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The role of value management in achieving best value in public sector service delivery in South Africa: a research agenda

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Abstract

It is common cause that, for the most part, public sector service delivery in South Africa is in a state of disarray. Problems associated with service delivery include shortages of skilled staff, under-spending of budgets, corruption, and a general lack of capacity. Best value in public service delivery is clearly not being achieved. Best Value is an emerging initiative that aims to improve the quality of public services. The basic premise of the Best Value initiative is that the public service should procure services on the basis of value for money rather than on lowest cost. The literature suggests the use of value management with risk management within a project management framework to achieve value for money. This article outlines a research agenda for examining the role of value management in achieving best value in public sector service delivery in South Africa.

Keywords: public sector, service delivery, value management, best value, South Africa

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Abstrak

Dit is algemene kennis dat die grootste deel van dienslewering in die openbare sektor in Suid-Afrika in wanorde is. Probleme verantwoordelik daarvoor sluit in: personeel tekorte, onderbesteding van begrotings, korrupsie, en 'n algemene tekort aan bekwaamheid. Bestewaarde in dienslewering is nie bereik nie. Bestewaarde is 'n noodsaaklike inisiatief wat daarop gemik is om die kwaliteit van openbare dienste te verbeter. Die basiese doel van die bestewaarde inisiatief is dat openbare dienslewering diense moet verskaf op die basis van waarde vir geld eerder as op die laagste koste. Literatuur stel voor dat waardebestuur met risikobestuur binne 'n projekbestuurraamwerk gedoen word om waarde vir geld te kry. Hierdie artikel gee 'n navorsingsagenda om die rol van waardebestuur in die bereiking van bestewaarde in openbare dienslewering in Suid-Afrika te evalueer.

Sleutelwoorde: openbare sektor, dienslewering, bestewaarde in dienslewering, Suid-Afrika

1. Research Context

Best Value is an emerging initiative that aims to improve the quality of public services (Hunter & Kelly, 2004). The basic premise of the Best Value initiative is that the public service should procure services on the basis of value for money rather than on lowest cost. The literature suggests the use of value management with risk management within a project management framework to achieve value for money (HM Treasury, 2004). Keady (1998) describes Best Value as 'representing the greatest challenge local government has ever faced'. Its main goal is to improve service quality (Higgins *et al.*, 2004). The essence of the problem is captured by Raine (2000), who stresses the importance of "bedding Best Value as a philosophy as much as a technical requirement into the thinking and behaviour of local authorities."

This article is concerned with effective public sector service delivery in South Africa and the potential role of value management in achieving best value. More specifically, it outlines the nature of, and problems associated with, public sector service delivery in South Africa, introduces the concept of 'best value' for service quality improvement, outlines the tenets of value management, and describes a research agenda for examining the role of value management in achieving best value in public sector service delivery in South Africa.

2. The nature of public sector services in South Africa

2.1 Background

The new South African Government of National Unity (GNU) inherited a State in 1994 with a public service which was 85% white and 3% female and was tuned to delivering quality public goods and services to a white minority. Communities of non-whites received extremely poor services, to the extent that they were served at all (Ruiters, 2006). The inefficiency of the State in implementing its inequitable approach to service delivery ultimately caused a decline in revenue from state-owned enterprises, which in turn, resulted in mass boycotts of rent and service charges (Smith *et al*., 2003).

2.2 Public service objectives of the new South African Government

The imperative for efficient public service delivery originates in section 195 (1) of the Constitution of the Republic of South Africa, which stipulates that public administration should adhere to a number of principles, including that services must be provided impartially, and equitably and that resources should be utilised efficiently, economically and effectively (RSA, 1996).

