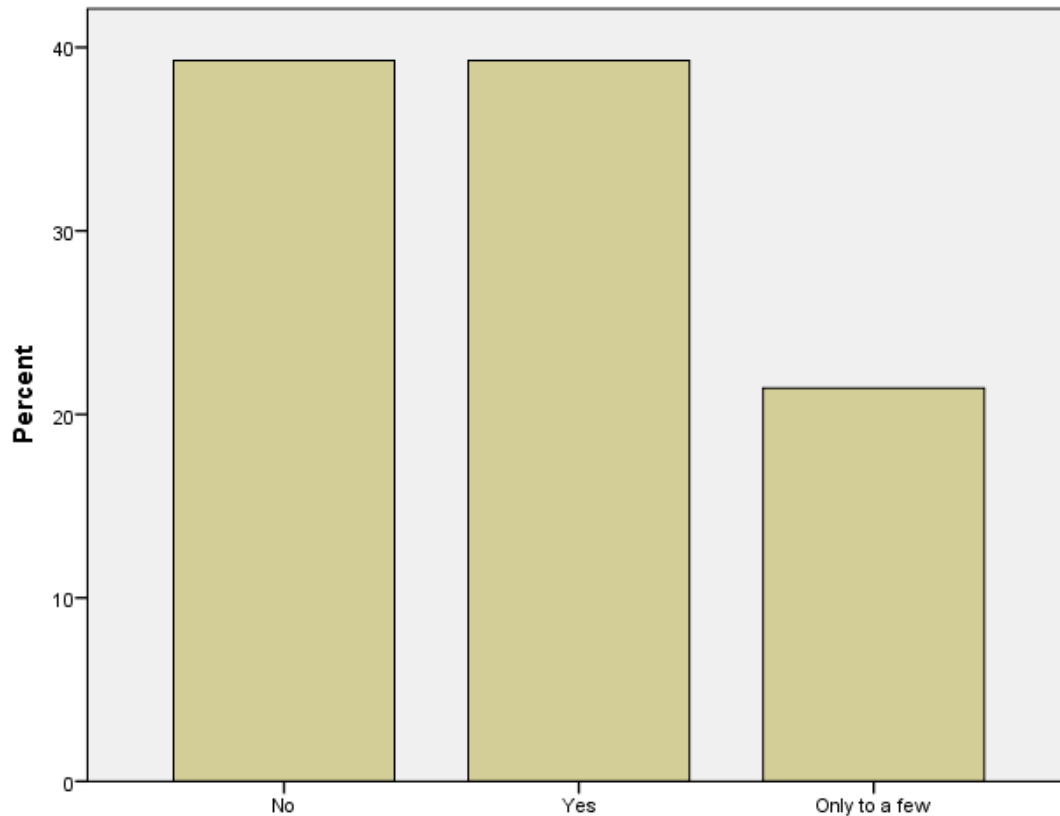


Figure 4.2.4.1 Is the organisation's governance guide available to all employees

The contradictory responses show the following:

1. Lack of proper communication structures
2. Lack of knowledge
3. Inadequate training
4. Organisational politics at play

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Top management tends to be on different levels concerning the issue of availability of the City of Cape Town Metropolitan Municipality governance guide to the rest of the staff, as indicated by the Figure 4.2.4.2 below:

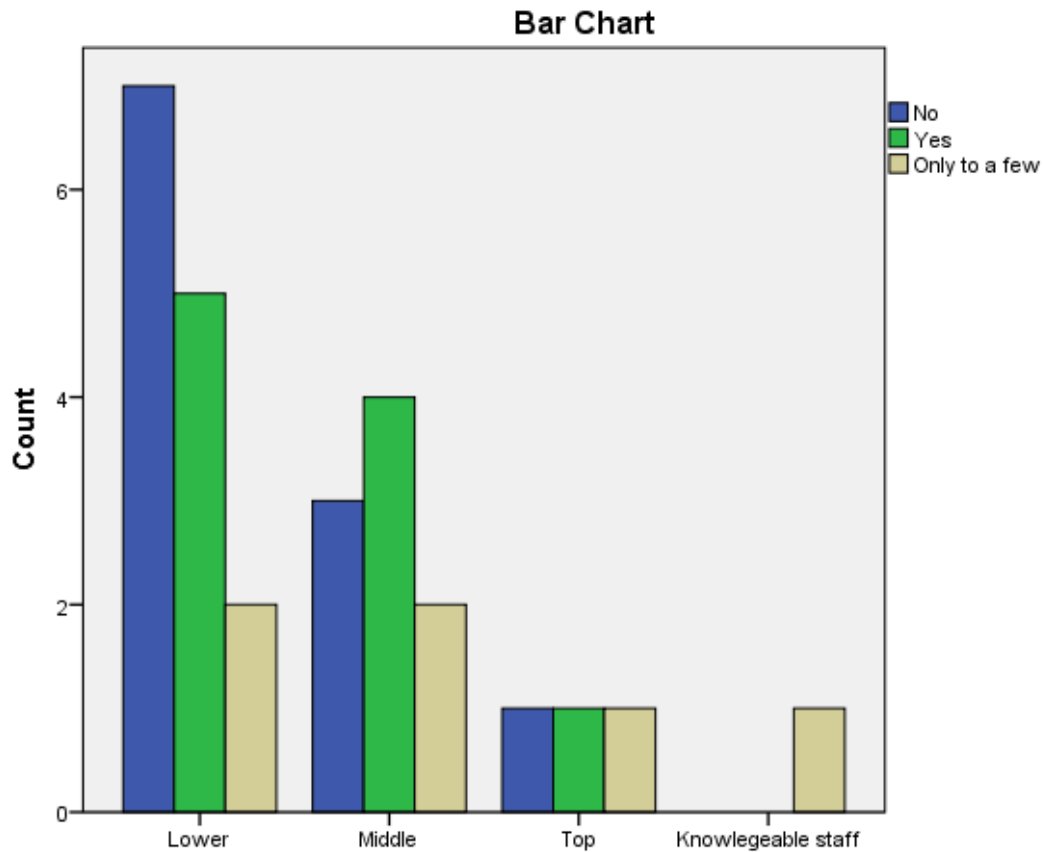


Figure 4.2.4.2 Management Level - Is the organisation's governance guide available to all employees?

