

**Faculty of Commerce**

**Department of Accounting**

**THE EFFECTIVENESS OF BUDGET BENCHMARKS ON THE FINANCIAL  
PERFORMANCE OF LOCAL AUTHORITIES, A CASE STUDY OF THE  
RURAL AND URBAN LOCAL AUTHORITIES IN ZIMBABWE.**

**BY**

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## **LIST OF ACCRONYMS**

MLG, PW & NH- Housing	Ministry of Local Government, Public Works and National
PFMA-	Public Funds Management Act
UNDP-	United Nation Development Programme
MDGs-	Millennium Development Goals
UNICEF-	United nation Children Emergency Fund
MAI-	Management Accounting Innovation
NIS-	New Institutional Sociological
LA –	Local Authority
SPSS-	Statistical Package for Social Sciences

## **Abstract**

This study investigated the effectiveness of budget benchmarks on the financial performance of local authorities, a case study of the Rural and Urban Local authorities in Zimbabwe. A hypothesis was developed to look at the relationship between budget benchmarking and financial performance. A descriptive research design was used in this research. The population of the study was 97 consisting of Directorate and senior officials from the Ministry of Local Government, Public Works and National Housing and council senior staff. The study used primary data collected through a questionnaire sent through emails, interviews to the Directorate and secondary data analysed from local authorities budgets and local authorities Service Level Benchmarking report from the period 2013 to 2017. The data was analysed by the use of descriptive statistics which included inferential statistics such as regression and bivariate correlation. Results show that benchmarking has an influence in the financial performance of local Authorities through satisfaction by residents who pay bills and enjoy the services they require. The changing and dynamism of the Local government sector needs actors to be proactive as residents need quality services which correlates with value for money, this came out from the study. The theoretical outline and findings of this research will urge scholars to further scrutinise on other strategic best practices of the sector regarding the execution and implementation of processes which eases service provision and define best ways to utilise available resources economically but not compromising service provision.

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## **Chapter One**

### **Introduction**

This study gives background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, delimitation of the study, limitations of the study, assumptions, definition of terms and summary.

#### **1.0. Background of the study**

Continuous assessment of performance has become a fundamental measure of present governance undertakings (Pollitt & Bouckaert, 2014). Benchmarking has been employed in the Zimbabwean public sector to motivate progress and is dependable on concepts of continuous improvement (Bowerman et al., 2014; Julnes & Holzer, 2014; Magd & Curry, 2014). Conversely, the way in which local authorities in African countries match and benchmark their performance varies widely (Kuhlmann & Jäkel, 2013). Benchmarking in the public sector needs more research consideration (Hong et al., 2015). The fiscal crisis in Africa and the requisite to decrease public sector costs are resulting in many countries moving towards compulsory, large-scale benchmarking projects.

A lot of scholars developed theories with a view to standardisation of processes. These processes come in various forms but the overall objective is to achieve strategic organisational goals. The structure of local authorities are clearly defined to an extent that decisions are done at local level but the Ministries have the overall say otherwise those decisions can be overridden.



The Ministry together with local authorities through a consultant came with benchmarks being implemented in all local authorities. The benchmarks among others were set as follows;

Budget performance 80%

Salaries to service delivery 30:70

Efficiency of cost recovery in water supply 150%

Efficiency in collection of water supply related charges 75%

Maintenance Coverage ratio 20%, among others (*see chapter 4*)

Regional and international best practices were adopted but the main issue is the level of the state of economy which has not yet attained to such level to make the benchmarks useful and meaningful in Zimbabwe, Chatiza K (2014). Local authorities have failed to recover costs from communities despite the so called standardisation. Service delivery is deteriorating everyday yet service benchmarks are in place to standardise operations. The World Bank report (2013) also indicates that similar benchmarks have been implemented in countries like Mozambique and Tanzania, India, The United Kingdom, Scotland, United State of America, among others they proved useful in some respect but Zimbabwe situation is a different case altogether.

## **1.2 Why a Theory of benchmarking?**

Benchmarking has developed into a developmental organisational improvement tool that is now regarded as a best way that has been recognised internationally as it brings excellence in business processes and management, Moriarty, J.P and Smallman, C (2017). This simple concept of enhancement based on experimental performance elsewhere is not at all innovative as it is observably a universal human trait. What matters most is the degree to which benchmarking has associated with organisational improvement in the post-modern era.

Xerox Corporation was spectacular as an example of a success driven by benchmarking when it expanded rapidly by taking advantage of other better performing organisations. However there are also many stories that disclose ineffectiveness as benchmarking does not always deliver success stories despite significant organisational resources having been channelled towards the process, Moriarty, J.P (2016).

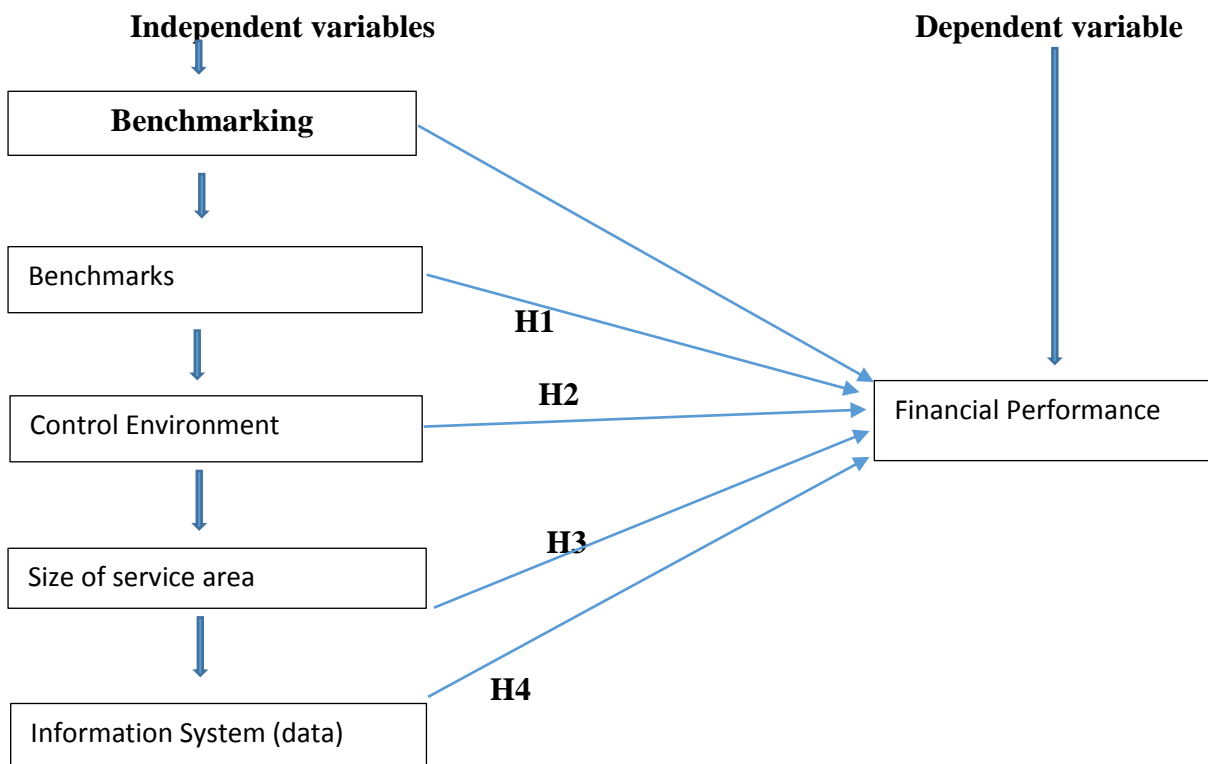
### **1.3. Conceptual framework**

Management theory and practice have from time immemorial created a relationship between effective performance measures and effective management, Drucker (2015). The effectiveness of any given performance measure is influenced by how it will be utilised. To make performance measures meaningful and provide worthwhile evidence, comparisons are necessary. These comparisons evaluate progress in achieving set targets, assess trends in performance over time, or weigh the performance of one organisation against another, Poister (2013).

Public sector benchmarking concentrates on results i.e. products or services or at their impact on a community, while in the private sector often focuses on processes, either to reduce their costs or to improve on quality. Results benchmarking, also termed performance comparisons, is the measurement of inputs, outputs, outcomes, and the relationship between them using quantitative or qualitative terms Hood, C. (2015). Some authors consider performance comparisons in the public sector to be of limited value, they may be useful in identifying specific areas of weakness but they do not help to analyse their causes or to suggest improvement. On the other hand, it can be argued that one important goal of performance comparisons in the public sector is to provide information about the community in which a public institution operates Pollitt, C (2014). Process benchmarking may then be based on

performance comparisons and then go on to identify an organisations structures, skills, and technologies which may support improvements in performance.

The balance between quantitative and qualitative indicators should depend on the scale of the benchmarking exercise. Peters, B. G. (2016) argues that a larger scale and more diversity between the institutions being compared, will require a more intense use of qualitative indicators and their integration with quantitative indicators thereby creating a significant methodological challenge. Communities and institutions with a similar profile will benefit more from detailed quantitative analyses.



### 1.3.1 Operationalization of Variables

Variable	Indicators	Measures
Benchmarks	Service delivery quality Viability Implementation	Regression
Control Environment	Policy Compliance Monitoring Management	Regression
Size of the Service area	Efficiency and effectiveness Standardisation Peer reviewing Adequacy	Regression
Information Systems	IT Governance Integrated Control Accuracy	Regression

### 1.3.2. A Model of the Benchmarking Process

Successful benchmarking projects manage to take the interests of internal and external stakeholders into account. In picking a methodology to a benchmarking project, it is therefore critical to classify particular stakeholder necessities, and then the result varies depending on their objectives.

### 1.3.3. The Scope of Benchmarking At Various Levels

Hood C (2015) argues that the objective of benchmarking exercises is to support better political and managerial decision-making, leading to enriched outcomes for the community, and also to meet external accountability requirements.

The decision on scope and focus is vital and should ponder regional requirements and situations. Bouckaert et al (2016) further laments that taking the need of incorporating benchmarking as a performance feature of policy making and character into account, the

focus of benchmarking projects should preferably be on factors that regions and communities can address and influence with their strategies, policies, and measures.

Dunleavy, P et al (2014) concurs that one of the most important reasons and values of a locally based regional benchmarking process is that it raises the awareness of regional stakeholders on the situation of their region compared to others.

Peters, B.G. (2014) further alluded that for the purpose of enhancing the competitiveness of regions, however, benchmarking still has to prove its promises. Although, it is still useful to compare the structure and performance of regions or communities and to derive general policy implications from such benchmarking studies. The historical evolution of a region sets serious limits on the copying and imitating of an external model that owed its success to its deep roots in an antagonistic environment.

#### **1.4 Statement of the problem**

The theories behind benchmarking and performance in local authorities are pivotal as they try to resolve how best organisational goals can be achieved as directed by the government.

Despite a considerable presence of decentralised governance capacity building initiatives benefitting local administrations, it remains difficult to account for the quality of the products delivered and establish their impact and consistency with both the national orientations and local needs, following weak monitoring, coordination and harmonisation. Vincent C, Stephen C (2015). Performance in local authorities must fit well to government goals as they are prescribed from time to time. Modern methods need to be adopted in order to come out with best practices which enhances performance in local authorities. Service delivery has been topical in Zimbabwe as local authorities are failing to cope with increasing population and demand for services. New budgeting techniques and identification of new revenue sources need to be over emphasised as they are a tool which determines performance. Government, when analysing budgets need to be well versed with what happens at local level so as to give

the best advice to local authorities. The Public Finance Management Act (PFMA) [Chapter 22:18] also cites that local authorities must submit their plans to the relevant Minister for approval before the beginning of every year. The benchmarks set by the relevant Ministries must be in such a manner that they drive significant progress that is measurable and that brings the communities and the nation to be competitive in the global market. The purpose of this research then is to investigate the effectiveness of budget benchmarks on the financial performance of local authorities (both urban and rural) based on the above theories.

### **1.5. Main research topic**

The effectiveness of budget benchmarks on the financial performance of local authorities, a case study of the Rural and Urban Local authorities in Zimbabwe.

### **1.6. Research objectives**

To establish the impact of benchmarks on financial performance in local authorities.

To determine the impact of control environment in benchmarking on financial performance in local authorities.

To investigate if there is any correlation of benchmarks between size of service area and financial performance.

To establish the authenticity of information collected on financial performance in local authorities.

### **1.7. Research questions**

What is the impact of benchmarking on financial performance in local authorities?

What impact does the control environment have in benchmarking financial performance in local authorities?

Are there any significant correlation between size of service area for service delivery of a given service and financial performance in local authorities?

How authentic is information collected on financial performance in local authorities?

### **1.8.0. Significance of the study**

#### **1.8.1. To the Researcher**

This research study is in partial fulfilment of the requirements of Masters of Commerce in Accounting degree programme at Midlands State University.

#### **1.8.2. To the Ministry of Local Government, Public Works and National Housing**

The study is pivotal in the sense that it will help the Ministry to set the required benchmarks after having considered all the possible variables affecting the local authority including the communities. The Ministry need to tirelessly find the suitable benchmarks to compare with locally, regionally and internationally. It is the hope of the researcher that all the recommendations brought by the research will aid in the formulation of sound policies and the legal framework which will help in service delivery in local authorities.

#### **1.8.3. To the local authorities in Zimbabwe**

The research will highlight opportunities brought about by best practices in the region and recognition internationally. The recommendations must make management in local authorities feel challenged as the research recommendation will help them find ways on how best to effectively and efficiently deliver in the local authority areas.

#### **1.8.4. The scholars and researchers**

This paper opens up new areas for further research on how to improve performance in local authorities. This results in the dissemination of new knowledge which bridges the research gap on benchmarking performance in local authorities.

#### **1.9.0. Assumptions**

In conducting this research the following assumptions were made:

Management and staff of local authorities would be available and willing to work with the researcher throughout the research period.

The respondents would provide enough and accurate information on the questionnaires distributed to them.