In fleshing out this goal, the need for public services and for an appropriate public service delivery programme in South Africa was clearly articulated in policy papers published by the new Government of National Unity (GNU) in 1995 and 1997 (RSA, 1995, 1997). The *White Paper on the Transformation of Public Service* published in November 1995 identified public services as those necessary to address the basic needs of people, which "extend from job creation, land and agrarian reform to housing, water and sanitation, energy supplies, transport, nutrition, education, health care, the environment, social welfare and security" (RSA, 1995). The *1995 White Paper's* mandate was to cover those parts of the public sector, both national and provincial, which are regulated by the *Public Service Act* (Proclamation 103/94), but it specifically aimed to be relevant to the remaining areas of the public sector, such as local government and parastatals (RSA, 1995).There was also a clearly stated intention that, in pursuance of the aims of redressing past imbalances in service provision and the promotion of social equity, the GNU would seek to apply affirmative or corrective action principles in the delivery of public services in the "short to medium term". The intention was to concentrate on meeting the basic needs of the

estimated 40% of South African citizens living below the poverty line
in urban and rural areas who had been previously disadvantaged
in terms of service delivery. However, the *1995 White Paper* noted as
being relevant to South Africa the international trend towards "[a]
n increasing emphasis on quality, efficiency and cost-effectiveness"
(RSA, 1995).

The GNU intended improvement in public service delivery to apply
to three types of delivery agency: (i) administrative agencies such
as Ministerial offices which provide services to other departments
rather than directly to the public; (ii) service delivery agencies,
such as government departments which deliver services directly to
the public; and (iii) "statutory agencies, such as the Public Service
Commission and the Auditor-General, which are established by the
Constitution or other legislation as bodies independent from the
executive with important regulatory and monitoring functions with
respect to the public service" (RSA, 1995).

2.3   Envisaged problems in public service delivery

For the new government, the most severe problem with the public
service and the delivery of public services was that it was largely
the same public service that had been in place under the previous
apartheid government. Consequently, it was unrepresentative and
lacked legitimacy. Further, it was characterised by a bureaucratic
approach which focused on the administration of rules and pro-
cedures rather than on a service culture, and possessed a central-
ised and hierarchical managerial structure. This created a climate
in which accountability was limited to bureaucratic accountabil-
ity, leaving little incentive for the pursuance of efficiency and pro-
ductivity. Relatively poor pay levels resulted in a demotivated and
unproductive staff. These problems "served to inhibit the develop-
ment of a professional work ethic and commitment amongst public
servants" (RSA, 1995).

The introduction of the new government in 1994 did not immediately
remove these historical problems. The *1995 White Paper* (RSA, 1995)
recognised that strategies would need to be developed to deal
with both historical and new problems, which were identified as:

- fear of change (especially with regard to the planned
  rationalisation and affirmative action programmes);

- the high risk of an exodus of skilled public servants ('brain
  drain');

- public perception that change is not occurring quickly enough;

- lack of clear and well-communicated vision of change;

- lack of clearly defined roles and responsibilities;

- lack of co-ordination;

- persistence of a rule-bound culture; and

- lack of skills and capacity.

2.4 The situation a decade after the transition

Post-1994, public sector functions were divided between three spheres of government. Exclusive functions of the State at National level included national defence, the criminal justice system, higher education, water and energy resources and the administrative functions of home affairs and national taxation. At Provincial level functions comprised provincial roads, ambulance services and provincial planning as well as several concurrent functions. At Municipal level functions included the provision of water, electricity, refuse removal, municipal infrastructure and emergency services (Ruiters, 2006). The original 840 municipalities were collapsed into 284 new, non-racial and democratically-elected local authorities (Ruiters, 2006). These municipalities must generate 90% of their budget from recovering costs of local services from consumers and from property rates. Problems have been experienced in this regard with several municipalities failing to recover costs (77% of South Africa's consumer debt of R24billion in 2003 was owed to the largest 16 municipalities [Ruiters, 2006, citing *Business Day*, 5 March 2003]). In addition, there has been a problem with capital budget underspending by "major and medium-sized municipalities on key service delivery priorities such as housing [and] water" (Ruiters, 2006 citing National Treasury, 2005).