The opinions of the three senior management respondents are scattered across all the possible outcomes. While one said it is available to all staff, another is said it is not available to all staff. The third one is said it is available only to a few.

The one respondent from top management saying "No" agreed with the bulk of lower management.

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4.2.5 Application of and adherence to the model

Having a governance model is crucial; having it available to everyone who needs it is very important; adhering to it is critical.

32% of the participants indicated that the City of Cape Town Metropolitan Municipality has a governance model while 38% indicated it is available to all. But is it being adhered to? This question is answered in Table 4.2.5.1 and Figure 4.2.5.1 below:

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Legislation dictates to the City of Cape Town Metropolitan Municipality in many instances (Finance - MFMA; System Act) what can be done and what not	1	3.6	3.6	3.6
No	3	10.7	10.7	14.3
No idea	1	3.6	3.6	17.9
Not all the time	1	3.6	3.6	21.4
Not applicable	2	7.1	7.1	28.6
Not sure	1	3.6	3.6	32.1
Prefer not to say	13	46.4	46.4	78.6
Sometimes they do	1	3.6	3.6	82.1
Yes	5	17.9	17.9	100.0
Total	28	100.0	100.0	

Table 4.2.5.1 Do you think the City of Cape Town Metropolitan Municipality is abiding by the models, based on your experience?

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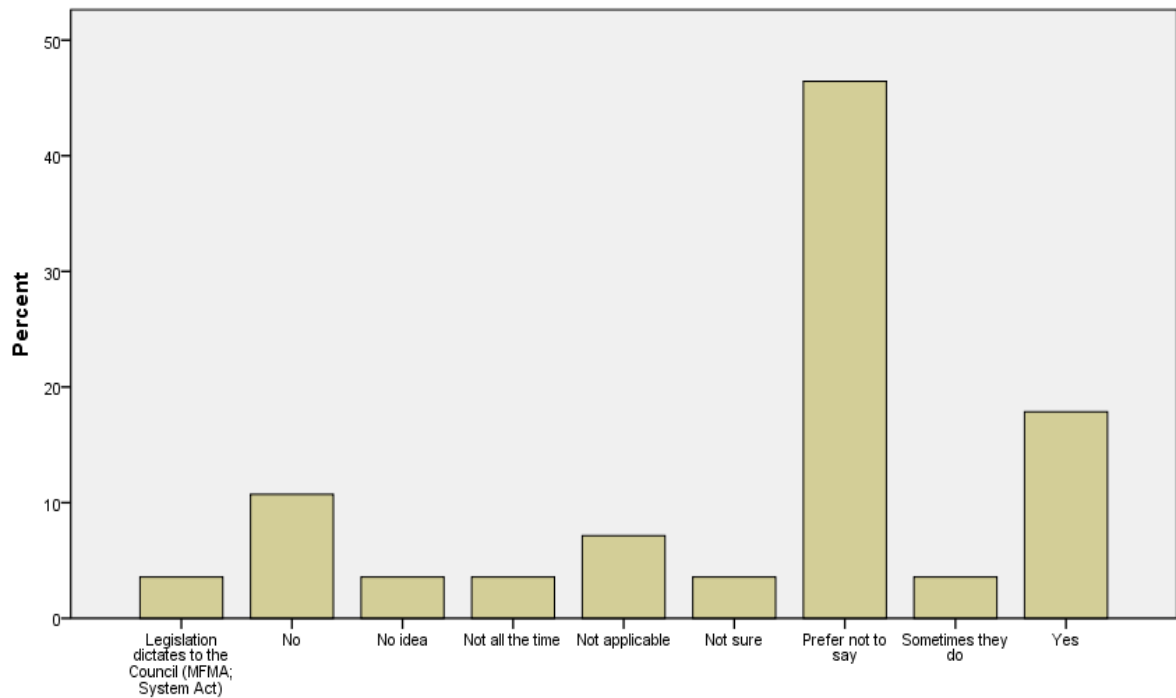


Figure 4.2.5.1 Do you think the City of Cape Town Metropolitan Municipality is abiding by the models, based on your experience?

18% of the participants agreed that the City of Cape Town Metropolitan Municipality Corporate Services directorate is abiding by the governance model they have in place, while 10% indicated otherwise.

Of importance to note here is the number of participants that prefer not to say anything (46.4%). This implies either fear of victimisation or being entangled in organisational politics that might hamper promotion opportunities and progress. It might also affect employment security.

However this might also impact on service delivery and affect the overall governance framework that the City of Cape Town Metropolitan Municipality Corporate Services directorate is trying to improve.

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4.2.6 Training

Only 17% of the participants indicated that they have a very clear understanding of governance issues while 100% indicated they are working on projects. More than 60% have more than 5 years working with projects. See Figure 4.2.1.3 and Table 4.2.1.1. This shows that there is a big gap between the knowledge level required for effective implementation of projects and the actual expertise available.

The rate at which the City of Cape Town Metropolitan Municipality Corporate Services directorate conducts governance training is very low, as depicted by both Tables 4.2.6.1 and Figure 4.2.6.1 below.

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Never	19	67.9	70.4	70.4
	Once in a year	4	14.3	14.8	85.2
	Once in a while	4	14.3	14.8	100.0
	Total	27	96.4	100.0	
Missing	System	1	3.6		
Total		28	100.0		

Table 4.2.6.1 How frequently does management conduct governance training workshops?

The table shows almost 68% of the participants say the City of Cape Town Metropolitan Municipality has never conducted governance training workshops. This automatically shows there is a gap that needs to be filled.

Some of the participants in that 68% are employees who have been with the City of Cape Town Metropolitan Municipality Corporate Services directorate for more than 10 years. The fact that they have never had governance training workshop despite working with projects every day is cause for alarm.

The City of Cape Town Metropolitan Municipality Corporate Services directorate by its nature deals with multiple projects. This results in a lot of dynamic complexities; hence without proper knowledge and skills it becomes almost impossible to implement projects effectively and efficiently. The major victim of this will be service delivery.