Official Secrecy Act requirements will not interfere with the research as this could compromise data integrity and adequacy.

#### **1.10.0. Delimitations of the study**

Local authority managers and Ministry officials will play a major role in the study as the researcher will be interacting heavily with them. The research only chose 5 benchmarks only for the purpose of this research of which emphasis will be on the setting of benchmarks and is it true that they real work in the Zimbabwean economy.

#### **1.11.0. Limitation of the study**

A limitation of our study is that while the number of councils in our study is only thirty-four, there are significant differences between some of them in terms of their circumstances, challenges and strategic objectives. We do not differentiate between councils of different sizes in applying our methodology.

#### **1.12.0. Abbreviations**



MLG, PW & NH-Ministry of Local Government, Public Works and National Housing

PFMA-Public Funds Management Act

UNDP- United Nation Development Programme

MDGs- Millennium Development Goals

UNICEF-United nation Children Emergency Fund

MAI- Management Accounting Innovation

NIS- New Institutional Sociological

LA –Local Authority

SPSS- Statistical Package for Social Sciences

### **1.13.0. Summary**

This chapter has looked on the background of study, statement of the problem, main research question, and the conceptual framework, significance of the study, limitations, and delimitations of the study and acronyms and abbreviations. The next chapter looks at the related literature to the research.

## **Chapter Two**

### **Literature Review.**

#### **2.0. Introduction**

A number of researches were carried out in trying to establish how best performance in both the public and private sector can be measured. Scholars came up with different solutions, some were trials on how best to achieve this. This chapter will examine what other researchers brought out as far as benchmarking in local authorities is concerned. It will define and give reasons why there is need to benchmark performance, benchmarking in the local authority perspective, challenges in benchmarking, how to come up with best benchmarks and how benchmarks relates to performance achieved.

#### **2.1.0. Local Authorities**

Local Government Authority is a part of administration of a state functional at a local level, operational through a representative organ known as a council, established by law to implement particular powers within a defined jurisdiction, Warioba, (2013). The term local authority means governmental bodies that are formally accountable for all public services in particular geographical regions such as cities, municipalities, towns, local boards and rural areas. Local authorities have mandates to ensure that public services and their maintenance to the local populace through the use of funds generated from the local communities, in addition to loans and grants from the central government and other sources Zimbabwe Institute Local Governance, (2015).

Certain scholars` assessment is that local authorities are institutions which legal and political authority from the centre and its agencies are reassigned. Mniwasa and Shauri, (2014). Local authorities are administrative centres which deal with regions usually smaller than a state.

They are agencies organised to provide and supervise, fiscal and other services to the people who reside within its territorial boundaries Encarta Encyclopedia (2017).

The public directly access services through this level of the Government. The term “local” is pragmatic to distinguish them from administration of state. The state level means the central government or federal government. In many countries, it is common practice to discover that local governments or authorities have less power than central governments.

A comprehensive, locked and resilient revenue base is critical if local authorities are to effectively execute their mandates, Local Government Finance Commission of Uganda, (2013). Local authorities must also retain some degree of authority to adjust the level and tariff structure of their revenue sources in tandem with the logic of fiscal decentralisation. In this case, fiscal decentralisation delegates taxing and spending muscles from the control of the centre to authorities at sub-national levels. Local Governance and Decentralisation, (2015, 16). This then brings about the determination of their sources of revenue, tax rates and levels of expenditure. According to Larson (2014), most local authorities revenue collection systems endeavour to achieve the following goals, namely; to speed up the receiving of available funds, to account the received funds, to minimise costs and set priorities for service delivery reasonably.

### **2.2.1 Local authorities in Zimbabwe**

Mutizwa-Mangiza. D, (2016), states that the establishment of local authorities in Zimbabwe backdates to 1895 during the land apportionment era which was based on race between whites and blacks. John J D (1984) further narrates that the Land Apportionment Act (1930) drew its provisions from the 1925 Morris Carter Commission on the marking out of native reserves divided the country into nine categories of land. As a result native councils were

formed and premised on advising government on black majority desires. In this case, Zimbabwe had a dual system of local government during the colonial era. One was meant for the black majority and the other for the white minority. The 1923 constitution brought into being institutionalised rural local government as Native Councils, were established for the first time in African areas. Later, the 1957 African Councils Act widened powers of African Councils to include making of bye-laws, imposing rates, and exercising powers equivalent to those of a town council. The District Councils Act (1980) replaced 220 “African Councils” with 55 District Councils, though fragmentation existed as Rural Councils were found in former minority areas. In order to end dualism in rural local government, the Government of Zimbabwe promulgated the 1988 Rural District Councils Act which amalgamated rural councils and District Council into Rural District Councils. Makumbe, J (2013) asserts that the Salisbury Sanitary Board instituted in 1891 marked the beginning of urban local government. The Municipal Act (1930) and Urban Councils Act (1973) provided the framework for urban local authorities. Town planning services were categorised according to race, with African townships having limited services compared with European areas. Most pre-independence changes (institutional and legislative) took place in rural than in urban areas, mainly because the colonial government was trying to manage the “African areas” which were increasingly becoming restless and revolutionary. In cities, African housing was tightly controlled and restricted to those formally employed. This form of rural-urban migration controls was a way of trying to manage urban African population and the under provision of services in African areas. The current position is that, the country has 60 rural district councils and 32 urban councils, these draw their powers from the Rural District councils Act and Urban Councils Act respectively. Among these 6 are city councils, 9 municipalities, 12 towns and 5 local boards and the rest rural local authorities (<http://mlgvturl.gov.zw>) in descending order

according to power, status, resources and authority. Zimbabwean local authorities fall under the Ministry of Local Government, Public Works and National Housing.

### **2.2.2 Challenges facing local authorities**

Worldwide, the administration of local authorities was never an easy task, it takes management innovativeness and the willingness of the centre to see them prosper. Chatiza, K, (2013). Madzivanyika, (2011:35) further laments that the challenges being faced by local authorities are homogenous even if you assess developed economies. The level of development in other countries has passed through those difficulties and one nation cannot jump trajectory phases.

Tonhodzai, M. et al (2014) narrates that Zimbabwe attained independence in 1980, it inherited an institutional framework that used local government entities for administrative and control purposes rather than to promote self-determination, democratisation and economic development. Makumbe, J. (2013) also further contributes that development responsibilities were concentrated at the centre and local authorities were largely neglected. Various problems arose due to centralised government approach and these include red tape, unequal allocation of resources, and macroeconomic instability among others. Like many developing countries, Zimbabwe is moving towards fiscal decentralisation as a possible way of improving local governance. Machingauta, N. (2010) explains that fiscal decentralisation is therefore driven by many factors for example, the need to improve efficiency in local governance, the necessity to move government closer to the people and the obligation to respect various relevant constitutional provisions that guide the operation of local government authorities. He further argues that local authorities, as the level closest to the people, have a higher visibility than the more remote central government. Its performance has a direct bearing on the quality of life of local people. Clinics without drugs, pot-holed roads,

erratic water supplies, burst sewer pipes, uncollected garbage, and non-functional street lights have an immediate impact on the wellbeing of inhabitants.

Chatiza, K (2010) castigates all the above are caused by poor revenues being collected by local authorities from their potential revenue sources. Despite the governing boards having delegated authority to collect from residents, the centre still have the overall say with regards to the sources of revenues which local authority have, through section 276 of the Constitution of Zimbabwe. In 2012 the Minister of Local Government issued a circular to all local authorities directing them to write off all debts, which set a bad precedence as far as revenue collection is concerned. Wekwete, K. H (2013) seconds saying that the continued usurping of power by the centre makes local authorities fail to make breakthroughs in the service provision.

Key services provided by local authorities include water, sanitation, housing, transport, solid waste management and street lighting. UNDP reports (2013), a synopsis of these vital services demonstrates huge gaps between supply and demand leading to poor service provision. Delivery of services remains low and stressed in many Zimbabwean local authorities. Government of Zimbabwe's economic blueprint (Medium Term Plan) argues that the major stimulus impeding efficient delivery of services is failure by local authorities to find the right proportion of employee costs and service delivery expenditure, outdated billing systems and accounting packages, decaying service infrastructure and non-compliance to internal planning and monitoring systems.

#### **2.2.2.1. Transport and road infrastructure**

The report by the Government of Zimbabwe and UNDP (2012,41), states that roads in urban areas are in a bad state merely for the reason that they is inadequate maintenance and design problems as new roads contracts were awarded to companies without adequate equipment

thereby compromising quality. The Auditor General`s (2016) report also supports that the failure by major cities like Harare and Bulawayo to come up with comprehensive and latest transport and traffic management policy has caused commotion in cities as commuter operators seem to have no obligatory regulation on picking and dropping zones. The research will focus then on how best to benchmark budgets to curb for such failures in the further. The state of road infrastructure is further compounded by multiple responsible road authorities such as Department of Roads, Rural District Councils, Urban Councils and District Development Fund resulting in overlaps and gaps. Multiple roles catering for same infrastructure is a cause for concern which must be address by benchmarks.

#### **2.2.2.2 Water and sanitation**

Nhapi, I. (2013) states urbanisation has alarmingly increased in Zimbabwe such that it is not commensurate to investments in water and sanitation infrastructure. The government of Zimbabwe in its Medium-Term Plan (2011-2015) acknowledged that water and sanitation infrastructure is under severe pressure largely due to aged infrastructure, lack of repair and maintenance services. Erratic water supplies and blocking sewers are still common place in most of not all urban areas. In terms of Millennium Development Goals (MDGs), the country is facing water and sanitation regression as distinguished in the MDG 2010 Country Status Report: Thus, most local authorities are failing to provide adequate water and sanitation services to citizens. The research will also focus on how best to allocate resources in these areas as they are important in the day to day lives of the citizens. Best practices in allocating resources through budgets cannot be overemphasised in this area.

#### **2.2.2.3 Housing**

Zimstat report (2012) states that the national estimate of the housing backlog is given at 1.2 million units this translate to about 40%-50% of the country's citizens live in settlements that are below thresholds of basic convenience and sustenance.

#### **2.2.2.4. Solid Waste Management**

Non-collected refuse and widespread illegal dumping is rampant in low income suburbs of Zimbabwean cities and towns. Timetables for refuse collection are not adhered to forcing residents to dump refuse in open spaces. The research seeks to find whether the budget is being adhered to or that the processes are standardised such that allocation of resources is made from an informed decision.

#### **2.2.2.5 Management Systems and Competencies**

Local authorities are riddled by dishonest and shady deals. Newspaper articles argument to this almost on a daily basis despite government's reluctance to commission investigations. However, anecdotal evidence points to massive corruption.

#### **2.2.2.6 Legislation**

Councils are expected to create by-laws appropriate in governing areas of their jurisdiction, section 276(1) Constitution of Zimbabwe. The power of making by-laws however is being usurped by central government through the Ministry of Local Government. Madzivanyika (2011:34) laments that the making of by-laws is another area where local authorities have been frustrated by central government. Local Government laws (2008) state that the Minister of local Government has the power to approve small laws that are made by councils Marumahoko, (2010:47). It seems in Zimbabwe the law gives the Minister the discretion either to approve or disapprove the by-laws. The discretion given to the Minister potentially compromises the functions of local authorities because by-laws can only take effect after the



approval by the minister. The Minister has been given excessive control and powers over activities of local governments. The way powers applied hampers good governance in Zimbabwe. Madzivanyika (2011:35) further claims that a thriving local authority requires citizens to set the agenda on service provision. The design of the Acts also compromises the efficiency of local authorities.

### **2.2.3 Balancing incremental improvement and “disruptive” or “transformative” approaches to innovation**

Incremental innovation is key, as it helps local authorities improve their activities they are already implementing. Drucker, P (2012) said that, “leadership is not just about doing things right, but also about doing the right things”. A robust innovation practice employs a range of tools, such as human-centred design and partnerships with outside entities, to help cities constantly challenge, rethink and refine what they’re doing and why. Local authorities struggle. Scanning through the literature it is observed that the Zimbabwean situation does not encourage innovation but the innovator cannot implement the idea until it is approved through the bureaucratic system by the Minister before implementation. Chatiza, K, (2010), argues that unlike in other countries such as South Africa, Uganda and Tanzania, local authorities in Zimbabwe do not enjoy independence as they execute the functions assigned to them by central government. The functions while defined in law are open to central government variation and re-assignment to other state agencies. This leaves the gap that is it management which fails to implement, come up with good ideas or interference from the central government which hinders innovations.

### **2.2.4. Putting residents at the centre in a bureaucratic environment**

Local authorities have zeal to providing and meeting residents' needs and to improve experience of their local governments. However, doing this within a government bureaucracy can be really hard. Fortunately, there is prior art in the tech sector from which local authorities can take advantage. Chatiza, K, (2010), acknowledges that, while leadership is keen to providing basic services, sometimes assessed technologies by the councils can be disapproved by the centre simply because it lacks understanding of the systems which enhances efficiency.

#### **2.2.5. Nurturing innovation in local authorities**

Innovation practices often live within one part of government or another, usually the Town Clerks' or Chief Executive officers' office but sometimes a standalone department or an IT office. Local authorities are looking for ways to ensure their innovation practice can function across departments and up and down chains of command.

#### **2.2.6. Developing and structuring innovation partnerships**

Local authorities are keen to involve partners outside of government in the work of innovation. It is difficult to identify good if not best partners and assess their roles. There is a danger of letting innovation partnerships become a distraction from the local authority's own innovation practice. Waste still how to staff and resource partnerships on the city side can be intimidating. Some local authorities which are keen to change and react swiftly can try to figure out how best to frame, organise and approach partnerships with outside entities in support of their work. Greene, Charles B. (1993) argues that local governments must not forget that they only act on delegated powers and remain accountable to the centre hence all what they implement they are doing it on the agent; master relationship. Hence the master has the overall say even if the agent sees it worthwhile to implement.