The intended improvements in service delivery have not been realised, prompting central government in 2005 to pursue greater centralisation. This has taken the form of:

- shifting certain functions to other spheres of government (e.g. social security from provincial to national level; and electricity distribution from municipalities to regional electricity distributors);

- the imposition of strict requirements in terms of governance, finance and administration under the Public Management Finance Act which actually allows municipalities to be taken over by provinces; and

- national government seeking the power to control the deployment of local municipal staff in terms of the Municipal Employees Bill (Ruiters, 2006).

The problems in service delivery can clearly be linked to the government's neo-liberal policies and the consequent reduction in the size of the civil service. Local authorities, for example, lost 35000 workers between 1997 and 2003. At national state department level the losses were even more severe. The resulting exodus of skills is principally responsible for government's inability to spend revenue and deliver services effectively. The consequent trend towards the use of consultants has grown to such a degree that the government has referred to them as a "parallel state" (Ruiters, 2006 citing DPSA, 2001). The high vacancy rate of senior managers in provincial and local government departments is a major problem that, unless remedied, will seriously compromise service delivery. In addition to the problem of a lack of management capacity, underspending, underqualified personnel and high levels of corruption also threaten service delivery (Ruiters, 2006).

Ruiters (2006) reviews performance in a few sectors as follows. The schooling system is failing to produce school-leavers with the necessary skills; the semi-privatised Telkom telephone company shut down more lines than it made new connections between 2002 and 2004; in several provinces the majority of residents still lack access to water on-site; and the inability of the police services to provide adequate personal and residential security has engendered a trend towards gated communities and private security companies. Clearly, best value in public service delivery is not being achieved.

3.   The concept of Best Value

Best Value is a concept that has emerged since 1997. Its main goal is to improve service quality. The key principles of Best Value are accountability, transparency, continuous improvement, and ownership (Higgins *et al*., 2004). Accountability ensures that simple and robust information is used to demonstrate performance. Transparency requires decisions to be open and transparent, with evidence of clear reasoning. Ownership permits anyone with an interest in local authority services to be involved with a relationship between the public service and its stakeholders. Continuous improvement encourages local authorities to ask questions of themselves, questioning whether they are achieving their goals and if they could do better.

Higgins *et al*. (2004) take this concept further by asserting that local authorities should have to demonstrate the four 'C's' of Best Value, namely: 'challenge', 'compare', 'consult', and 'compete', and produce performance plans and action plans. 'Challenge' involves reviewing the approach to services and ensuring that stakeholders are benefiting. Challenge is considered by Geddes & Martin (1999) to be the most important of the four 'C's' because it encourages local authorities to do a complete rethink of how they are providing their services. 'Compare' ensures that performance is analysed and compared with others through benchmarking and by using key performance indicators (KPIs). 'Consult' serves to ensure that all necessary stakeholders are involved, such as the local community, staff and management. The 'Compete' aspect of Best Value involves the local authority being subject to external competition if in-house services are not performing.

Linked to the four 'C's' are the three 'E's' of Best Value, namely, 'economy', 'efficiency' and 'effectiveness'. 'Economy' involves the careful management of resources by achieving lower process and higher productivity. 'Efficiency' refers to making the most efficient use of resources, processes, procedures, *etc*., and 'effectiveness' is ensuring that actual performance meets planned performance. The literature Scottish Government Publications (2006: online) also refers to a fourth 'E', namely, equal opportunities requirements.

Best Value aims to improve the quality of local government services by using various tools to support Best Value – through the formulation of a performance plan, by paying due regard to the four 'E's' of Best Value, and assigning targets for performance indicators. Performance can be subject to external review. For example, in Scotland, every five years a *Best Value Review (BVR)* is conducted by Audit Scotland to ensure that the local authority is continuously improving and is performing to a high standard. This review challenges the 'why and how' a service is provided, undertakes comparisons across a range of indicators, consults local taxpayers, users and businesses, and embraces fair competition. A *BVR* can apply to one service, a sub-service, or can be cross-cutting. An example of a cross-cutting review would be the case of reviewing the quality of life for elderly people in the community by examining services such as library facilities, housing and leisure services (Scottish Government News, 2005: online).