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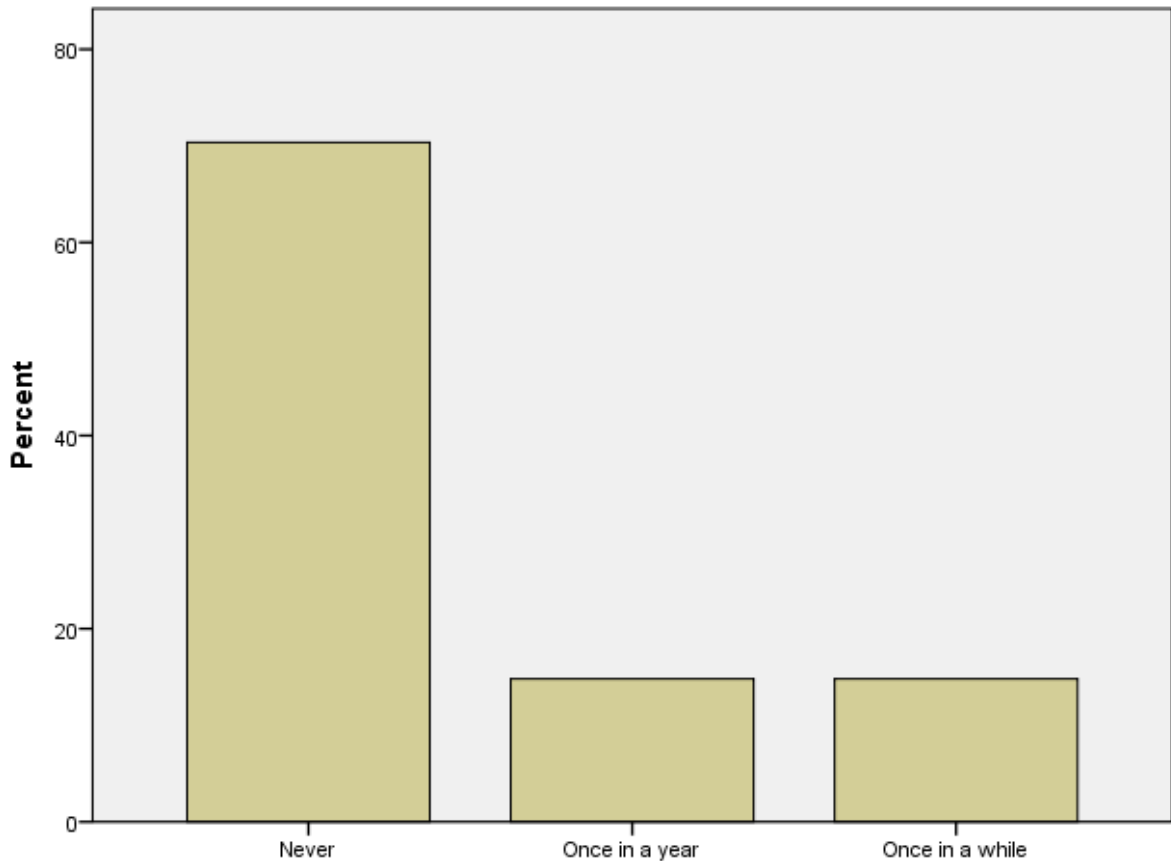


Figure 4.2.6.1 How frequently does management conduct governance training workshops?

The above chart clearly shows there is not enough training going on. Without training, projects are likely to fail. The project team members need to be aware of their roles and responsibilities. To perform effectively one will definitely require training. Skills and knowledge are the drivers of successful projects.

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4.2.7 Achievement

Even though the City of Cape Town Metropolitan Municipality had been receiving clear audits from the Auditor General it does not automatically translate into good governance. However it is a significant achievement for the City of Cape Town Metropolitan Municipality.

The Auditor General concentrates on the financial aspect of the City of Cape Town Metropolitan Municipality business and does not audit governance issues.

The achievements given by the participants are important even though some do not directly relate to governance as depicted by Figure 4.2.7.1.