#### **2.3.0 Budgeting in local authorities**

Local authorities are required by law to craft their own budgets, and are required to follow certain procedures in accordance to the relevant laws and guidance stipulated from time to time. The procedures to be followed on the crafting of budgets or estimates are provided for under section 288 of the Urban Councils Act and section 121 of the Rural District Councils Act. As well as the Public Finance Management Act. Coutinho, B (2010) suggests that budgets are necessary to prudently manage scarce financial resources and at the same time serve as means of expenditure authorization, control and evaluation base. Budgets should be prepared based on availability of resources. It means some activities captured in the budget could not be undertaken or part touched. The Acts stipulates that a council shall not budget for a deficit, but by the end of the year one would find that most local authorities would have run into deficits. This observation encourages numerous academicians to try to discover appropriate solutions for budget slacking, budget gaming, budget bias and other problems that managers had to deal with, Harper (1995). In line with this argument, the study looks at whether; local authorities can achieve their objectives with or without effective budget and budgetary control systems as well as budget benchmarks. It is to find out reasons for budget failure and deficits in most local authorities where budgetary control is cited as a cause for poor performance in development process.

De Visser, J.W. (2005) cited the fact that most local authorities do not have effective financial control system due to poor budget formulation and implementation. They experience budget deficits which normally occur because:

- There is poor data base for planning and budgeting;
- There is poor budgetary control resulting in misuses, frauds and misapplication of funds culminating in over expenditures;

- There is lack of ownership and responsibility when it comes to budgetary control. Poor data base for planning and budgeting also have other consequences. The consequences are that:
  - i) Revenues may be over-estimated to the extent that the estimated revenue is higher than the actual revenue;
  - ii) Expenditures may be under-estimated to the extent that the actual expenditure is higher than the estimated expenditure.

#### **2.4.0 Benchmarking**

According to Koehler and Pankowski (2016), benchmarking is an approach of relating an organisation's practices to those of the one doing well so that gaps are identified. Laming (2014), states that it involves the comprehensive study of efficiency, excellence and value in different departments and activities, in relation to performance elsewhere. Francis and Holloway (2016) add on to say that it is a technique for classifying characteristics of a local authority's activity that could be more efficient and or more effective by comparison with other local authorities' performance.

Benchmarking forces local authorities to look externally and supports in breaking standards by providing a local authority with a new appreciation for how exemplary local authorities conduct their processes. It allows a local authority to set performance targets centred on a factual assessment of the gap between its own practice and best practices. The outcomes of this critical self-analysis and comparison with the best lead to a sense of determination and generate breakthrough results which in turn lead to significant improvements.

### **2.4.1. Benchmarking and Budgeting**

Globally budgeting has been a phenomena used from time immemorial. Scholars noted that performance cannot be adequately measured by budget monitoring only because it mainly catered for monetary values only. The coming in of benchmarking activities complemented budgeting in such a manner that they would point at areas of deficiency and where best practices are being held. Current studies revealed that funders of projects would base funding on budget figures but new developments points that best practices have to be adopted and maintained in the seeking of funding and implementation of projects.

In Zimbabwe, formal benchmarking in local authorities was introduced in 2013 by developmental partners (UNICEF, UNDP and World Bank) with a view to standardise all processes in the local government fraternity. Benchmarks were developed by copying best practices in Sweden, Malaysia, China and some European economies. The set benchmarks were taken to Zimbabwean urban local authorities to implement and in rural local authorities the benchmarks did not fit well and new ones are yet to be set. Bowerman, M. (2014) argues that budgeting on its own has its weaknesses which must be addressed by other performance and management principles, but did not mention the principles. The study will look at the performance gaps which budgeting and benchmarking have left as far as performance is concerned.

### **2.4.2. Benchmarking in local authorities perspective**

Benchmarking is a management accounting innovation (MAI) that is used for performance measurement and improvement in private and public sectors. Is used to compare performance and processes for example costs, productivity or outcomes. The private sector has widely adopted the use of benchmarking as a management technique, Rigby and Bilodeau (2013). It is a point to note that the public sector showed interest in benchmarking in the past and is

being adopted in other several countries as well. One aspect of this interest is the external use of benchmarking, that is, organisations' use of various ratios to compare their units' performance with similar units in other organizations, Northcott and Llewellyn (2015) as with the United Kingdom. The British government has used benchmarking since the end of the 1990s to control and stimulate performance improvement at the local government level and in healthcare organizations, Northcott and Llewellyn (2015). Public authorities in many countries are also involved in benchmarking activities. Among these countries are the United States, Dorsch and Yasin (1998), New Zealand, Broadbent et al. (1999), the Netherlands, de Bruijn and van Helden (2006), Norway, Johnsen (2007) and Askim et al. (2008), Denmark, Triantafillou (2007) and Sweden, Siverbo and Johansson (2006) and Johansson and Siverbo (2009). Although some researchers have reported success by users of benchmarking and similar Siverbo and Johansson (2006) Askim et al, (2008) and Johnsen (2007), other researchers have frequently observed problems in their implementation and use.

Research on benchmarking in the public sector indicates that problems with the use of this technique are commonly described as technical problems, poor implementation strategies and even as lack of commitment, Siverbo and Johansson (2006). Arnaboldi and Azzone (2010) present similar reasoning about performance measurement systems in the public sector. This research, takes an upper management perspective, reveals a lack of interest in social and political factors and in how the MAI reveals over time, cf. Modell, (2007) and Arnaboldi and Azzone (2010) to some extent, New Institutional Sociological (NIS) theory has been used to explain the implementation and use of performance measurement and management.

Although several studies have supported the NIS explanation Johansson and Siverbo (2009), the theory has been criticised for its silence on micro dynamics, that is, the interaction between different institutional logics, rationality, agency and power Modell, (2009). Accounting researchers have frequently observed problems in benchmarking implementation

and use. Researchers have made the same observation about other MAIs in both the public and the private sectors. Siverbo and Johansson (2006) notes that technical problems and poor implementation strategies are major causes of such problems, although commitment problems in some degree also inhibit the realisation of benchmarking goals. The research on local authority performance measurement systems also presents such technological, functionalistic and implementation strategy-related explanations, Arnaboldi and Azzone (2010). This research, which is often biased towards an upper management perspective, is silent on how social and political factors affect the evolution of MAIs, cf. Modell (2007 and Arnaboldi and Azzone (2010). Calls have been issued for more theoretically informed research that preferably takes non-mainstream and/or critical perspectives, Arnaboldi and Azzone (2010).

Some accounting researchers have answered this call however, their response has not explicitly focused on benchmarking. An institutional theory perspective has been used to study implementation and use issues related to performance measurement and management. A standard observation in accounting studies based in NIS theory is that organisations sometimes do not follow through on their MAI adoption, instead, they are satisfied merely with a superficial adoption that makes them appear modern and rational, Meyer and Rowan, (2017). Although several studies support the contribution NIS theory makes (Johansson and Siverbo, 2009), the theory's perspective has been criticised as too limiting. A common criticism is that a perspective based in NIS theory, with its focus on institutional pressures and legitimacy, does not explain the reality in organizations that seemingly decouple adoption from implementation and use. The NIS perspective has problems with micro dynamics, that is, the interplay between different institutional logics, rationality, agency and power (Modell, 2009). Although efforts have been made to fill the gaps in the institutional

explanation, researchers have suggested that NIS should be complemented (Modell, 2009) or substituted (Lounsbury, 2008) by a translation approach.

## **2.5. A Translation Approach**

In order to understand what happens in organisations that adopt benchmarking, it is important to realise that organisations develop their own versions of MAIs. Latour (2016) states that benchmarking have no diffusion power of their own but live on the energy supplied by users who adapt them to their own needs. MAIs do not spread in unchanged forms among passive users, they are translated locally by adaptation to local conditions, interests and preferences. The approach means that a MAI is created in an on-going, complex interaction among structure, actors, organisation form and the prevailing situation cf. Preston et al., (2012), Chua, (1995), Lowe, (2001) and Mennicken (2008). One important principle of the translation approach is that management accounting has the potential to create organisations' reality Lowe, (2010). Accounting visualises facts or inscriptions with inherent persuasive powers, which, among other things, allows it to control actors from a distance Lowe, (2010). In this way, management accounting can influence behaviour, which, according to some researchers, makes it a nonhuman actor or actant, (Briers and Chua (2012) and Alcouffe et al. (2016) that is therefore somewhat out of the control of actors. The translation approach directs the researcher to investigate how management accounting contributes to creating organisations' reality and how MAIs can change widely held views about reality. The translation approach involves deciding to what extent benchmarking information is perceived as fact, and, consequently, what effect benchmarking has cf. Preston et al. (2012). However, this fact building is intimately connected to various actors' interests: According to Lowe (2012), accounting soon escapes the grasp of actors and starts to produce unintended consequences.



This line of theorising would look to explain less as a result of human agency and more as a result of the impact of relatively independent and unfettered accounting systems, Lowe (2012, 85).

In researching accounting this means that accounting systems and techniques need to be considered as equals with the human actors in our studies of organisational interaction. The implication is that rather than looking always for a human or super human interest to explain what we find in organisations, we need to look for more ordinary explanations based upon the intimacy of the bonds between people and technology, Lowe (2012, 94).

Another important principle in the translation approach is that a MAI is neither adopted nor implemented in a rational process. Instead, a MAI is the result of a complex, political process of power struggles among actors with different interests, Lowe (2012) and Alcouffe et al. (2012). MAIs are not stable, unchangeable standards but rather mouldable, half-filled packages that actors in organisations fill with content, Røvik (2013). The success of a MAI depends less on its inherent qualities and more on the outcome of the related negotiations and power struggles among actors with conflicting interests, Mennicken (2008). Actors who support the use of a MAI often try to strengthen and consolidate their position in the organisation, therefore they have to deal with resistance from other actors, Ezzamel (2014). Battles and trials of strength arise in which advocates for an innovation must fight various counter actors on various fronts, Alcouffe et al. (2008).

Some actors believe that because MAIs are often adjusted or changed in the translation process, they are then distorted. However, this distortion may be necessary since the alternative is that other actors in the organisation will disassociate themselves from the MAI (Røvik, 2013). Using different conceptualisations, several researchers have tried to describe what occurs in the translation process.

Problematization is the moment when an initiating actor's (the initiator) tries to define other actors' problems, objectives and interests, and to make a MAI (suitable to that actor's interests) indispensable. In the problematization moment, the initiator identifies the relevant actors and demonstrates that it is in their interests to adopt the MAI. The primary aim of initiators, who try to establish associations between themselves and other actors, is to make the MAI an obligatory passage point, that is, a unique and well defined practice that they control and that other actors must follow (Ezzamel, 2014). In benchmarking, this practice means participating in the benchmarking work and using the information it produces.

Interessement is the moment when the initiator tries to attach other actors to the problematization. For the initiator, an important task is to obstruct competing problematization posed by other initiators. This trial of strength may require force, seduction and/or solicitation. If successful, it confirms the validity of the problematization and of the tentative alliances.

Enrolment is the moment when the alliances are firmly established although a successful Interessement may not necessarily create alliances. Enrolment means that actors accept their roles. In benchmarking, this means that the actors accept benchmarking as an obligatory passage point and act in accordance with their roles in the benchmarking process. Callon (2015, 211) writes: Interessement achieves enrolment if it is successful. To describe enrolment is thus to describe the group of multilateral negotiations, trials of strength and tricks that accompany the interessements and enable them to succeed.

This process results in networks of actors with the same interests. Mobilisation is the moment when initiators take on the role of spokesmen for all actors. As spokesmen, they speak and act for these other actors. Mobilisation means enrolment is transformed into active support for the initiator and the MAI. Successful translation means MAIs become obligatory passage points and, eventually, if the actor network is stable, part of the taken for granted practices of

the organisation, cf. Lowe (2012). From the perspective of the translation approach, the most important success criterion is an extensive network of MAI advocates and users, Alcouffe et al. (2008).

In summary, organizations that adopt a MAI such as benchmarking initiate a translation process. The implementation and use of benchmarking is typically a complex and unpredictable process where the benchmarking idea is moulded in the interaction between the idea and the actors who have changeable interests and preferences. Power struggles among actors result because benchmarking is not a neutral technique but rather a technique that primarily serves the interests of the initiators. Benchmarking, with its potential for creating reality, may pose a threat to various actors because comparisons can indicate which actors perform well which do not.

## **2.6.0. How benchmarks relate to performance achieved.**

### **2.6.1. Peer review**

McKenzie (2013) argues that peer review entails relating the council under review to the benchmark of best local authority, which is assumed to be having all the characteristic of a highly effective council in the Zimbabwean context. Peer review among Zimbabwean local authorities has been stirred by other perspectives, particularly in South Africa, Kenya and Sweden among other nations, where peer reviews are an established part of the ongoing effort to improve local authority and the service it provides to its residents.

### **2.6.2. Relevance**

The research also seeks to find that while benchmarks developed in the other nations have delivered motivation for local authorities peer review and the development of Zimbabwean benchmarks, it is imperative to note that benchmarks developed are applicable to the challenges of evolving local government, where most residents live in dire poverty without access to basic services and economic opportunities. Chatiza K (2013) also noticed the trajectory shifts that have been brought about by new laws, the benchmarks should also seek to measure the extent to which a local authority has been able to implement the new legislative framework, including the Constitution, laws that apply directly to local authority, and general laws that give expression to different aspects of the Constitution, as well as government policies.

## **2.7. Challenges in benchmarking**

The top-down performance improvement system preferred in one country cannot be considered suitable for councils in another, as they can vary widely in size and serve different kinds of purpose. Martin et al. (2013) criticised the search for ‘perfectly calibrated benchmarks’ based around individual service metrics, arguing that managers need to be willing to work with data that are good enough and provide information about broader outcomes from the use of public funds.

The long-term focus of benchmarking as part of a longer-term quality improvement approach may be at odds with the short-term budgetary cycles of local authorities Wynn-Williams, (2015). Wynn-Williams (2015) observes that there is a lot of pressure to provide reports that show how well a local authority has performed but programmes have much longer time frames and cannot be seen as successful on yearly basis.