Tools used in local government to support Best Value are quality tools such as the Balanced Scorecard and ISO 9000. Bovaird & Halachmi (2001) assert that the Best Value philosophy has strong links to Value

Management (VM) (known as Value Engineering in the USA). VM
is seen as a technique directed toward analysing the functions of
an item or process to determine Best Value, or the best relationship
between worth and cost (OMB, 1993). Bovaird & Halachmi (2001)
suggest the implementation of VM across all government agencies
to facilitate the achievement of Best Value.

4.   The concept of Value Management

Value Management (VM) has its roots in the manufacturing indus-
try of North America, becoming a recognised methodology in 1947
(Kelly & Male, 1993). VM has been defined as 'a proactive, crea-
tive, problem-solving or problem-seeking service which maximises
the functional value of a project by managing its development
from concept to use'. Bone & Law (2000) define VM as "a structured
framework for reviewing any product, process, project, or service,"
with the VM workshop as its basic tenet (Male *et al.*, 1998). VM has
also been described as a powerful method of creating the best
value of products or services on the basis that the function must
be maintained (Fong *et al.*, 2001). Phillips (2002) suggests that VM is
applicable to projects, programmes or services as a business refo-
cusing tool. In essence, VM is a methodology to be adapted to the
nature of the study and the values of importance to the client (see
Woodhead & Downs, 2001).

Opinion varies as to when VM should be applied during a project
life cycle (see, for example, Green, 1994; Merna, 2002; Male *et al.*,
1998). The UK Office of Government Commerce (2003) procurement
guidance on value and risk management applied to government
projects specifies that VM should be used throughout the project life
cycle and outlines the points in the Gateway Review Process (GRP)
when VM should be applied. The Gateway Process is used to review
projects above a certain monetary value to determine whether or
not the project is ready to progress to the next stage. This is a similar
concept to the Process Protocol developed by Cooper *et al.* (2005).
In terms of the Gateway Process, the use of VM is suggested prior
to each of the six gateways (UK Office of Government Commerce,
2003):

- Gateway Review 0 (Strategic assessment) – to identify
  stakeholder needs and priorities;

- Gateway Review 1 (Business justification) – to review the
  various options;

- Gateway Review 2 (Procurement strategy) – to review the options in more detail in relation to the project brief and to develop output specifications;

- Gateway Review 3 (Investment decision) – to review the selection and award criteria;

- Gateway Review 4 (Readiness for service) – to review whole life costs and buildability; and

- Gateway Review 5 (Benefits evaluation) – to review the lessons learned.

Suffice it to say that opportunities to improve value may be lost if VM is applied infrequently, and likewise, if applied too often may retard the progress of the project.

The VM standard (BS EN 12973: 2000) outlines the attributes of value management, namely, better business decisions, increased effectiveness, improved products and services, enhanced competitiveness, a common value culture, multidisciplinary and multitask teamwork, and decisions which can be supported by all stakeholders. Hiley & Paliokostas (2001) distinguish between two categories of benefits resulting from VM: traditional benefits, that include enhancing quality and the elimination of unnecessary cost, and 'soft' benefits, such as better communication, team building and understanding between project members and stakeholders. Their research established that the greatest positive impact of the use of VM was the formation of clear objectives (Hiley & Paliokostas, 2001). Benefits discovered by Woodhead & Downs (2001) from the perspective of VM clients are: the unearthing of the true purpose of the project under review, a connection between strategic and tactical organizational goals, use of a structured process, improved relationships and management of the supply chain, a creative approach to planning and problem solving, provision of an audit trail, and greater commitment to projects.

Various authors have drawn attention to the use of VM in local authorities (see Bone, 1993; Woodhead & Downs, 2001 and Kelly *et al*., 2002, 2004). Bone & Law (2000) outline a number of business sectors that have used VM to add value to their businesses. These include the construction, manufacturing, automotive, infrastructure and transportation industries, as well as local and central government and the service industry. Given the widespread use of VM in a variety of sectors, there appears no valid reason why VM cannot be applied within local authorities in South Africa to facilitate the achievement of Best Value.