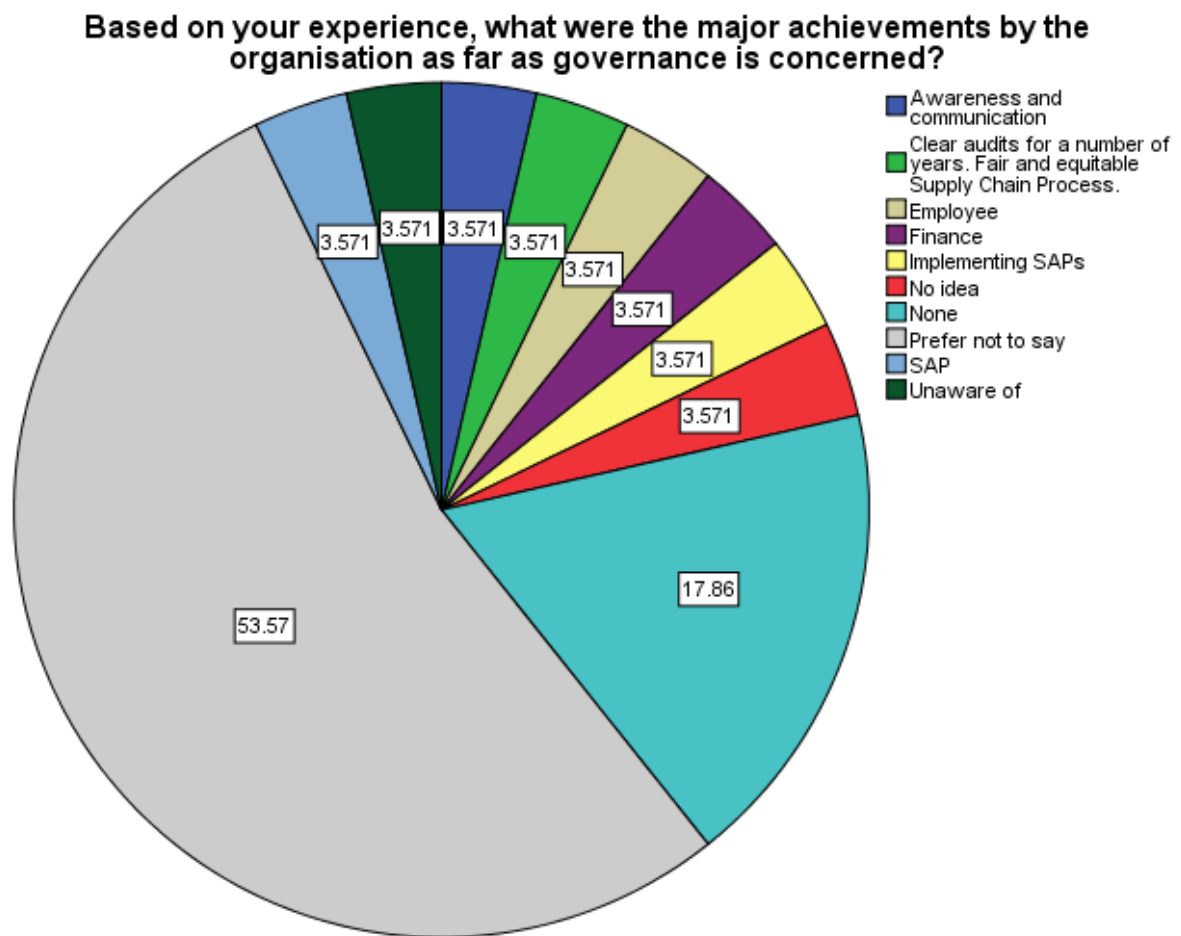


Figure 4.2.7.1 Achievements – corporate governance

Still a cause for concern is the high percentage of participants who prefer to withhold their ideas.

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4.3 Conclusion

When analysed, the responses vary and contradict one another in places. However most of the responses showed that the City of Cape Town Metropolitan Municipality still has a big role to play in terms of educating participants for effective service delivery.

If participants (employees) are not aware of governance issues, the possibility of overlooking them when they occur is very high. This will have consequences for service delivery, which is a function that the City of Cape Town Metropolitan Municipality must strive to improve.

All the weaknesses tend to tally with the perception that there is lack of good governance in the City of Cape Town Metropolitan Municipality.

Management was not very clear when issues of governance arise during the execution of projects. The conflicting statistics are clear on all levels of management.

The responses given by the participants differ greatly for almost every question, signifying a huge deviation from the norm. This might be as a result of poor communication within the Corporate Services directorate in the City of Cape Town Metropolitan Municipality. Another important factor that might cause a huge variation is the knowledge level.

Where there is effective communication, continuous training, a high level of knowledge and people are pulling in the same direction, the deviation is small. A question like "Does the City of Cape Town Metropolitan Municipality have a governance model?" is one to which the responses might look biased if everyone is clear. However, these questions are answered differently even at management level.

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CHAPTER 5: RECOMMENDATIONS

- 5.1 Introduction
- 5.2. Communication
 - 5.2.1 Internal communication
 - 5.2.2 External communication
 - 5.2.3 Communication model
- 5.3 Training
- 5.4 Governance model
- 5.5 Conclusion

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5.1 Introduction

The responses to the questionnaire highlighted a number of areas of weakness and strength. The weaknesses can easily be converted to strengths, thereby improving service delivery through better project management and administration.

Some of the areas of weakness are minor but have a heavy impact. Their solution and/or improvement will require the City of Cape Town Metropolitan Municipality to relook at a number of factors that contributed to effective management as far as governance is concerned. Challenges experienced by the City of Cape Town Metropolitan Municipality Corporate Services directorate relate to business organisation and projects.

The recommendations are going to be based on critical factors that affect the organisation in terms of good governance. The factors are going to be derived from the weak points highlighted by the results of the questionnaire.

5.2 Communication

Communication is vital for the survival of any business organisation. However effective communication is critical for profit maximisation and growth. The City of Cape Town Metropolitan Municipality is mandated to provide critical services to the inhabitants. The City of Cape Town Metropolitan Municipality operates in a very complex and dynamic environment; hence, effective communication is a key factor to successfully implement projects.

The City of Cape Town Metropolitan Municipality is a very large organisation in terms of number of employees, suppliers, debtors, functions etc, hence both internal and external communications become very important. Projects that were stopped because the City of Cape Town Metropolitan Municipality did not consult its stakeholders stand at 45%. This is a very large number and the City of Cape Town Metropolitan Municipality needs a communication plan and model.

5.2.1 Internal communication

Communications within such large organisations need to be formalised, and this calls for a proper internal communication plan. Miscommunication within the City of Cape Town Metropolitan Municipality will seriously affect the implementation of projects. Once there is miscommunication, targets will not be met, quality of service goes down; morale of staff becomes low with lots of suspicion and office gossip, all of which will impact negatively on service delivery.

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Figure 4.2.4.1 gives an indication of poor internal communication. Internal documents (pamphlets, magazines, operational, strategic and tactical plans, business models, quality manuals, sales charts etc.) are meant to share very critical information within the organisation; hence these are media of communication.

If an important document like the governance guide is not available to all employees, then some will remain uninformed. This is a symptom of poor communication.

To effectively overcome this challenge the City of Cape Town Metropolitan Municipality can easily take advantage of the 17.9% of the participants who have a very clear understanding of governance issues and use those employees to develop an Internal Communication Plan (Figure 4.2.6.1)

The 28.6% of respondents who said training is conducted once in a while and once a year can train others on courses they have attended, thereby closing the training gap and improving communication within the organisation.

The same population can also write up some internal communication guidelines into the various policies and procedures.

5.2.2 External communication

Though internal communication is the bloodline of functionality within the organisation, external communication is very important, given the size of the City of Cape Town Metropolitan Municipality in terms of functions and people (employees, suppliers, creditors etc.).

External communication is critical and is lacking within the City of Cape Town Metropolitan Municipality as depicted by Figure 4.2.2.2.

The fact that 42.9% (Figure 4.2.2.3) of the projects were halted once or more frequently because stakeholders claimed they were not consulted requires the City of Cape Town Metropolitan Municipality to relook at its external and internal communication strategies. It shows poor external communication when projects get halted not because there is no more money but simply because there was miscommunication between the organisation and its own stakeholders.

A proper External Communication Plan needs to be drafted that can be used as a guide to all communications emanating from the City of Cape Town Metropolitan Municipality.