Benchmarking practices in the Strategic benchmarking is problematic in some cases as noted by Drew’s (2016) survey as he suggested that this form of benchmarking is the least

commonly used of any of the approaches to benchmarking. It is naturally hard to do because the benefits are realised only in the long run. This brings the question of the length of the political cycle in local government.

Cox and Thompson (2013) also discuss the fundamental complications in strategic benchmarking. They concluded that this approach is fundamentally untenable since the uniqueness of strategy formulation and implementation means that comparisons between organisations are impossible to negotiate. Benchmarking helps councils to spot areas which need perfection. Benchmarking is seen as one among the initiatives of many steps to improve a local authority's performance as it does not contribute to solving the issues in hand. Simply, it compares the numbers and does not take into account micro and macro factors that led to other local authority leader's success or failure.

Benchmarking is evidence based, not theoretical, does not also stipulates that ideas invented elsewhere can work but open doors for innovations, National Council for Urban Development, (2016). Such claims are not atypical. In the context of local government there is few evaluative evidence of effectiveness. Given the scarcity of resources, calculating opportunity costs would be a vital factor in any evaluation, since the important question is what else might have been done with the resources devoted to benchmarking. Dorsch and Yasin (2016) reach the same conclusion that most of the research related to benchmarking lacks systematic approach in terms of assessing the impact of benchmarking on the organization. Local authorities are reluctant to invest more in benchmarking because of lack of evaluation. Reinikka and Svensson (2016) identified two reasons why this vagueness exist;

- (i) low efficiency in the transfer of funds within the public sector, for example leakage of funds may prevent spending from reaching the intended end user and,

- (ii) low efficiency of the end user in creating valuable goods and services, waste and corruption may hamper the production of valuable services.

One need to be certain whether public spending has been converted into services that are socially valuable. Apportioning expenditure categories does not solve the core problem since spending data, irrespective of budget category, tends to be a poor substitution for measuring service delivery. Hence, in order to analyse whether there is effective service delivery, or ineffective delivery and corruption, it is not enough to analyse macro-economic and budget allocation data. Micro-level tools in the form of public expenditure tracking surveys are needed to reveal and understand public service provider behaviour and translate public spending into effective public sector services hence benchmarking comes in.

## **2.8. Performance management**

Sing (2013) reiterates that we cannot do away with political, governmental, and administrative systems of local government in Zimbabwe when it comes to performance management. The conviction, commitment and circumspection of all stakeholders will contribute to the success of the system. This now requires understanding the terminology, definitions processes and concepts that underpin performance management will help local authorities admit their situations and environments.

Stakeholders and role-players may perceive differently to the goals of a local authority because they may be lacking clarity and precision. Additionally, performance measures and indicators may not be subject to narrowly defined by the various goods and services that are provided of a public nature. They then have to be revised and develop new ones in tandem to changing circumstances. Likewise, there are some of the factors that might affect performance which among others include lack of skills and experience among personnel, the low quality of council leadership, and other institutional factors Van der Walt (2017).

Oakland (2013) recommends that the local authority must be supported by a management culture of delegation of accountability at a service level like what City of Harare and City of Bulawayo do. A management culture with tight checks and balances backed by incentives for performers to encourage effective management of the created business units. These must be clearly stated in the handbooks of that particular local authority.

### **2.8.1. Performance indicators**

Oakland (2013) reports that a local authority must adopt an approach to performance management which is hands on, both at service level and corporate level. This provides an open management environment in the authority where problems, failings and successes are reported upwards on a regular basis. For this to be achieved, the local authority must come up with performance indicators which must be clearly laid down.

Performance indicators indicate how well a council is performing against its aims and objectives. These must not be taken as a means to an end but measures progress towards achieving corporate objectives and targets. They promote accountability of the service providers to the public and other stakeholders. These also aid by allowing comparisons of performance to identify opportunities for improvement and promote service improvement by publicising performance levels, Zairi (2015).

Using performance indicators the local authority can then recognise information from good performance and helps in the identification of the processes and policies which effectively and efficiently work hence it brings in the aspect of monitoring and evaluation by management. Clearly, in this public sector environment performance information is important externally, as it permits greater accountability and allows members of the public and stakeholders to have a better understanding of relevant issues, while enabling them to press for improvements. Parnell and Poyser (2015) state that, in response to the changing political and socioeconomic climate, new and demanding requirements have been placed on local

governments throughout the world. Local authorities have become increasingly relevant, as more and more power devolves from central government.

While indicators can be extremely useful they can also be quite dangerous, and should remain part of the process of developing participatory, democratic, accountable, locally specific structures of governance. Indicators need to have a clear rationale and must remain a tool of local government Parnell and Poyser (2015).

## **2.9. Indicators for benchmarking**

Koehler and Pankowski (2016) identified a concern amongst teams working in government, namely a fear of not knowing what should be selected to benchmark. Should an agency look at the number of successful job placements? How long did it take to serve the customer? What are the overhead administrative costs? What is the number of customers served as a percentage of those referred? The answer is that any one or more of these measures can be a benchmark. A good idea of what should be benchmarked can be found in the mission statement and vision of the organisation: what does the organisation claim to do? What is important to the customers served? Which customers? For example, one customer, the one walking through the door for services, would certainly be interested in his or her chances of successful placement if he or she were at an employment agency. Yet another, e.g. the organisation placing job orders, would be interested in having 'quality' referrals whose experience and skills will ensure a successful long-term placement. Care must therefore be taken in selecting the measures to be benchmarked.

## **2.10. Hypothesis Development**

This research assumes that when local authorities set budget benchmarks, the concern will be to provide the best service to the communities using the best practices. The best services can only be provided when the local authorities are viable. Therefore benchmarks become an



important factor in achieving these objectives. In order to answer the main research question the following hypothesis were developed.

v. **Benchmarks are influenced by different environmental factors.**

There is desire to find answers whether there is a relationship between benchmarks and financial performance. The setting of benchmarks is important, hence those involved in the setting of benchmarks must be assessed whether they have the capacity to do so, the reviewing of benchmarks is also important to such an extent that they have impacts in financial performance. Most of the researches carried out were using benchmarks set by Benchmarking Bureaus but in Zimbabwe they are relatively set by management with the help of Consultancy. Researchers have spent much of their time trying to understand how management style affect performance. The effects how the environment (demography) affect performance have been widely researched and empirical evidence is in place in support of this. Previous researchers have addressed the following areas: a) the different in perceptions when a new concept is introduced in the organisation, b) the length of time a manager holds a decision making position in an organisation, Stoner and Freeman (2016) believe that managers perceive differently to new concepts being introduced into the organisation to the extent that some avoid change since they are used to traditional ways of doing things. Robins and Colthler (2016) had the same belief that the period taken on decision making position on one entity or sector makes managers rigid and resist new ways of doing things. Makumbe J (2013) points out that personnel with cumulative organisational experience, mostly depend on on their earlier experiences and habitual procedures than implementing new ideas.

*H<sub>10</sub>: There is a relationship between benchmarks and financial performance.*

*H<sub>1a</sub>: There is no relationship between benchmarks and financial performance.*

vi. **Control environment important in financial performance.**

As a matter of fact, there has to be a relationship between legislation, policies and financial performance. The Act stipulates when budgets and financial statements are supposed to be prepared and tabled for approval by the relevant Minister. This standardisation has been a difficult benchmark to be met by several local authorities. Most scholars tried to find out why local authorities are reluctant to make early submission to relevant Ministries. The Acts do not stipulate any penalties for late submission. This affect performance as they are not supposed to collect revenues without the budge approval first. Practitioners suggest that without policy guidance it is difficult to achieve financial performance as it would be used outside organisation premises, Wekwete (2014).

*H<sub>2o</sub>: there is a relationship between the control environment and financial performance.*

*H<sub>2a</sub>: there is no relationship between the control environment and financial performance.*

vii. **Does size of a service area affect financial performance?**

There is no research which has tried to see how these variables have a link. In this research, the researcher will try to find how the service area influence performance. In Zimbabwe local authorities are categorised into urban and rural local authorities. Urban local authorities are populated and the service area cannot be compared to those of rural local authorities since they are spatially populated. Demand for services in these areas is

quite different and how the financial performance affect communities have to be looked into.

*H<sub>3o</sub>: There is a relationship between size of service area and financial performance.*

*H<sub>3a</sub>: There is a relationship between size of service area and financial performance.*

**viii. Does authenticity of information collected leads to better service provision?**

It is known that information leads to better decision making, only when the information is collected and analysed timely. In local authorities there has to be coordination among departments since one department`s output is the input for the other. With different computer software being used by local authorities, there is need to understand how benchmarks will be harmonised as far as information is concerned. The treatment of data and the resultant information has to be uniform for comparison`s sake.

*H<sub>4o</sub>: There is a relationship between authenticity of information collected and financial performance in local authorities*

*H<sub>4a</sub>: There is no relationship between authenticity of information collected and financial performance in local authorities*

## **2.11. Conclusion**

The chapter defined what benchmarking is all about and related it to performance as required by local authorities. It also pinpointed the strengths and weaknesses in local authorities emerging by the use and not using benchmarks in the flow of processes. The central government must be knowledgeable of what is pertinent so as to direct by way of legislation and policies to achieve and enhance the livelihood of citizenry. The research looked at

previous and pointed out their weaknesses in as far as benchmarking for the achieving of financial performance. The researcher also developed the conceptual framework and also presented the development of the hypothesis.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

The chapter gives a detailed explanation of the methods used in the implementation of this research. It incorporates the research design, sampling, sample procedures, sources of data used, data collection procedures and data analysis procedure. Advantages and disadvantages of methods used to collect data are also discussed in this chapter. The chapter will also focus on the particular population to be selected and the justification of the used method to conduct the research.

#### **3.1 Research Philosophy**

Hogue (2013) explains the pragmatic philosophy as centred on identifying socio-economic complications which constrain human development through a combination of qualitative and quantitative research approaches and design practical solutions which improve standards of living through service provision. Furthermore, Greener (2013) outlined that the pragmatic philosophy brings better results when used with a logical approach. This deductive approach is conducted at first, followed by a theoretical analysis and thereafter research questions or hypotheses related to the research problem are formulated, finally the theory is tested for applicability in the area in question.

In this research, a pragmatic research philosophy and deductive approach shall be used, to; identify impacts of benchmarks, ascertain challenges in benchmarking and coming out with best benchmarks, the impact of legislation and policies have in benchmarking, any significant correlation between size of service area for service delivery of a given service and efficiency

and or effectiveness and come up with recommendations as to what information collected and any challenges that need to be made in local authorities record keeping to report the data consistently over time.

### **3.2 Research Process**

After having developed the research hypothesis, it was followed by the development of the research methodology. The methodology entailed determining what philosophy is ideal which developed the data collection strategy. It was followed by the determination of the population and identification of the sample size. The sample selection was made and subsequently the designing of the data collection instrument for both qualitative and quantitative data. The study used the mixed method, hence the researcher developed two instruments for the two phase data collection process. The instruments were then pilot tested to ensure validity of questions.

This was followed by data collection. The first questionnaire was sent to 5 Financial Advisors in the Ministry. After the collection of the first phase then then questionnaires were distributed to Both Ministry and LAs respondents by way of emails followed by telephone calls to confirm if they received the questionnaire, in fact it was a way of soliciting them to answer in time. Directors in the Ministry were interviewed to get an in depth of the processes of benchmarking and how local authorities welcomed these changes in trying to come up with best practices in their operations. Secondary data was also analysed this was extracted from local authorities budgets from the period 2013 to 2017.

Following the mixed approach, data was analysed using a combination of qualitative and quantitative approaches. Statistical Package for Social Sciences (SPSS) 20 was used for the

analysis of quantitative data while qualitative data was analysed using themes in order to produce a vigorous report. After the analysis, the research report was drafted.

## **3.2 Research Design**

Burns and Grove (2013:195) define a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. Parahoo (2014:142) describes a research design as a plan that describes how, when and where data are to be collected and analysed. Polit et al (2011:167) further define as the researcher's overall for answering the research question or testing the research hypothesis.

### **3.2.1 Mixed Methods Approach**

Cresswell (2014) explains the use of a mixed approach that, it is based on the model that collection of various types of data (quantitative and qualitative) provides a holistic separation of a research problem which cannot be attained by use of quantitative and qualitative data in isolation of each other.

Williams (2010) identified the fact that the initial stage of the mixed methods approach starts with a general survey of the population followed by the second stage which carries out qualitative and open-ended interviews on the selected sample to gain a deeper understanding of the findings gathered in the initial survey.

This then made the researcher to focus on the use of a mixed methods data collection approach by the use of questionnaires and interviews which wholesomely integrated aspects of both quantitative and qualitative approaches to address the research topic. The approach assisted the researcher to obtain a sensible view of factors which identify impacts of benchmarks, ascertain challenges in benchmarking and coming out with best benchmarks, the impact of legislation and policies have in benchmarking, any significant correlation between

size of service area for service delivery of a given service and efficiency and or effectiveness and come up with recommendations as to what information collected and any challenges that need to be made in local authorities record keeping to report the data consistently over time.

### **3.2.2 Descriptive Research Design**

Burns and Grove (2003:201) assert that a descriptive research design provides a depiction of a situation as it naturally happens. It is also used in validating the current practice and on making judgments. Gosh (2002:20) describes a research design as “an arrangement of conditions for collection and analysis of data”. Descriptive research includes the gathering of data that describe events and then organises, tabulates, depicts and describes the data collection. Mc Nabb (2014) speculated that a comprehensive study can be achieved by use of this design because of the obtainability of huge volume of notes. The descriptive research design is also valuable as it can be started with since it is used to describe and not to make conclusions. By using descriptive data a detailed and sensible outcome can be obtained. On the other hand, exploratory research can be quite informal and places reliance on secondary research. Available literature or data can be reviewed or qualitative approaches such as informal discussions with employees and management. Formal approaches such as in depth interviews, pilot studies or cases studies can also be used. This research design offers a synopsis of qualitative methods and design using examples of research. According to Kowalczyk (2014), the design is meant to illustrate the actions of the participants in a more accurate manner. Descriptive research designs help provide answers to the queries of who, what, when, where, and how connected to a specific research problem a descriptive study cannot conclusively ascertain answers to why. Boyd (2014) alluded that descriptive research is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation.