5.   Nature and Objectives of the Project

This project is concerned with determining whether or not value management can be applied effectively and successfully to Best Value projects in the public sector. The research will review value management principles as they apply to manufacturing and construction before determining the possible implementation scenarios in local government projects. This will be done through the study of project stages, success factors, and characteristics to develop a generic project model applicable to the public service sector.

The primary research proposition underpinning this research project is that:

> *'Value management is a service that can maximize the value
> of public sector services to achieve Best Value'*

A preliminary analysis of the literature (see Hunter, 2006) leads to the following 'research propositions':

- The value management methodology can identify opportunities to add value for any type of public service project by making the best use of resources, identifying the project objectives, determining the clients' values, and the requirements of the end-user;

- Current public sector thinking is founded on closed-system thinking and risk-free solutions; the use of value management workshops will encourage 'out of the box' thinking;

- All projects, regardless of industry sector, undergo similar stages throughout the life of the project. Similarly, pre- and post-contract stages are also comparable in terms of activities undertaken to prepare and acknowledge the project in core business (see Cooper *et al.*, 2005). In essence, then, similar issues appear at similar project stages and that these are generic in nature;

- The audit of Best Value can be facilitated by the methodical process of value management, which can illustrate the route taken by local authorities to achieve Best Value;

- A logical project framework is required that involves an integrated team of local authority staff, informed by consultations with stakeholders, to provide a suitable platform for achieving Best Value; and

- Notwithstanding the uncertainty associated with the stages of public sector projects, most time should be spent in the

strategic project stage using VM to ensure stakeholder requirements are considered – thus providing project managers with an improvement tool to inform decision making.

To confirm the above propositions, the research objectives of this project are to:

- Review the available literature on the application of value management in the public sector;

- Evaluate existing approaches to managing public sector service projects;

- Examine the differences, if any, between local, provincial, and central government procurement of projects;

- Develop a generic project model to be used to identify project stages in industry sectors such as construction, manufacturing, and services;

- Determine the likely intervention points for a service and construct a new model to indicate the service value opportunities;

- Determine whether different projects (e.g. construction and service related) at comparable intervention points, have similar issues and whether or not these issues can be predicted prior to a VM workshop;

- Determine the scope of being able to predict issues prior to a VM workshop (if this proves to be a possibility from the findings), and analyse the advantages to be derived for a VM practitioner, the construction industry, and the client;

- Review the generic project issues that may be present in a typical local authority project and test on a local authority;

- Provide advice as to the kinds of local government projects that may be susceptible to the VM methodology; and

- Determine the extent to which VM can support Best Value in local government with respect of service delivery.

6.   Scope of the research

The scope of research in the context of local government projects will be limited to the Western Cape in general, and the Cape Metro in particular. In the Western Cape there are 30 local authorities.

By focusing the research on the 30 local authorities in the Western
Cape, this will ensure that there is an adequate analysis of the popu-
lation in terms of targeting all Western Cape authorities.

Best value is concerned with the ongoing performance of core busi-
ness services. It will be argued in this article that value management
is 'project based'. It will be shown that VM can be used as a value
enhancing mechanism once Best Value systems have highlighted a
project for action.

The scope of the research does not extend to a comprehensive
investigation of value management in construction and manufac-
turing as the successful application of VM in these sectors has been
achieved and is widely documented (see, for example, Pasquire
& Maruo, 2001; Kelly & Male,1993). Notwithstanding this caveat,
this research project may utilise examples relating to government
projects.

7.   The research methodology

The focus of this article is value management (VM), with Best Value
as the main thrust. It is recognised that VM and Best Value have the
same goal, namely, to maximise value for the customer. A prelimi-
nary review of the literature indicates that VM is a project-focused
service and that the technique could be used to support the attain-
ment of Best Value on local authority projects.