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5.2.3 Communication model

Having a communication model would definitely help the City of Cape Town Metropolitan Municipality to clearly define communication channels and improve both internal and external communication. This would directly impact positively by improving governance in projects and in the business organisation. The ultimate benefit would be improved service delivery, the beneficiary being the greater population of the City of Cape Town Metropolitan Municipality. Figure 4.2.2.2 shows that more than 30% of the projects were stopped because stakeholders claimed they were not consulted. If a proper communication plan were in place, this could have been avoided.

A basic communication model that the City Cape Town could use is given in Figure 5.2.3.1 below:

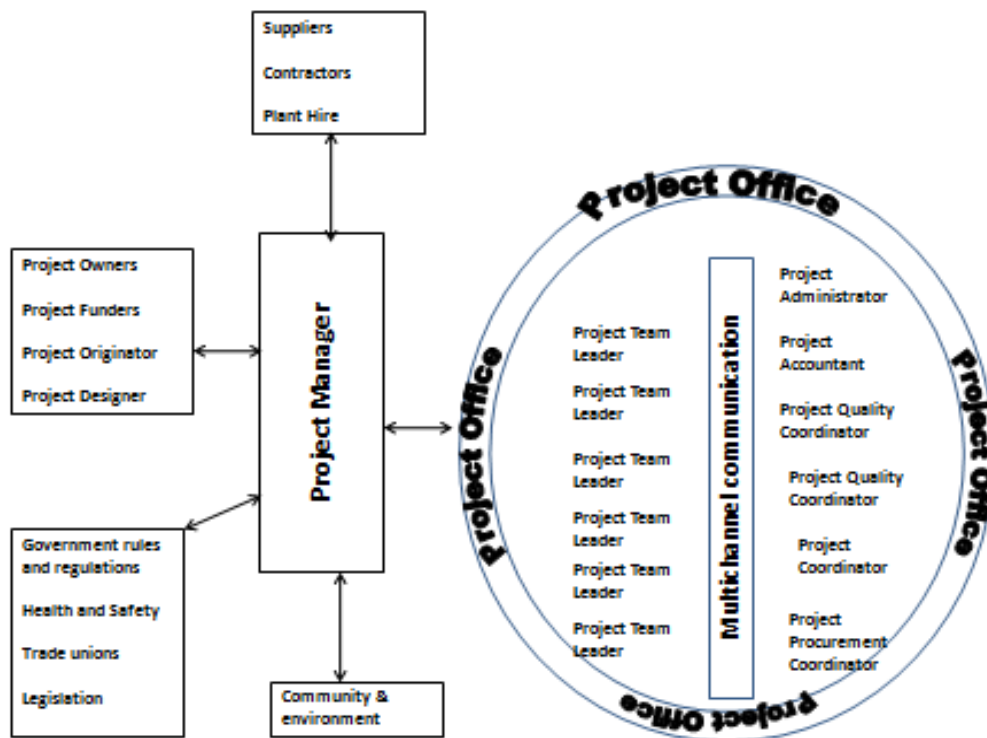


Figure 5.2.3.1 – Suggested communication model by Mutiro N.S.

The Project Manager is the centre of communication for all project related issues. This is meant to avoid confusion in project communication. The Project Manager provides stakeholders, business organisations and the project office with information relating to the projects. The model depicts the Project Manager as the Communication Manager of the projects. All correspondence relating to the project must be through the Project Manager. The Project Manager manages the project communication.

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5.3. Training

Training is the act of up-skilling people. When employees are well trained they will improve productivity and increase profits. Within the City of Cape Town Metropolitan Municipality training would definitely improve governance and service delivery.

Training should be an on-going process within any business organisation. In modern and complex environments governance training is vital if employees have to cope with the dynamics relating to successful project implementation.

The City of Cape Town Metropolitan Municipality needs to include training in its strategic plans. Training needs a high priority.

The Corporate Services directorate in the City of Cape Town Metropolitan Municipality does not regard training as a key factor to successful implementation of projects as far as project governance is concerned, as depicted by Figure 4.2.61 and Table 4.2.6.1.

69.9% of the respondents said the Corporate Services directorate never conducted governance training. The only way to close this gap now would be through effective training of the participants, if in the long run the operations of the City of Cape Town Metropolitan Municipality Corporate Services directorate are to be viable.

According to Figure 4.2.1.2 and Table 4.2.1.3 only 17.9% of the population have a clear understanding of governance, leaving 82.1% without any or with insufficient knowledge. The 82.1% can only improve their understanding of governance through training and nothing else. This therefore calls for the Corporate Services directorate Department in the City of Cape Town Metropolitan Municipality to start training initiatives to improve service delivery through successful implementation of projects.

The average proportion of those who have a solid understanding of governance issues in teams is just 10.7%, leaving 89.3% with very little or no knowledge at all.

Training is key to success, especially in large organisations like the City of Cape Town Metropolitan Municipality, which has many stakeholders.

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5.4 Governance model

It is not very clear whether the Corporate Services directorate in the City of Cape Town Metropolitan Municipality has a governance model. There are poor training initiatives that will directly affect skills; this might even lead to employees not realising that they have or that they do not have governance model. This confusion is depicted by Table 4.2.3.1.

While 57.1% of the population said there was no governance model, 32.1% said it existed. Those who said it does not exist might be linked to those who need training in governance issues.

For the governance guide to be useful it needs to be available to all employees. According to Figure 4.2.4.1 and Table 5.2.1 almost 40% said the governance model is not available to all employees, while 21.4% agree it is only available to a few people. Effective communication requires that all documentation of this nature, Quality Policy, IT Policy and frameworks, Health & Safety manuals, Company performance documents etc., should be available to all employees. This enhances effective communication and helps to educate employees about their own organisation.

The Corporate Services directorate in the City of Cape Town Metropolitan Municipality could adopt the following governance model for effective and efficient implementation of projects in business and business organisations.

The Corporate Services directorate in the City of Cape Town Metropolitan Municipality needs to start by defining factors for enforcement of processes and procedures.