The research, in this study used a combination of the qualitative research design-using the interviews and a quantitative research design in which data was gathered using the closed ended questions. The reason of using a mixed approach was to enable gathering of all the qualitative and quantitative reasoning of the respondents during the study.

### 3.3 Study Population

Rae (2011) defines population as the sum of all objects which relates to the subject understudy. The tenacity of the investigation defines the nature of the population. The intended population of this study comprised of Directors, Chief Accountants, Administrative Officers, and Accountants from the Ministry of Local Government, Public Works and National Housing as well as Engineers and Directors of Finance from local authorities. In this research, the target population will be all 220 staff as indicated in the table below. The reason for their selection was for purposive and convenience.

**Table: 3.1 Target population and sample size**

<b>Participants</b>	<b>Total populace</b>	<b>Sample</b>	<b>% representation</b>
Management	5	5	100
Chief Accountant	2	2	100
Accountants	7	7	100
Administrative Officers	20	14	70
Engineers	92	34	54
Directors of Finance	92	40	65
<b>Total</b>	<b>220</b>	<b>102</b>	<b>65</b>

### **3.4 Sample and size design**

According to Kothari et al. (2011), a sample is a portion of the population designated to represent the population in full. This further denotes that a sample is a small part which depicts the design, style, nature of the whole. Lameshow and Levy (2015) defined it as the total representative of the target population. Dawson (2014) highlighted that a sample size equal to 50% and above is relatively good. The researcher therefore used a 65% of the entire population using the above assertion using the fact by Dawson to represent the above population. The researcher sampled by way of provinces taking representative local authorities and targeting the Engineer and the Treasurer in the targeted local authority.

#### **3.4.1. Criteria for selecting Ministry staff and Personnel from Local Authorities**

The cluster sampling criteria of both Ministry and Local Authorities focused on the following phenomena; the speciality and willingness to take part in the study. Interviews were held with Directors employed by the MLG, PW&NH. Interviews with Directors were held over a period of 3 days, and the schedule depended on the availability of the Director since they are always busy and out of office. The selection of Directors was based on experience, expertise in local authorities. Engineers and Treasurers or Directors of Finance were conducted by way of emails followed by telephone confirmations if they had received the questionnaires.

### **3.5 Types of Data**

In research, data is characterised as primary or secondary based on the time it has been gathered and its features. The researcher used both primary and secondary data. Primary data was collected from questionnaires and interviews held. Additionally, Concordia University (2013) pointed the fact that secondary data is information created earlier than the time of the research. The researcher obtained information from secondary data by way of perusing local

authorities' budgets from the period 2013 to 2017 as well as World Bank Service Level Benchmarking (SLB) reports.

### **3. 6 Research Instruments**

Interview and questionnaire methods were used to seek data from respondents. The researcher got information from the Directors, Chief Accountants, Administrative Officers and Accountants from the Ministry of Local Government, Public Works and National Works as well as Engineers and Directors of Finance from local authorities, Creswell (2013).

#### **3. 6. 1 Questionnaire**

According to Labovitz et al (2014:68), a questionnaire is a list of written questions that can be completed in one of two basic ways. Firstly, respondents could be asked to complete the questionnaire with the researcher not present. In this research, questionnaires were sent to personnel in local authorities through the email. This is a postal questionnaire and entails responding without the researcher's help. This results in best outcomes as respondents can express feelings without any reservations. Secondly, respondents could be asked to complete the questionnaire by responding verbally to questions in the researcher's presence. The questions had predetermined answers which were presented on a Likert Scale which was ranging of 1(strongly disagree), 2 (Disagree), 3 (Neutral), 4 (agree) and 5 (strongly agree). This variation is called a structured interview. Hancock et al (2013) alluded to that even if the two variations are alike (a postal questionnaire and a structured interview could contain exactly the same questions), the difference between them is very minimal.

#### **3.6.2 Interviews**

The questionnaire can sometimes fail to objectively obtain other relevant information, in this case the researcher uses the interview method which was defined by Walliman (2016) as an

in depth discussion of certain issues. The researcher held interviews with Directors from Ministry. The interviews provided an atmosphere for discussing issues that could be deemed classified or confidential and interpersonal communication skills used made the subject “be willing to go an extra mile”.

This method quickened the process of gathering data as instant responses to questions asked were obtained and respondents give clear and concise answers to questions asked as there is room for clarification of any ambiguities that arise during the discussion Cresswell (2014). The researcher also benefited from nonverbal communication traits which complemented information gathered from questionnaires.

### **3.7 Data Validity**

The main concern on which reliability is focuses on is whether results of a study are repeatable. The repeatability is an indication of the capacity of a system to perform and maintain its functions consistently in repetitive situations as well as aggressive or unpredicted circumstances, Annum (2015). The researcher conducted follow-up interviews with Directors to give them an opportunity to comment and confirm accuracy of the major research findings.

### **3.8 Data Reliability**

Bryman and Bell (2011) defined reliability as the capability of a research instrument to reproduce similar results if repeatedly used over a period of time. The use of interviews on Directors in the Ministry and questionnaires to management in local authorities facilitated the achievement of a reasonable level of data reliability. Hence, the researcher was able to obtain consistent results throughout the study. The researcher also conducted a pilot study of questionnaires and interview questions to a group of selected few participants to eliminate

possibilities of ambiguity, inconsistent results and misconceptions. Robson and Steven (2015) propose that participants determined to collect data from, must be similar from which study is carried in order to render information reliable. All personnel involved have the knowledge of local authorities in Zimbabwe. The research was reliable as more than one method of data collection was used. This eliminated the element of inherent weakness in other research instruments. In analysing data, the research showed validity of information since only relevant information was used in this research. The researcher used the Cronbach`s alpha to measure the internal consistency of a test or scale (questionnaire) and is expressed between 0 and 1. Internal consistency described the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter relatedness of the items within the test. Internal consistency was determined before the test was employed to ensure validity. In addition, reliability estimates show the amount of measurement error in a test. A score of .7 is regard as appropriate.

### **3.9 Data Analysis**

According to Urquhart (2013) data analysis involves the systematic process of application of reasoning to understand collected data and arrive at a conclusion. Cresswell (2014) noted that a research process can be expedited through using the Statistical Package for Social Sciences 20 (SPSS) computer software to check consistency of data objects, sort, organise and analyse raw data collected so as to validate the accuracy of the anticipated huge volumes of data.

Therefore, the researcher used SPSS software to sort, code and arrange the collected data into three categories of ordinary citizens affected by national policy inconsistencies, those not affected and responses from interviews held with Directors.

The analysis utilised the corresponding information arrangement and assessment of routines which entail, tables, figures near and clear information investigation. Ritchie and Lewis

(2011) challenge that quantitative material examination includes a process projected to gather data into subjects taking into account legitimate induction and explanations. Tables, bar graphs and pie charts will be used to illustrate numerical data which will be used to express data without making use of textual description.

Qualitative approach will be used by the researcher to identify problems associated the use of computer data analysis.

### **3.9.1 Correlation**

Piovani (2013) postulates that Pearson's correlation coefficient helps to measure the strength between variables and relationships. It is represented by an R. a coefficient value has to be produced in order to determine the relationship between two variables. The coefficient ranges from -1 to 1. If the value is negative it means that the relationship is negatively correlated, or if the other variable increases the other decreases. If positive the reverse holds.

### **3.9.2 Analysis of Variance (ANOVA)**

According to Campbell and Campbell (2013) one way anova procedure is designed to construct a statistical model describing the impact of variables of a single category factor X on a dependent variable Y. these tests determine whether there are significant differences between means, variances and medians of Y at different levels of X.

### **3.9.3 Linear Regression**

A linear regression is described as a procedure for predicting value of a dependent variable from an independent variable when their relationship can be described with a linear model.

The equation is as follows;  $Y_p = mX + b$

Where;  $Y_p$  = Predicted Value of the Dependent Variable,  $m$  = Slope of the Regression Line, and  $b$  = Y Intercept of the Regression Line.

### **3.10 Data Presentation**

The data gathered was presented in the form of tables and graphs which facilitated a deeper understanding of respondents and interviewees views on how benchmarking tendencies service delivery in local authorities.

### **3.11 Ethics to be considered**

The research was neutral as well as free. It took into consideration the choice of the sample where the researcher considered cautiously of who should be included and excluded in the sample. The research subjects were fully informed about the purpose, method and the intended uses of the research, what their participation in the research entails and what risks, if any are involved. The participants were informed that they would contribute willingly without any force. Further to that the information gathered will be treated with confidentiality and secrecy of the respondents was respected. Approval was also sought from the Accounting Officer to undertake the study.

### **3.12 Summary**

The stage looked at the research techniques used by the investigator to choose the participant, the study design, research instrument, sources of data, and the record arrangement and analysis. Merits and demerits were of using either instruments were also discussed in greater detail.

## CHAPTER 4

### PRESENTATION OF THE RESEARCH FINDINGS AND DISCUSSION

#### 4.0 Introduction

This chapter presents the findings of the research which sort to find the effectiveness of budget benchmarks on the financial performance for LAs, a case study of the Rural and Urban Local authorities in Zimbabwe. The data brought to use was collected by way of a structured questionnaire with a Likert Scale which was administered to the Engineers and Treasurers for all local authorities as well as Chief Accountants, Accountants and Administrative Officers in the MLG, PW & NH. Qualitative data collected by way of interviews was also analysed by way of a discussion on the findings. Secondary data was also analysed, this was extracted from LAs` budgets and World Bank Service Level Benchmarking Reports from the period 2013 to 2017. The (SPSS) Version 20.0 was used to analyse the collected data. The findings were presented below.

#### 4.1 Response Rate

The researcher distributed 139 questionnaires by way of emails to all participants involved except to management which interviews were undertaken. Out of the 139 distributed questionnaires 97 were returned representing a 70% response rate. Some questionnaires were returned by hand while most were sent back by email. 42 of the questionnaires were not returned and respondents were considered unwilling by the researcher. The data is depicted on Table 4.1. **Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>	<b>Percent</b>
Returned	97	70	70	
Not returned	40	30	100	
<b>Total</b>	<b>139</b>	<b>100</b>		



The response rate of 70% as shown in Table 4.1 portrays the effectiveness of sending emails and following by way of telephone as one of the best methods which brings a fair response rate. This was supported by Labovitz et al (2014) and concurred by Hancock et al (2013) as synonymous to giving high response rates.

#### 4.2 Reliability of the questionnaire

A pilot was undertaken to find out whether the tool is consistency and reliable in the gathering of data. Bland J and Altman D (2013) say that Cronbach`s alpha provide a measure of the internal consistency of a test or scale. The alpha which is consistency at 0.70 is considered reliable or acceptable. In this research the overall alpha was as shown in table 4.2 as 0.813.

**Table 4.2 Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.813	0.703	27

#### 4.3 Demographic Profile of Respondents

This section will display a mandatory demography of respondents who took part in the survey. Respondents to this research were 53 males and 44 females, representing 54.6% and 45.4% respectively. This representation can confirm the distribution of males and females in the LAs as well as in the Ministry. This actually suggests that the sector is dominated by males and trying to address gender incongruences.

**Table 4.3 Gender**

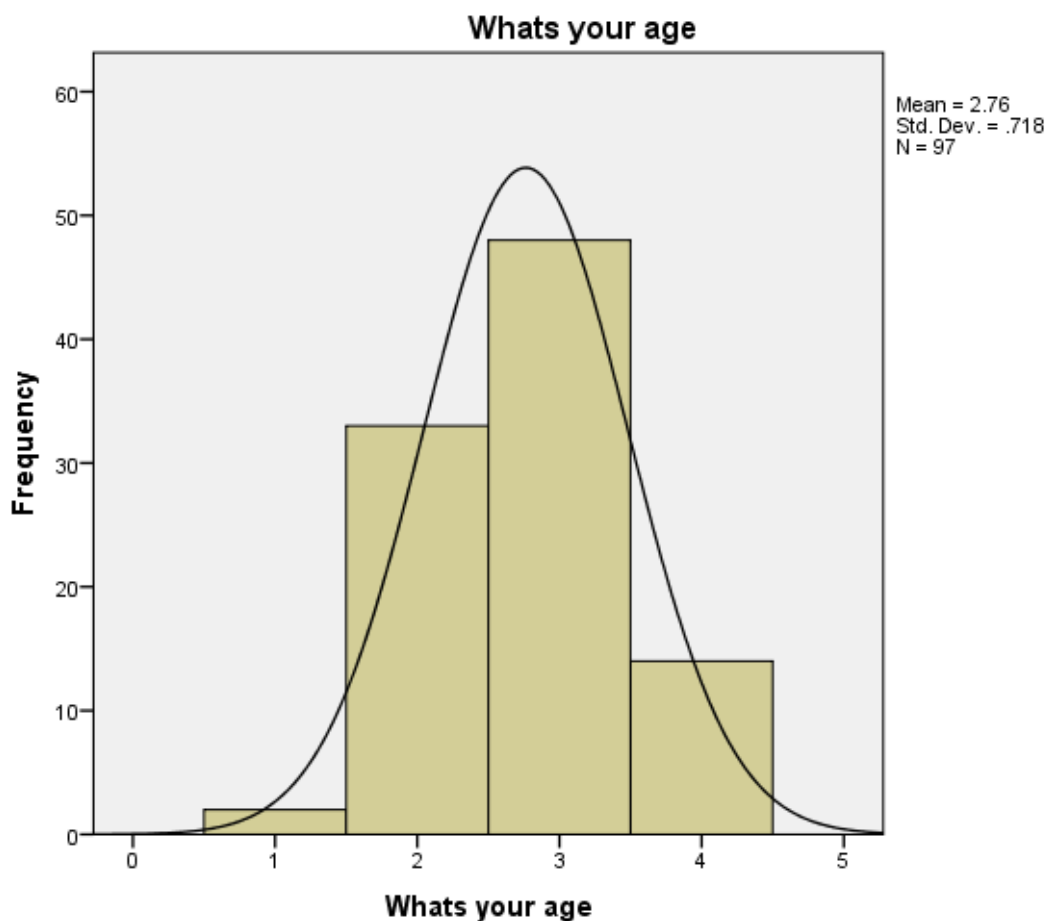
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	53	54.6	54.6	54.6
Female	44	45.4	45.4	100.0

Total	97	100.0	100.0
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#### 4.4 Age

The distribution of age follow a normal distribution with it peak at 48 implying that the majority of the personnel are between the ages of 41 and 50 years. Table 4.4 below shows the age group of the respondents. This normalcy in the age distribution made the researcher assume that all is well since under normal circumstances descriptive statistics application requires data to be normally distributed.