Given this, the research methodology proposed to confirm the
research proposition is:

• A grounded theory study on value management case studies
to explore project issues;

• A questionnaire study on local authority projects targeted at
all Western Cape local authorities;

• An action research study in a value management workshop
on a local authority project(s); and

• A combined desk study and case study to explore the use of
VM in a Best Value project to propose a methodology for the
application of VM within a Best Value arena.

The purpose of these chosen research methods was to:

• Identify commonalities of project issues (generic project
issues);

- Explore local authority understanding of projects and identify the key points in the project life cycle where VM could be applied;

- Confirm that VM could be used successfully on a local authority project and to validate and test the generic issues identified in the grounded theory study; and

- Derive a logical project framework that uses a VM approach to achieve Best Value.

The envisaged research outputs flowing from the application of the research methodology are:

- A predictive framework of generic project issues that can be used in any VM workshop regardless of project type;

- A local authority generic project model;

- A project model that indicates the VM opportunity points – the application points in the project life cycle when VM should be applied; and

- A logical framework that uses a VM approach to achieve Best Value.

8. Proposed work plan

The proposed work plan may be documented as follows:

- Background to the research and literature review: This phase will entail: a background review of Best Value, how it evolved and the emphasis on continual improvement; a review of the nature of public sector services, the function of a public service and the delivery of public services; a background review of value management and the characteristics of VM.

- Project stages and characteristics: This phase will entail: a literature review on project stages in order to inform a generic project model to identify value opportunities for any type of project regardless of type; exploring project success factors by outlining the successful characteristics of a project; the management of projects; and the issues that impact on projects.

- Development of a generic project model: This phase will entail, firstly, an examination of how Best Value, VM and projects all relate to each other; and, secondly, the development of a generic project model.

- Application of the research methodology: It is envisaged that this phase will most likely consist of 4 sections, namely:

    ° exploring the case studies in the form of VM workshop reports using grounded theory;
    ° a Western Cape local authority questionnaire survey on projects;
    ° an action research study in a VM workshop; and
    ° examining the measurement of Best Value and proposing a logical project framework for the application of VM in a Best Value project.

- Development of a logical project framework: This phase will entail exploring the role of VM in the public sector by proposing a logical project framework that brings Best Value and VM together – to help ensure that Best Value is achieved alongside the implementation of VM.

- Feedback and dissemination: The final phase of the study will entail writing a report to summarise the findings of the study. In addition, feedback seminars will be provided to Western Cape local authorities. Finally, the results will be disseminated to the wider academic community via the publication of journal and conference papers.

9.   Beneficiaries of the research project

The beneficiaries of the project will be:

- Collaborating local authority clients and their construction supply chains - through the development and implementation of a benchmarked continuous improvement programme;

- Procuring local authorities with major development programmes - by being in a better position to judge the level and extent of the service they would receive from providers, and also how to approach their own internal processes more effectively within development programmes. This will help ensure that good practice is implemented within their programmes and on their projects;

- Providers of construction industry services - by judging the appropriateness of their own service against researched good practice;

- The government - because this study is consistent with the call for quality improvement, value for money, and best practice within both the public and private sectors of the construction industry;

- The construction industry in general - through improved communication and understanding of client needs and requirements.

10. Collaborating local authorities

At this stage it is impossible to state the full nature and extent of local authority collaboration in the project. Swartland Municipality has already agreed to participate in the project. Suffice it to say at this stage that every effort will be made to secure the co-operation of the Cape Town Metro and the local authorities in the Western Cape.

11. Related Research

Linked to the above research programme are areas identified for possible concurrent or future research activity, namely:

- using value management for effective client briefing (covering strategic needs analysis;

- uncovering the client's value systems and briefing from a facilities management perspective); and

- the performance measurement of buildings (covering aspects such as briefing; post-occupancy evaluation; the strategic management of space; process mapping; benchmarking; and performance measurement and scaling).

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