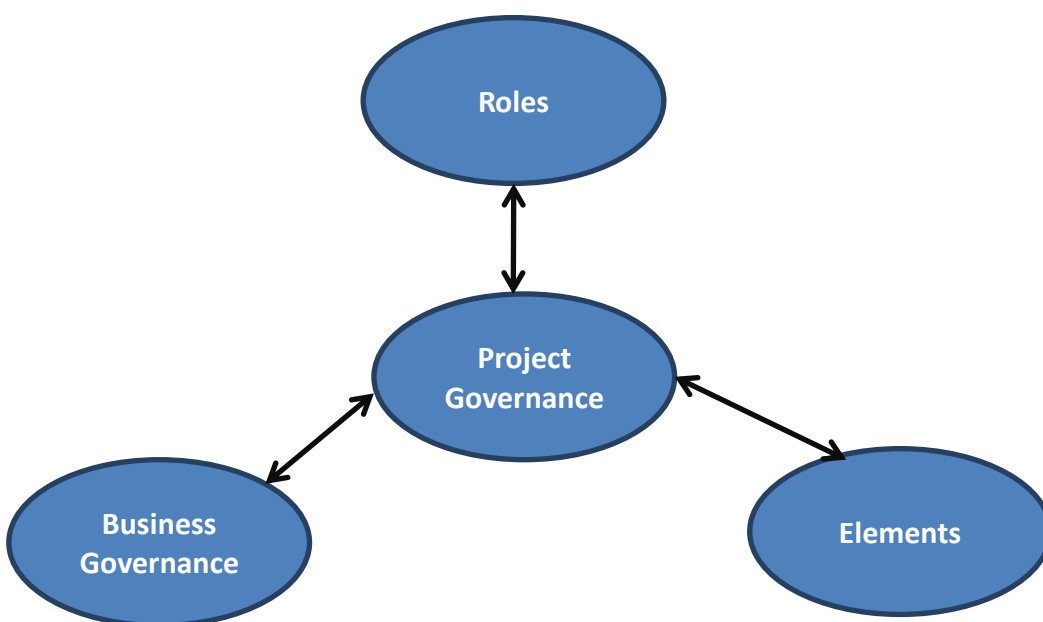


Figure 5.4.1 Factors of governance

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Project governance revolves around a number of factors which influence its successful implementation. Project governance cannot be complete without looking into the broader business governance factor. Projects run in business organisations; hence the business governance aspect is critical.

Project governance comprises different elements which need to be identified. Once identified their roles in project governance need to be defined. Defining these roles helps to guide the entire project governance process.

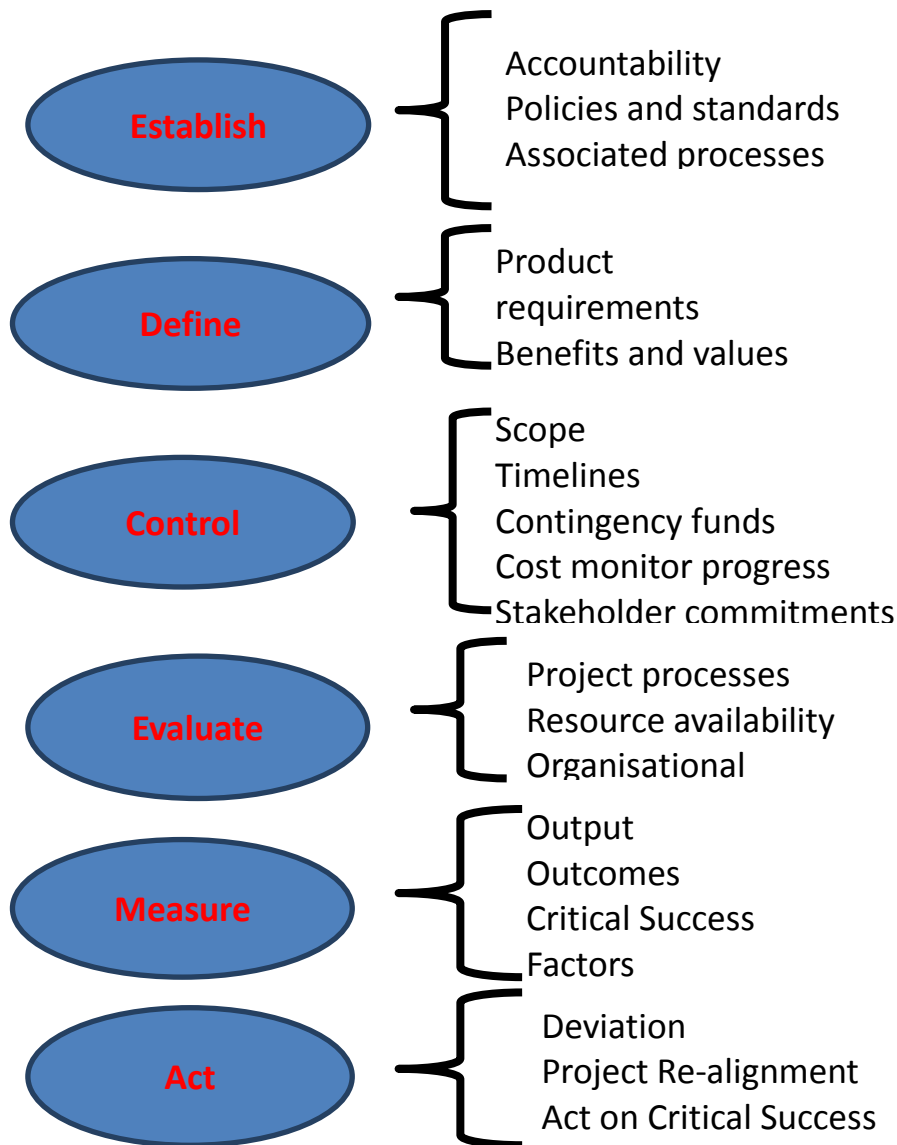


Figure 5.4.2 – Expanded factors of governance - Roles

Project roles go through a process. Once identified they need to be defined, controlled, evaluated, measured against certain standards and action must be taken depending on the outcome. Action will enforce realignment of projects. After this has been done, then all the components can be integrated into the final governance framework, as in Figure 5.4.3 below:

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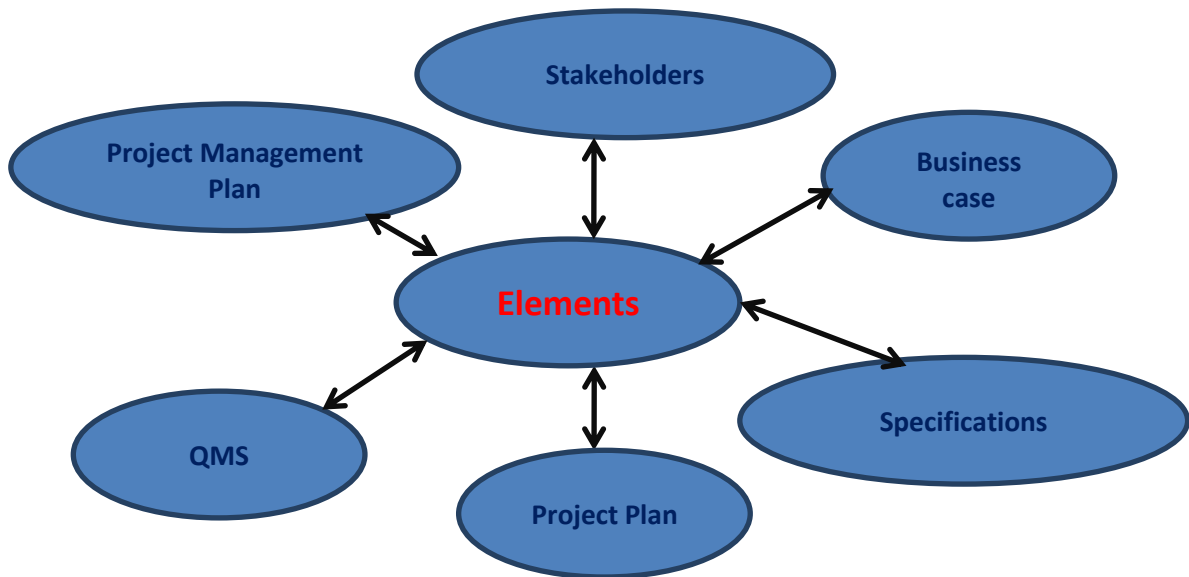


Figure 5.4.3 – Recommended governance model for the City of Cape Town Metropolitan Municipality

Project governance is built up of many elements. Some of the elements are shown in Figure 5.4.3 above. Project governance needs to take into consideration the quality aspect of the project, the nature of the project itself, project specifications, the business case and the project management plan. All these impact on the project success in terms of governance.

The Quality Management Plan of any project is critical. On completion, projects need to be of the desired quality. Project quality management needs to be enforced from inception to the end; otherwise resources are going to be wasted. A good quality management plan will influence the success of the project within the specified timeframe and cost.

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5.5 Conclusion

It is very important for every organisation, whether private, government or quasi-government, to have an effective communication model, a governance model and a quality management system.

The Corporate Services directorate in the City of Cape Town Metropolitan Municipality could improve its processes and procedures by implementing some of the recommendations given above.

Developing a clear communication model for both internal and external purposes will automatically improve information flow within the structures of the organisation.

Another important issue that the Corporate Services directorate in the Cape Town Metropolitan Municipality needs to focus on is training. Training opens the minds of employees and tends to have a multiplicative positive effect on business and projects in general in terms of implementation and management.

Inadequate training leaves employees unaware of what is happening in the organisation and outside the organisation. This will result in employees having very little information for effective and efficient execution of their responsibilities.

The City of Cape Town Metropolitan Municipality could also improve by adopting the governance model above. Models help to define the boundaries and give a framework for which business and governance issues are being conducted.

Besides having a governance model the City of Cape Town Metropolitan Municipality Corporate Services directorate would need to abide by the model. It does not help to have very good governance models that you do not adhere to. 10% of the sampled population had indicated the City of Cape Town Metropolitan Municipality Corporate Services directorate does not adhere to the governance model in place. Awareness campaigns are important to make sure all have a similar understanding of what models are there and how to effectively adhere to them.

The consequences of not adhering to the governance models must also be clear to everyone involved with projects.

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CHAPTER SIX: CONCLUSION

There are mixed perceptions from the participants within the City of Cape Town Metropolitan Municipality. A lot of work had been done in terms of understanding governance trends and incorporating certain components within their day to day and project operations.

The City of Cape Town Metropolitan Municipality generally perceives good governance practices had been adopted due mainly to the governance components that had been incorporated in project and business execution.

Project governance is a modern concept that every organisation is trying to adopt. Project governance comes with its own challenges; hence an organisation like the City of Cape Town Metropolitan Municipality has strategic plans on how to manage project governance.

Having a proper governance model is critical for project governance success. Most organisations develop governance models that will help them to provide a general framework for implementing and managing projects. It becomes much easier to manage and implement projects if one has a framework as a guidance pillar.

The Cape Town Corporate Services directorate has put a number of governance frameworks in place. However, according to the survey, adherence to the framework is a problem.

Research developments in the field of governance have resulted in the recommendation of different frameworks for different industries. Frameworks like the King I, II and III for general business governance issues and ITIL and COBIT for the information technology management and governance have been developed to help organisations manage governance issues more effectively. The City of Cape Town Metropolitan Municipality had adopted some components of the frameworks e.g. it uses ITIL and COBIT components.

On the quality management side different ISO standards have been developed that will assist in the enforcement of quality standards. ISO standards will require organisations to define and follow specific processes and procedures for compliance certification. The City of Cape Town Metropolitan Municipality had adopted some ISO standards to quality assure their work.

There are numerous benefits derived from meeting quality standards and having governance models in place for the organisation. For the City of Cape Town Metropolitan Municipality this would definitely improve service delivery, which is the ultimate goal of any municipality.

Poor project governance and poor governance in general in business organisations have a very severe impact on the organisation itself, the stakeholders and the environment. Poor

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governance within the City of Cape Town Metropolitan Municipality Corporate Services directorate will affect service delivery.

This would eventually impact on society in general. Poor governance will also result in poor business ethics and unnecessary profiteering by organisations and individuals. This affects the entire business industry or sector and has a spiral effect on other organisations that are not in the same industry but do business with that industry.