**Figure 4.1 Respondent Distribution by Age**



## 4.5 Working Experience

Figure 4.2 Working Experience

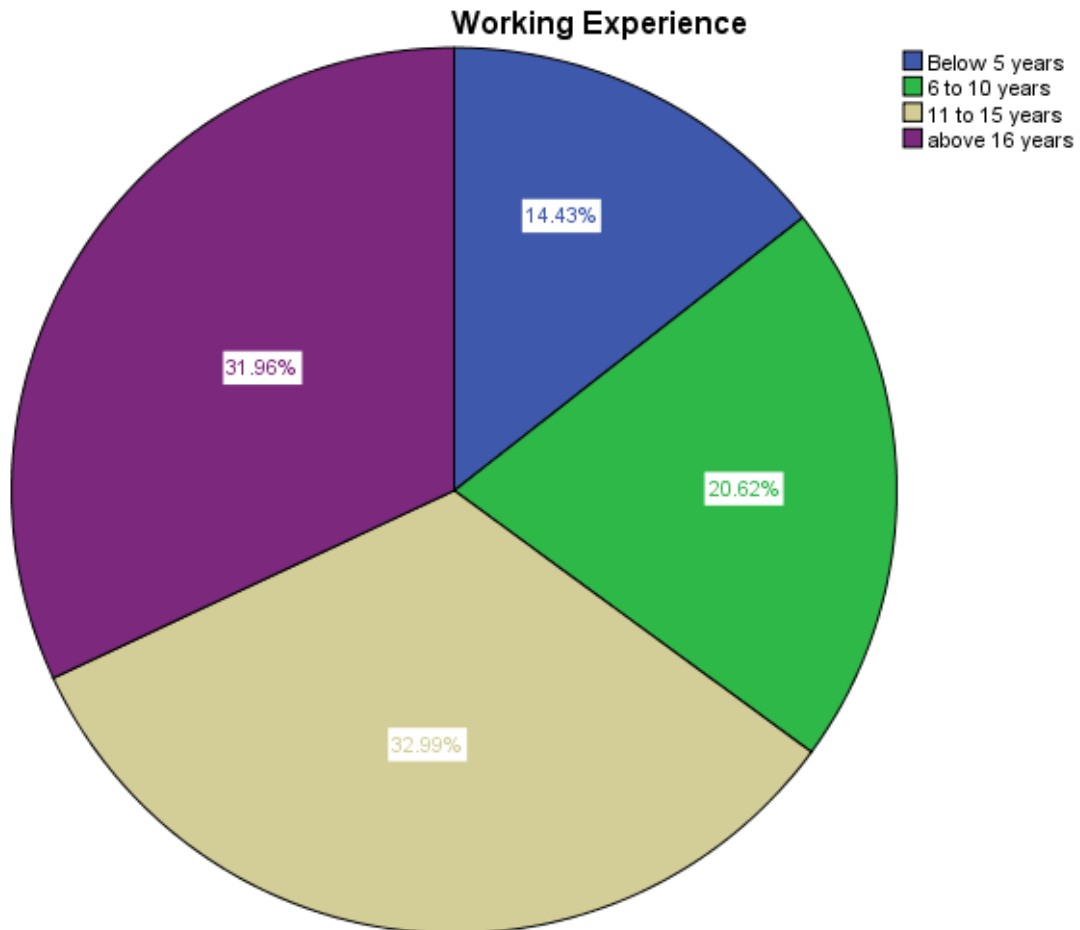
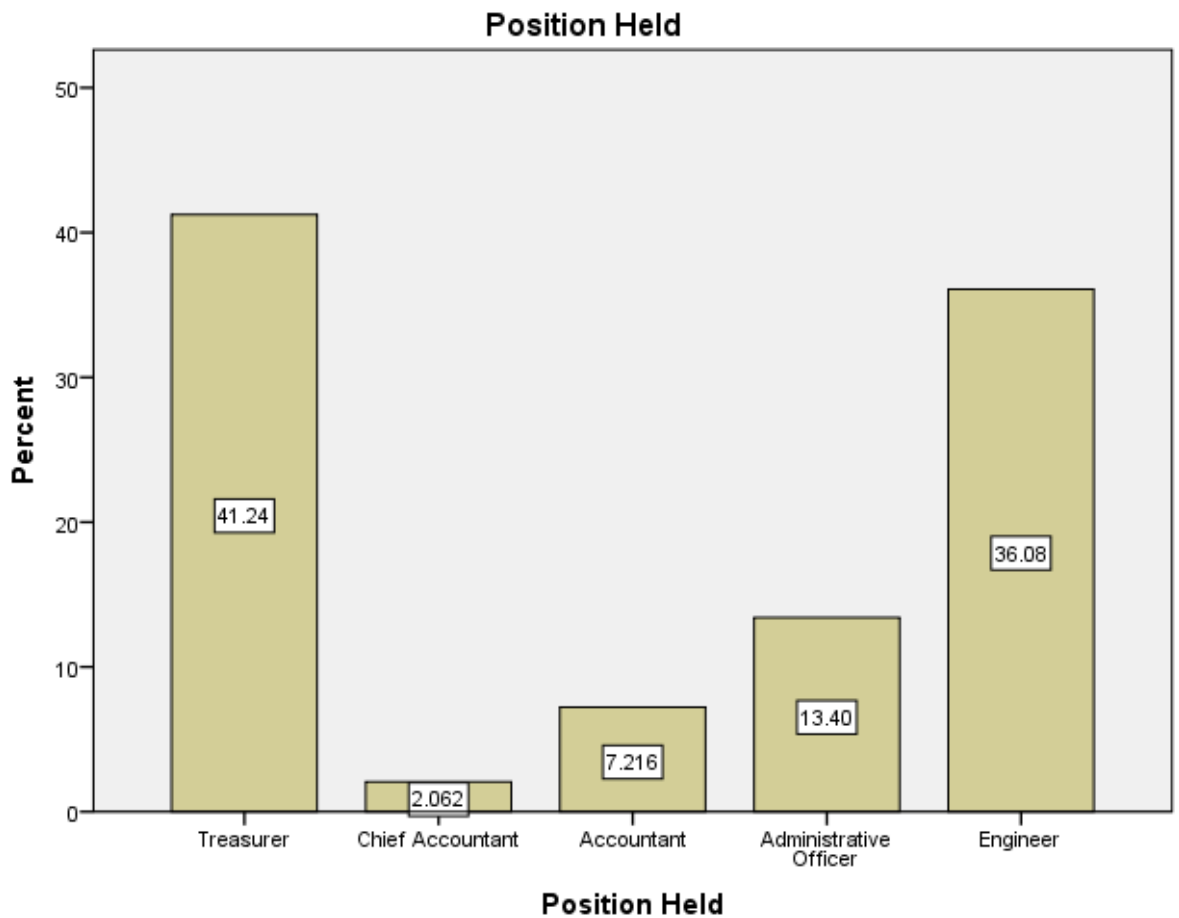


Figure 4.2 indicates that most of the respondents in the local government sector are well experienced. 32 out of 97 (32.99%) respondents have 11 to 15 years in the service and 30/97 (31.96%) have 16 years and above implying that they are knowledgeable which the dynamics in the sector. The sector also brings in new players as it is noted that 14/97 (14.93%) of the respondents are 5 years and below. Old employees preserve conservatism while it is polarised by newly employed personnel who brings in new ideas and eager to take changes.

#### 4.6 Position Held

From the respondents it was found out that 42.24% were Treasurers and 36.08% Engineers from LAs, this constituted the majority of respondents since they are the practioners. Ministry staff play an oversight role to LAs. 2.062% were Chief Accountants, 7.216% were Accountants and 13.4% Administrative Officers from the Ministry. The distribution was quite balanced as it represented an even representation from the sector. Treasurers handle financial matters while Engineers handle services all these have a bearing on financial performance.

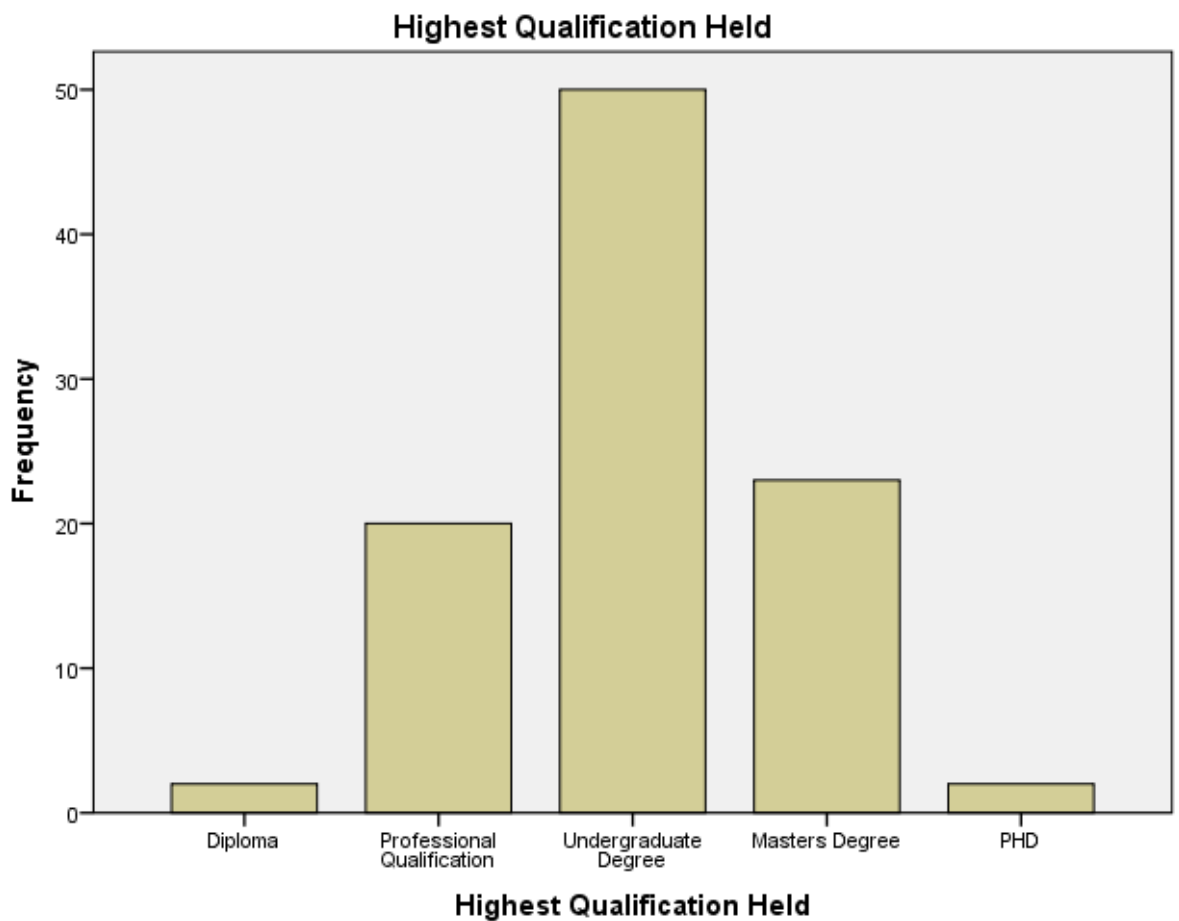
**Figure 4.3 Position Held**



#### 4.6 Highest Qualification Held

The researcher found out that 51.5% of the respondents have a first degree and 23.7% constitutes respondents with Master's Degree as their highest qualification. 2 respondents who constitute 2.1% respondents with Diploma. A further 20 respondents representing 20.6% achieved a professional qualification, these are Accountants as well as Engineers as their profession requires them to acquire such additional qualifications. Only 2 have achieved to a doctorate degree. Figure 4.4 below shows the qualifications achieved by respondents.

**Figure 4.4 Highest Qualification Held**



One has to be a holder of an undergraduate degree to be in a position of Administrative Officer, Chief Accountant, Engineer, and Treasurer in a LA. Those who are Diploma holders got enrolled before the new requirement was in place.

#### **4.7 Descriptive Analysis**

This section represents descriptive results on benchmarking, control environment, size of service area and information systems (data). The implementation of benchmarking was done in order to define the extent to which it affects financial performance in LAs in a five (5) point Likert Scale. It ranged from Strongly Disagree (1) to Strongly Agree (5). The scoring of disagreeing was taken to represent a variable which had a mean score of less than 2.5 on a continuous scale. The score of Neutral represents a variable with a mean score of 2.5 to 3.4 and the scores agree and strongly agree have means of 3.5 to 5.0 on a continuous Likert scale. The Standard Deviation of less than (>) 0.9 suggests a significant difference on the impact of the variable among respondents.