Poor governance affects the development of the nation as a whole and promotes corruption and nepotism. Once corruption and nepotism occur within the business organisation these malpractices easily spread to other stakeholders. To avoid all these challenges it becomes necessary for organisations like the City of Cape Town Metropolitan Municipality to have models for regulating projects, thereby increasing transparency, accountability and responsibility.

The City of Cape Town Metropolitan Municipality Corporate Service Directorate is trying to align its project operations with the current trends in project management. However there are still gaps that need to be covered in terms of governance training, communication, availability of information and other areas that need to be improved.

The recent audit by the government Auditor General on local government indicated gross maladministration and poor governance resulting in billions of rands being unaccounted for. Some municipalities have received a clean audit for some time and in that regard they have to work very hard to make sure governance procedures are maintained and improved.

When governance structures are not in place it becomes difficult to control and manage the tender process, internal business operations, conflict resolution and other issues that underpin good governance practices.

This leaves both taxpayers and citizens wondering what exactly is going on because municipalities are failing to provide basic services yet they cannot account for the money they get from treasury. Treasury gets money from the taxes paid by citizens and that money is meant to provide basic services to ordinary people. This has resulted in several service delivery demonstrations in many parts of the Republic of South Africa. Poor governance has also resulted in people building houses where they are not supposed to and crime syndicates mushrooming.

Municipalities can perform much better if they develop and implement processes and procedures, have clear audit control mechanisms, improved communication with stakeholders and have a clear understanding of the mandate they owe the public. The evidence gathered by this research shows that there are deficient communication

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mechanisms in the Corporate Services directorate of the City of Cape Town Metropolitan Municipality. Much needs to be improved and this includes communication with project stakeholders if projects are to be implemented without difficulties.

To manage project governance effectively municipalities, government organisations and business organisations need the appropriate skills. The gap between the skills of project implementers and the skills required by the scope of the projects within the Cape Town Corporate Services directorate is too wide.

This gap can only be closed by continual training and other skills development programmes. As can be noticed from the evidence gathered by the researcher, training is deficient in the Cape Town Metropolitan Municipality Corporate Services directorate.

The City of Cape Town Metropolitan Municipality Corporate Services directorate tends to not consider training critical to successful project implementation. This needs to change since it will eventually affect service delivery. Training is integral to the continual development of staff in order to improve productivity and effectiveness.

Good understanding of management and leadership is critical for successful project implementation and governance. Most government departments are headed by politicians who do not have a clear understanding of project governance.

Transparency tends to be a big issue that the City of Cape Town of Corporate Services directorate seems not to be practising fully. The information that is critical for successful implementation of projects is not readily available to people who need it.

The governance guide, which is a vital document for every employee, is available to as elected few. This creates an unnecessary information gap and defeats the idea behind transparency which in turn creates uncertainty and speculation within the organisation.

The weaknesses identified by the researcher justify this research into the City of Cape Town Metropolitan Municipality Corporate Services directorate, which has been deficient in practising the good governance recommended by King III.

The City of Cape Town Metropolitan Municipality had been receiving clean audits and to some extent this gave the workforce and the organisation as a whole the perception that they are doing well. They perceive themselves to be general above average when it comes to compliance to King III recommendations and they want to improve.

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APPENDIX A:

CLARIFICATION OF BASIC TERMS AND CONCEPTS

Ethics: represents the dos and don'ts of an organisation

King I report: represents a framework of good business practice for companies

Governance: States how companies and business organisations should be directed and controlled. It's a framework of direction and control.

Corporate Services: represent a department within the City of Cape Town

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APPENDIX B

SAMPLE QUESTIONNAIRE



28 Dibo Mews

Mckinley Road, Kenilworth

Cape Town

Dear Sir/Madam

**QUESTIONNAIRE ON THE PERCEPTION OF CORPORATE SERVICES IN A METROPOLITAN
MUNICIPALITY ON KING III GOOD GOVERNANCE COMPLIANCE.**

Your kind co-operation as part of a sample survey is sought for the completion of the questionnaire which is part of a survey to investigate **The Perception of Corporate Services in a Metropolitan Municipality on King III good governance compliance.**

Your willingness to complete the questionnaire will be much appreciated as the information obtained will assist the researcher to complete his Master's- Business Administration in Project management at Cape Peninsula University of Technology.

The information you are going to provide will be treated with the highest degree of confidentiality. It will be used only for academic research purposes only.

Any questions or enquiries about this questionnaire or the research project may be directed to the researcher.

Mutiro Newton Sly

Researcher

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Please take some time to complete this questionnaire

1.	Department					
2.	Position					
3.	Gender	Male			Female	
4.	Number of years working with projects	1-3yrs	4-6yrs	7-10yrs	>10yrs	
5.	Management level	Lower	Middle	Top	Knowledge staff	
6.	Rate your understanding of governance	Not familiar	Rough idea	Moderate	Very clear	
7.	Rate the general understanding of governance within your team or department	Not familiar	Rough idea	Moderate	Very clear	
8.	How often do issues of governance arise during meetings?	Never	Once in a while	Most of the time	Always	
9.	How often do issues of governance arise during the execution of the project?	Never	Once in a while	Most of the time	Always	
10.	How many times did issues of governance stop the execution of projects?	Never	Once	2-5	6-10	>10
11.	How many times did the City of Cape Town Metropolitan Municipality fail to implement projects because the stakeholders claimed they were not consulted?	Never	Once	2-5	6-10	>10
12.	Is the organisation's governance guide available to all employees?	No	Yes	Only to a few	Only to management	Only to top management

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13	How frequently does management conduct governance training workshops?	Never	Once in a year	Once in a while	Always	Other - specify
14	Does the City of Cape Town Metropolitan Municipality have a governance model?				Yes	No
15	If your answer to 14 is “yes”, do you think the City of Cape Town Metropolitan Municipality is abiding by the model based on your experience? Please elaborate					
16	Based on your experience, what do you think are the major governance challenges the organisation still has to overcome?					
17	Based on your experience, what were the major achievements by the organisations as far as governance is concerned?					

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18	Based on your experience do you think there are some areas of conflict in terms of chairpersons of different portfolios and functions?
19	Briefly explain the process of appointing the Portfolio Chairperson and Project Managers?

Thank you for taking time in filling this questionnaire