#### **4.8 Benchmarking**

To establish the impact of benchmarks on financial performance in LAs was the first objective of the study. Benchmarking questions were posed to respondents which were rated in the Likert Scale and presented on Table 4.4. The respondents are in agreement that benchmarking is a continuous and permanent process at the MLG, PW& NH with a mean score of 4.3093. The standard deviation of 0.91698 implies that there was a little variation among respondents. There respondents also agreed that benchmarking is the responsibility of management and all staff in organisation with a mean score was 4.4.216 and the standard deviation of 0.73918 indicating that there was a slight variation from respondents. The respondents again agreed that benchmarks have successfully identified areas which need improvement in financial performance as noticed by the score of 4.3918 and again the

standard deviation (0.81082) is showing a close relationship as to the respondents` answering. Again, respondents are confirming that benchmarking has been carried out to improve financial performance and service delivery in the organisation with a score mean of 4.5464 and a standard deviation of 0.84188 showing a low variation among respondents. Respondents confirmed that employees are sceptical to benchmarks and that they were trained on how to implement them by a score mean of 2.835, however there is a significant variation among respondents as they have a standard deviation of 1.8787. This assertion is supported by their means. These findings were consistence with what Ingraham P.W (2015) found while carrying out a study at city of Phoenix and the state of Missouri that the benchmarking policy in the sector organisations must be clearly documented. She further suggested that such insularity is a serious barrier to effective organisational communication and performance. Effective LAs do not have stove-piped internal structures but they have crosscutting objectives and systems. Information sharing through managing for results has improved both communication and integration among systems in other LAs. Communication of vision and priorities through written strategic documents and budgets is an important tool that LAs management can use.

**Table 4.4 Benchmarking**

	N	Mean	Std. Deviation
In the organisation, benchmarking is a continuous and permanent process.	97	4.3093	0.91698
Benchmarking is the responsibility of management and all staff in organisation.	97	4.2165	0.73918
Benchmarks have successfully identified areas which need improvement in financial performance.	97	4.3918	0.81082
Benchmarking has been carried out to improve financial performance and service delivery in the organisation.	97	4.4742	1.25077
In the organisation management has the responsibility of formulating benchmarks	97	4.5464	.84188

Employees are aware of benchmarks and trained to implement them	97	0.8351	1.85787
Valid N (listwise)	97		

#### 4.9 The Control Environment

The second objective was investigating on what impact does legislation and policies have on financial performance in local authorities. Results are tabulated in Table 4.5, it shows that respondents were in agreement that the institution has a benchmarking policy in place (Mean of 3.95) and a standard deviation of 1.12 indicated that despite the consensus, they respondents varied. Furthermore respondents agreed that the policy is being implemented fully as was confirmed by a mean of 4.85 and a standard deviation of 0.67 there was a low variation among respondents on the full implementation of benchmarks. Respondents agreed that there is appropriate legislation with regards to benchmarking in the country as it scored a mean of 3.64 and a standard deviation of 1.38. Management has the role to closely monitor implementation of benchmarks as it scored a mean of 4.67 and a standard deviation of 0.898 indicating that there was a low variation as regards to the knowledge of respondents. Respondents concurred that staff is qualified to implement benchmarks (Mean of 3.5) and the concern was on the standard deviation with a very high significance as they varied. There was a consensus again on the fact that management continuously give feedback to junior employees on the overall successes or failures of benchmarks (Mean 4.58) and Standard Deviation of 0.99. Consequently, it can be noted that the control environment has a bearing on the behaviour of personnel and the LAs. Pieterse, E. et al. (2014) recommends that, even though benchmarks were developed or adopted from other nations, they provided an inspiration for peer reviewing and the development of Zimbabwean benchmarks. It is of importance to note that the developed benchmarks are relevant to challenges in the progress of the local government sector, where many residents live in poverty without basic services and economic opportunities. This has given rise to new laws, therefore benchmarks should seek to measure the extent to which LAs have been able to implement new legislative framework including the Constitution, laws applicable to the sector as well as government policies.



**Table 4.6 Control Environment**

	N	Mean	Std. Deviation
The institution has a benchmarking policy	97	3.9485	1.12149
The benchmarking policy is implemented fully	97	4.8454	0.66677
There is appropriate legislation with regards to benchmarking in the country.	97	3.6392	1.37072
Management has the role to closely monitor implementation of benchmarks	97	4.6701	0.89817
Staff are qualified to implement benchmarks	97	3.5464	1.89308
Management continuously give feedback to junior employees on the overall successes or failures of benchmarks	97	4.5773	.98779
Valid N (listwise)	97		

#### 4.10 Size of the Service Area

The third objective sought to find if there is any significant correlation between size of service area for service delivery of a given service and efficiency and or effectiveness. There was an agreement among respondents that the size of the service area affect efficiency of service delivery (Mean of 4.82) and standard deviation of 0.382 implying that there was an insignificant variation among respondents. Again respondents agree that benchmarks have successfully standardised service provision, Mean of 3.91 and standard deviation of 0.46 indicating a low variation among respondents. The coming in of benchmarks saw peer

reviewing in local authorities bringing in efficiency and effectiveness as it scored a mean of 4.27 and a standard deviation of 0.46, the variation was low. Again benchmarks brought the easy identification of service areas which need improvement. Respondents concurred to the statement as it scored a mean of 4.11 and standard deviation of 0.61. There was a significant variation among respondents as they answered the question on adequacy on the review of benchmarks as it scored a 1.29 and a mean of 3.8.

**Table 4.6 Size of the Service Area**

	N	Mean	Std. Deviation
The size of the service area affect efficiency of service delivery	97	4.8247	0.38216
Benchmarks have successfully standardised service delivery	97	3.9072	.45831
Peer reviewing has brought in efficiency and effectiveness	97	4.2680	0.44524
Service areas which need improvement have been identified and promptly corrected	97	4.1134	0.61026
Benchmarks are reviewed for adequacy	97	3.8041	1.28808
Valid N (listwise)	97		

#### **4.11 Information System**

The second last objective sought to establish the authenticity of information collected on financial performance in LAs. Results in Table 4.7 show that (mean of 4.62) respondents agreed that there is a methodology for strategic planning for information systems on benchmarking is clearly linked to the overall strategy of the organisation. Respondents are agreeing that accuracy of information is periodically assessed for accuracy as it scored a mean of 4.11 and the variation of respondents was insignificant at 0.31. Information provided by the system is modern and can be modernised scored a mean of 4.32 and there variation among respondents is slightly above but with no significance. Respondents concur that information produces the required information with accuracy and is adjustable to the changing environment as the score for the mean was 4.64. Decision makers can use the

information from the information system without any difficult and can easily convey it to user departments is a statement which was disagreeable by respondents as they scored a mean of 2.11 and a variation among respondents was on the higher side with 1.46 as the standard deviation. Again respondents disagreed that organisational information is synchronised as it has a mean of 2.02 and a standard deviation of 1.57 implying that it was met with mixed responses. The above is consistent with accounting information. Chapman (2017) explained that despite accounting information being detailed in nature, the understanding it brings on the complexity of the organisation is limited. The limitation of that information is not important but the information is considered enabling as it facilitates the understanding of performance and point managers towards areas which need to be addressed. Performance information can include comparing of performance levels with that of other organisations using comparative statistics, Simon, (2017), hence giving managers to use measures of financial performance for different purposes. Among others; to evaluate, control, budget, motivate, promote, celebrate, learn and improve. Behn (2013) notes that no one performance measure is suitable for all determinations, thus, managers should not pursue one performance measure. Measuring the performance of LAs and programmes is essential not only to confirm that communities enjoy quality services but also to give guarantees that taxpayers enjoy their value for money, Pidd (2012). Management use of performance information within LAs depends on public service motivation, leadership role, information availability, organisational culture and administrative flexibility as explained by Moynihan & Pandey (2010) thus information system have a positive bearing on financial performance.

**Table 4.7 Information System**

	N	Mean	Std. Deviation
The methodology for strategic planning for information systems on benchmarking is clearly linked to the overall strategy of the organisation	97	4.6289	0.69701
Accuracy of the information system is periodically assessed to ensure accuracy of information.	97	4.1031	0.30566
Information provided by the system is modern or can be modernised	97	4.3196	0.95248
The information produces the required accuracy and reliability despite the changing and sophisticated operational environment.	97	4.6392	0.58069
Output provided by the information systems in the organisation usable to by decision makers and easily conveyed to user departments.	97	2.1134	1.45685
Information across the organisation is synchronised	97	2.0206	1.57440

#### 4.12 Performance indicators

Benchmarking does not entail only bringing the best in terms of financial and or service performance but brings the whole organisation wholesomely with a view to achieving set targets. All these efforts in benchmarking focus on achieving service provision at the least cost but not compromising standards. Table 4.8 shows results from respondents, that the organisation being viable was met with mixed feelings as the mean scored 3.39 indicated that they were neutral with variation from respondents at 1.79. Resourcing is always a challenge, the score mean indicates that respondents are agreeing to the fact that benchmarks indicate areas which need attention as far as resourcing is concerned. LAs are attaining their goals and aspirations as respondents have agreed with a mean of 4.35 and a low variation from respondents of 0.89. Respondents were neutral (Mean of 3.47) and standard deviation of 1.68 that management is efficient and effective and ensure that implementation of benchmarks are done. From the above, it can be deduced that LAs are viable to some extent, benchmarks inform areas which need resourcing, LAs are attaining their goals and that management is efficient and effective in the implementation of benchmarks to achieve financial performance.

**Table 4.8 Performance Indicators**

	N	Mean	Std. Deviation
The organisation is viable.	97	3.3918	1.79442
Benchmarking is informing on areas which need resourcing.	97	4.3711	0.85780
The organisational goals and aspirations are being attained.	97	4.3505	0.89024

Management is efficient and effective and ensure smooth implementation of benchmarks to achieve financial performance.	97	3.4742	1.67763
Valid N (listwise)	97		

#### 4.13 Correlation Analysis

The correlation analysis, Pearson coefficient(r) and p-Value analysis were used to examine the relationship between the independent and dependent variables. A correlation is significant if its probability was 0.005 i.e. (p-value  $\leq$ 0.05. if the correlation value is closer to 0 it means that the relationship is weak and if closer to 1 it is a strong relationship. Table 4.9 shows the results of the correlation analysis. The results indicate that benchmarking and financial performance are positively and significantly related (r=0.552, p=0.000). From the table again was deduced that the control environment and financial performance are positively and significantly related at (r=0.539, p=0.000). The table further reveals that information systems are positively and significantly related to financial performance, at (r=0.561, p=0.000) and lastly the size of service area is again positively and significantly related to financial performance at (r=0.690, p=0.000). The above results suggests that an increase in any unit of the variables will make an improvement in financial performance.

**Table 4.9 Correlations**

		Benchmarking	Control Environment	Finance Performance	Size of Service Area	Information
Benchmarking	Pearson Correlation	1	0.504**	0.552**	0.803**	0.499**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
Control Environment	Pearson Correlation	0.504**	1	0.539**	0.770**	0.284**
	Sig. (2-tailed)	0.000		0.000	0.000	0.005
Finance Performance	Pearson Correlation	0.552**	0.539**	1	0.690**	0.414**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
Size of Service Area	Pearson Correlation	0.803**	0.770**	0.690**	1	0.561**

	Sig. (2-tailed)	0.000	0.000	0.000		0.000
Information Systems	Pearson Correlation	0.499**	0.284**	0.414**	0.561**	1
	Sig. (2-tailed)	0.000	0.005	0.000	0.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.14 Regression Analysis

The results in table 4.10 portrays the model fitness used by the model regression in clarifying the study occurrences. The coefficient of determination shows the extent dependent variable change in the independent variables or the variation in the independent variable explained by the independent variable that is (benchmarking, information systems, control environment and the size of the service area. The independent variables under study reveal on 47.7% of financial performance in LAs, thus 52.3% of the other factors were not studied in this research which contribute to financial performance.

**Table 4.10 Model Fitness Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.691 <sup>a</sup>	0.477	0.455	0.91548	0.477	21.000	4	92	0.000

a. Predictors: (Constant), Control Environment, Information, Benchmarking, Size of Service Area

b. Dependent Variable: Finance Performance

#### 4.15 Variance Analysis

In statistics significance testing, p-value indicates the relation of independent variable to the dependent variable. If the statistics is at 0.05, the conclusion drawn the relationship would be significant.

**Table 4.11 ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.400	4	17.600	21.000	.000 <sup>b</sup>
	Residual	77.105	92	0.838		

Total	147.505	96			
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a. Dependent Variable: Finance Performance

b. Predictors: (Constant), Control Environment, Information, Benchmarking, Size of Service Area

Table 4.11 Depicts results from (ANOVA), they indicate that the overall model was statistically significant. The independent variables are good predictors on the implementation of benchmarks. This was buttressed by an F statistic of 21.000 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

#### 4.16 Regression Coefficients

Table 4.12 shows results for regression of coefficients, as for information systems, results indicates that  $T = 0.504$  and p-value  $0.616$  since  $p > 0.05$  at  $\alpha = 0.05$  level of significant is almost equal to  $0.05$  hence information is useful as a predictor financial performance.

Size of a service area was as well tested,  $T = 3.245$ , p-value  $= 0.02$  at  $\alpha = 0.05$  level of significant; there was sufficient indications to conclude that Size of a service area not zero and hence, that Size of a service area is useful as a predictor of Financial performance.

As regards, control environment, the results show that;  $T = 0.296$  and p-value  $= 0.768$  since  $p > 0.05$  at  $0.05$  level of significant there exist enough evidence to conclude that the control environment is less than  $0.05$ , hence, that appreciating the study conclude that control environment is useful as a predictor of financial performance. Finally, benchmarking was equally tested from these result  $T = 0.054$  p-value  $= 0.01$  then at  $0.05$  level of significant; there exist enough evidence to conclude that the benchmarking is not zero and hence, that it is useful as a predictor of organization performance. The multiple linear regression models is as shown below

4...Table 4.12 Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.383	0.392		3.530	0.001	0.605	2.162

Information Systems	0.046	0.091	0.048	0.504	0.616	-0.135	0.227
Size of Service Area	0.617	0.190	0.634	3.245	0.002	0.239	0.995
Control Environment	0.036	0.121	0.038	0.296	0.768	-0.204	0.276
Benchmarking	0.063	0.126	0.051	0.504	0.001	0.250	0.249

a. Dependent Variable: Finance Performance

From the data, the established regression equation was

$$Y = 1.383 + 0.046x_1 + 0.617x_2 + 0.036x_3 + 0.063x_4$$

Where'

Y= Financial Performance

X1 = Information Systems

X2 = Size of a service area

X3 = Control environment

X4 = Benchmarking

The model shows size of a service area as having a positive coefficient, which exposed that they were directly proportional to financial performance. This mean that a unit increase in size of a service area will increase financial performance with 0.617 unit and a unit increase in benchmarking will increase the financial performance by 0.063. The results obtained in the table indicted that when all the variables are zero that is size of a service area =0, and benchmarking then the financial performance will increase by 1.383 unit. In conclusion, the inferential statistic showed that financial performance was explained by independent variables; size of a service area and benchmarking whose significance level was below 0.05 although size of a service area and benchmarking were predictors of financial performance.



## 4.2 Data Analysis on Interviews

This section will present and analyse raw data collected from interviews.

### 4.2.1 Interviews Response Rate

Five (5) Directors were scheduled for interviews who comprised of the two Principal Directors one responsible for Rural LAs and the other For Urban LAs, Two Directors for the same and Director of Finance and Administration in the MLG, P& NH. All Directors were interviewed successfully.

**Table 4.13 Interviews response rate**

	<b>Scheduled Interviews</b>	<b>Successful Interviews</b>	<b>Response Rate</b>
<b>Total</b>	<b>5</b>	<b>5</b>	<b>100%</b>

#### Question 1

##### **Is there a benchmarking manual for local authorities?**

Interviews pointed to the fact that there is a benchmarking manual for Zimbabwean LAs which has sections specifically designed for either urban or rural local authorities since there are dissimilarities in terms of services. According to Nhapi (2013), a poor benchmarking manual is one of the factors that causes inconsistencies in service delivery, hence all LAs must use the manual consistently in order to enhance better comparisons with others.

#### Question 2

##### **Is there an institution which does the standardisation of benchmarks for LAs in Zimbabwe?**

(100%) of the interviewees concurred that Zimbabwe does not have an institution which does benchmarking, but the Ministry through its coordination arms managed to set up a team which consists of personnel from LAs which represent various committees together with Ministry staff through consultants to come up with benchmarks for LAs. The following scholars cited that where benchmarking was successful, countries such as United States, Dorsch and Yasin (1998), New Zealand, Broadbent et al. (1999), the Netherlands, de Bruijn and van Helden (2006), Norway, Johnsen (2007) and Askim et al. (2008), Denmark, Triantafillou (2007) and Sweden, Siverbo and Johansson (2006) and Johansson and Siverbo (2009) have institutions which does benchmarking for LAs and they have experts in the sector. The team is also responsible for the reviewing of benchmarks for adequacy and peer reviewing to help fellow local authorities learn best if not good practices from their fellows.

### **Question 3**

#### **What challenges have you been facing in the implementation of benchmarks?**

3 (60%) of the interviews agreed that indeed there were challenges in the implementation of benchmarks. At first the principle of benchmarking was met with different perceptions because management in LAs thought that if inefficiencies are pointed to a certain department, victimisation will follow, yet it was basing its introduction on the using best practices. 2 (40%) agreed with the question that there were challenges but further pointed to the fact that most LAs were reluctant to empress information technology (IT).other LAs have human resources deficiencies to the extent that some personnel are wrongly positioned. Stoner and Freeman (2014) indicated that managers are resistant to change for the fear of unknown but when they are forced to do so or given incentives they tend to take the challenge not because they want to do it but because there are benefits associated with that change.

### **Question 4**

### **How can these challenges be addressed?**

All interviews indicated that the first and foremost was to fill all posts with competent and qualified staff in order to drive the benchmarking exercise. All LAs authorities were compelled to use accounting softwares and to utilise all models. Finally training workshops were conducted and the thrust explained to all managers.

### **Question 5**

#### **What impact has benchmarks brought in the service performance?**

All Directors concurred that benchmarking has brought up success stories in the sector. They concurred that managers have been trained to follow due processes when executing their duties. The exercise brought in new changes to some policies for example the water policy was changed and made to enforce the fact that all monies collected from water be used for water related charges, this saw the water infrastructure being improved and even the supply of water improving. The road network was standardized among others. The UNDP report (2016) concurred with the above since in their report saw marked improvements in terms of water quality, roads and other services being offered by LAs. The Ministry of Health reported a reduction on cholera and typhoid cases for the period 2014 to 2017.

### **Question 6**

#### **Do computer software aid in the collection of data for benchmarking? Comment on the adequacy of such data in all departments in a local authority?**

4 (80%) of the interviews indicated that there was a shortage of resources by most LAs especially the rural LAs to fully computerise their operations. As a mitigating measure the Ministry through developmental partners sourced gadgets for LAs which are being used for benchmarking. In most LAs only the Finance department was using Accounting software and was not have been integrated with other departments, hence others had no access to the use of

computers. Other departments like the Engineering and Planning were not using any form of software. This brought in data challenges. But the use of computers has brought in efficiencies and integration among departments. 1 (20%) further clarified that data was not even useful for decision making because almost in all LAs, property stock was unknown.

### **Analysis of Secondary Data**

#### **Budget Performance (Annuxure....)**

Data from LAs budgets and World Bank report from the period 2013 to 2017 were analysed and produced the following results. From the budgets data which relates to rural LAs` budget performance was extracted and gave the following results.

The Ministry sets the benchmark for budget performance at 80% being the collection rate. Data indicates that in 2013 only one out of sixty (1.67%) rural local authorities managed to attain the required benchmark of 80% and 98.33% failed to reach the required benchmark. In 2014, 2015 and 2017 2 (3.33%) rural local authorities managed to reach the desired benchmark of 80%. Most rural local authorities are in the range of 41 to 50%.

For urban local authorities, in 2013 only 2 out of 32 managed to attain the 80% benchmark prescribed by the Ministry. In 2014, 5 managed to attain the benchmark, in 2015, 3 out of 32 local authorities. In 2016 and 2017, four in each year attained the prescribed level of performance required. This might imply that, the Ministry might have set benchmarks which are too high to achieve or LAs are not effectively using the arms in place to boost financial performance, Chatiza (2014).

### **Salaries to service delivery (Annuxure ....)**

Remuneration in LAs has been topical such that rationalisation was over emphasised. The local Government circular of 8 October 2014 stipulated the extent to which management in local authorities are supposed to be remunerated. Salaries were made in such a way that they are supposed to leave other funds to cater for service delivery hence the coming of the so called 30: 70 benchmark. The above table indicates that no local authority since 2013 to 2017 managed to achieve the set benchmark.

### **Efficiency of cost recovery in water supply (Annuxure ....)**

The water policy of Zimbabwe (2012) stipulates that all revenues collected from water charges must be channelled towards water related expenses. The benchmark was set at 150%. Local authorities must come up with a tariff structure which enable them to recover all cost related to water rather than subsidising the resource to residents.

### **Efficiency in collection of water supply related charges (Annuxure ....)**

The benchmark was set at 75%, it can be noted that local authorities averaged from 50% to 71% collection efficiency in the collection of water charges.

### **Maintenance Coverage Ratio (Annuxure ....)**

The annuxure indicates that the benchmark was set at 20% implying that maintenance of machinery as stated in the budget must be at 20%. Only 2 local authorities managed to reach the target and the rest failed.

The World Bank (2014) reported that the best way to achieve world class standards was to benchmark operations by LAs where best practices are identified. UNDP report (2015) also came up with a recommendation on areas that need improvements and categorically came up on the best financing vehicle for each operation. Furthermore, management is supposed to be proactive in choosing optimum combinations of resources that will best produce desired outcomes at least costs.

### **4.3 Summary**

A detailed presentation of data and an analysis of data collected from various personnel in the Ministry and LAs were presented in this chapter. Qualitative data obtained from interviews from Ministry directorate was also presented. Secondary data extracted from LAs budgets and service level benchmarking reports for the period 2013 to 2017. The general observation is that respondents are aware of what services local authorities must offer and how financial performance of a local authority must be but the problem is that benchmarking as one of the process to achieving best financial performance is a new concept which was not well known by most respondents especially from the rural LAs.

Summary findings of the research and recommendations for prospect studies are discussed in chapter five

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

Summary findings, the conclusions and recommendations are given in this chapter according to the objectives of the study.

#### **5.2 Summary of Findings**

The analysis of the findings are summarised below;

##### **5.2.1 Benchmarking**

The first objective of the study was to establish the impact of benchmarking in local authorities in Zimbabwe. The findings exposed that indeed LAs are using benchmarks in their operations and that benchmarking has a positive and significant effect on the financial performance in the Zimbabwean LAs as the majority of respondents agreed to this. LAs have used benchmarks to identify areas which need attention and that they are communicated across all departments as articulated by Ingraham P.W (2015) who found while carrying out a study at city of Phoenix and the state of Missouri that the benchmarking policy in the sector organisations must be clearly documented and communicated. Information sharing through managing for results has improved both communication and integration among systems in other LAs. Communication of vision and priorities through written strategic documents and budgets is an important tool that LAs management can and use.

##### **5.2.2 Control Environment**

The second objective of the study was to determine the impact of the control environment in benchmarking on financial performance in local authorities. The outcomes indicate that legislation and policies have the role as far as financial performance is concerned as it is significant and has a positive effect on financial performance. All operations in LAs have to be regulated in order to standardise them. Control environment factors include; integrity and ethical values of personnel responsible for creating, administering, and monitoring the controls, commitment and competence of persons performing assigned duties. Consequently, it can be noted that the control environment has a bearing on the behaviour of personnel and the local authorities. Pieterse, E. et al. (2014) agreed that new legislation and policies have been formulated because of new concepts being brought out by benchmarking because of comparisons of best practices, locally, regionally and across the globe.

### **5.2.3 SIZE OF SERVICE AREA FOR SERVICE AREA**

The third objective sort to find if there is any significant correlation between size of service area benchmarks brought the easy identification of service areas which need improvement. Respondents concurred to the statement as it scored a mean of 4.11 and Standard deviation of .61. There was a significant variation among respondents as they answered the question on adequacy on the review of benchmarks as it scored a 1.29 and a mean of 3.8.

### **5.2.4 Information System**

The last objective was to establish the authenticity of information collected on financial performance in local authorities. Respondents concur that information systems produces the required information with accuracy and is adjustable to the changing environment. Decision makers can use the information from the information system without any difficult and can easily convey it to user departments is a statement which was disagreeable. Respondents disagreed that organisational information is synchronised. Regression suggests that



information systems have a significant and positive effect on financial performance. In another similar study information showed that when well integrated information system, financial performance can be easily measured and that internal and external users can easily access information which will in turn benefit the organisation, Ali and Younes (2013)

### **5.3 Conclusions**

The study sought to investigate the effectiveness of budget benchmarks on the financial performance of local authorities, a case study of the Rural and Urban Local authorities in Zimbabwe. Results show that benchmarking has an influence in financial performance in LAs. Some LAs fail to provide for services due to lack of implementation of benchmarks and some do implement but not all. Benchmarks are a root to financial performance which then draws moneys for service delivery. The way how LAs try to address problems without benchmarks, see those problems being half addressed because there will be no best practices to copy from that is a standard to attain. Substandard performance is attributed to the failure to implement benchmarks, hence the hypothesis benchmarking is related to financial performance is accepted.

Though the Ministry is trying to come up with the local benchmarking framework, the one adopted from India which is currently in use has made service provision improve. By so doing ratepayers are now willing to pay bills which has improved on financial performance which makes the cycle improve. The control environment has a role to play since most of these processes have to be laid down and a mechanism has to be in place to make it function. The study also concluded that LAs need to create a good working environment that will harness commitment and support to benchmarking and if it is to effectively have an impact, regulatory framework must be in place and enforced.

Lastly, the information system if properly integrated ensures that all transactions can be traced and completeness certified. Under normal circumstances that, processes are done haphazardly followed by regularisation later a system which bypasses standards which is not acceptable. The Theory of benchmarking it is to succeed in implementation laws to administer these must be in place for example the water policy which stipulates the quality of portable water and the ring fencing of all funds collected from water charged. Again the Environmental Managements Agency through its Act stipulates the right landfill to be used by LAs in the disposal of waste. This then brings the matter of benchmarking since all these are supposed to be standardised and if the integrated information system is in place it can actually detect leakages in water supply which lessons non-revenue water thus improvement in financial performance. LAs have the responsibility to collect from residents local taxes and they can only do so effectively and efficiently if the information system is functional. The integrated information system is not executed by only the finance department but calls for all departments to communicate towards the attaining of organisational goals of service provision.

## **5.4 Recommendations**

1. The Ministry must ensure that LAs use locally made benchmarks which are attainable and progress evenly rather than setting a standard too high which is expensive and too complicated to implement.
2. The Ministry must revise Acts governing LAs to include such benchmarks rather than adopting from subsidiary laws or policies set by other ministries as this creates harmony in the implementation of benchmarks.
3. The Ministry normally directs by way of circulars on a reactionary basis which hinders standardisation of processes, these processes must be readily available and laid down for use.

4. Most LAs are only using accounting software packages which are outdated, and are using the billing module which is in fact not up to date, hence an integrated information system which is appropriate must be identified and used in all LAs. LAs must be encouraged to use all modules in order to enjoy the validity and reliability of information which will enable them to make relevant decisions.

5. Benchmarks must also be communicated to ratepayers so that they get to understand service quality, the standard of the service they ought to receive from LAs.

## **5.6 Areas for Further Studies**

The research investigated on the impacts of benchmarking, size of service area, control environment, and the information system in LAs. Further studies can therefore be made on areas which are serviced by corporates (such as Triangle and Hippo Valley which are solely owned by the corporate and do not get services from a LA) for the purpose of comparisons of the findings with this study.

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