


Unmasking the influence of corporate controls on organisational performance during strategy implementation: A case of eight South African public entities

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Background: Nonalignment and failure of implementation of corporate and business level strategies are negatively influencing organisational performance in South African (SA) public entities. This influence is moderated by corporate controls. Yet little is known as to whether corporate controls influence the organisational performance and service delivery during strategy implementation in the public entities that are situated in the Northern Cape province. Hence, this study was intended to fill this gap.

Aim: To examine the influence of corporate controls on organisational performance during the implementation of strategy in the Schedule 3 public entities that are situated in the Northern Cape province.

Setting: The setting involves public entities at the local, provincial and national levels, in terms of corporate controls, legal framework, linkages and especially performance, as well as service delivery as it relates to the topic and political dynamics.

Method: A concurrent mixed methods design was used. A purposive sample of 11 executives of the public entities and government departments was interviewed to collect qualitative data, complemented by content analysis of the relevant official strategic documents. A questionnaire was used to collect quantitative data from a probability sample of 38 executives. The qualitative data were categorised into themes, patterns and trends around which narratives were written, and multiple regression was used to analyse the quantitative data.

Results: Findings established that corporate controls affect strategy implementation positively during strategy implementation. This in return positively effects the organisational performance of the public entities.

Conclusion: The inadequate corporate controls in the public entities affect the strategy implementation negatively because of the financial and human capital inadequacy and/or lack of human resources and working in silos. This results in unsatisfactory organisational performance and service delivery.

Keywords: corporate controls; directive controls; management controls; preventative controls; detective controls; compensating controls; governance controls; strategy implementation; organisational performance; South African public entities.

Introduction

Farahmand (2010) stated that an organisation implements its strategy with success when it selects appropriate corporate controls that match the chosen strategy. Hence, responsible management must put in place suitable control systems to ensure successful implementation. The South African (SA) consolidated budget for the 2018–2019 financial year was R1.67 trillion (SA, National Treasury budget speech 2018:30). Comparing the R1 trillion asset base of the SA public entities to the R1.67 trillion of the SA budget for the 2018–2019 financial year, the asset base approximates 62% of the national budget. Therefore, it is evident that public entities play a significant role in the SA economy (Gasela 2021b, 2022b).

Notwithstanding the key role played by the entities, they are currently experiencing performance challenges. For example, in his presentation to the Portfolio Committee on Public Enterprises in Parliament, the SA Public Enterprises minister stated that the challenges

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public entities had resulted in the state making interventions in those public entities with financial bailouts (Paton 2018a:1, 2018b:2).

Background context and justification of the study

The eight SA Schedule 3 public entities in the Northern Cape province that fall within divergent industries including tourism, sports, economic development, heritage, gambling and hospitality were studied. These public entities report to the following three departments: Department of Economic Development and Tourism (DEDT); Department of Agriculture and Land Reform (DALR); and Department of Sports and Culture (DSAC). Upon scrutiny of the websites and directors' reports in the annual reports of the public entities, it transpired that some of these public entities had poor performance outcomes and were busy implementing turnaround strategies. Some were even provided with financial bailouts (Tshandu 2018:2). It could be argued that when an organisation is bailed out through a financial rescue package or when embarking on a turnaround strategy, these are explicit indicators that the organisation is not performing well. The root causes of the problem can at times be traced to ineffective strategy implementation.

Some public entities have poor financial results and do not achieve their service delivery targets. Those that were provided with financial rescue packages used turnaround strategies by the shareholder (government) at a cost to the South African taxpayer. The public entities are implementing agents for the government infrastructure expansion programmes and key service delivery mandates.

Research problem and objective

Inadequacies of corporate controls and failure of implementing business strategies by public sector organisations are negatively influencing organisational performance in SA public entities (Mat, Smith & Djajadikerta 2010; Pleshko 2007). This study therefore intended to determine the impact of corporate controls on organisational performance during strategy implementation, uncover the extent of implementation of business strategies in public entities and, consequently, recommend organisation performance and strategy implementation enhancement mechanisms for public entities of SA.

Literature review

Definition of corporate controls

In the opinion of Hill and Jones (2009), corporate controls refer to control systems such as an organisational structure to enable strategy implementation to improve organisational performance. Ireland, Hoskisson and Hitt (2011) defined corporate controls as primary and secondary activities that support strategy execution. Seifzadeh (2013) defined corporate controls as financial and strategic mechanisms that are put in place by the head office of an organisation in order to support

and evaluate the performance of all organisational units during strategy implementation. Ritchie et al. (2012) approached corporate controls by specifying them as an organisational structure that serves as a 'means by which work is allocated and controlled' in the organisation in support of strategy implementation. Echoing the views of Ritchie et al. (2012), Willits (2014:141) approached corporate controls from an organisational structure perspective by defining them as a 'process by which labour of an organisation is divided and managed' to assist in the implementation of a strategy. For the purpose of this study, control systems were regarded as an organisational structure or financial and strategic mechanisms put in place by an SA public entity to support strategy implementation in order to improve organisational performance.

Relevant types of corporate controls

Management authors such as Tonts and Taylor (2013), Ryan (2010), and Menz, Kunisch and Collis (2015) proposed different corporate controls that include head office, financial and strategic controls, which can be used by organisations during strategy implementation. These are briefly discussed below.

Head office controls

According to Collis, Young and Goold (2007:385) and Tonts and Taylor (2013:1509), the head office of an organisation serves as a monitoring and coordination mechanism because it houses key controls that enable strategy implementation. Financial, strategic and informal controls are examples of those controls that reside in the head office (Menz et al. 2015; Morikawa 2015; Nell & Ambos 2013; Ryan 2010).

In a pioneering archival study of four American organisations (i.e. DuPont, General Motors, Standard Oil, Sears and Roebuck), Chandler (1962) found that the head office plays a significant role during strategy implementation because of its overall coordination, appraising and resource allocation roles. Goold and Campbell (2002) found that a head office creates value in the organisation through its coordinating functions and controls. Confirming the findings of the previous studies in a different context, Egelhoff (2010) argued that the realisation of economies of scale and scope, knowledge sharing and financial cost savings throughout the organisation are some of the reasons for the head office to house corporate controls and to perform coordination functions (see also Ito & Souissi 2012; Seifzadeh 2013). The authors further suggested that head office controls are superior compared to other corporate controls. In conclusion, according to the literature, the head office plays a key role during strategy implementation with an influence on organisational performance.

Financial controls

The financial controls that support strategy implementation in an organisation are standard policies, rules and operating procedures; accounting controls; and budget systems (Collis et al. 2007:385; Morikawa 2015:423; Rao, Brown & Perkins 2007:16; Ryan 2010). Collis et al. (2007:385) claimed that

financial controls such as financial reporting, treasury function and taxation support strategy implementation. Ryan (2010) had a similar finding that financial controls such as the overseeing of the compilation process of financial statements, budget process, facilitation of the audit processes and treasury functions for all units of an organisation enable strategy implementation.

Strategic controls

Ambos and Schlegelmich (2007) were of the view that planning control and centralisation of certain strategic functions are some of the strategic controls that assist an organisation to implement a strategy. In a similar line of thinking, Menz et al. (2015:648) stated that centralising services such as human resources, information technology and marketing are strategic controls of an organisation to create value. Tallman and Koza (2010:438) and Menz et al. (2015) regarded the centralisation of resources and capabilities allocation as a strategic control in an organisation that supports strategic implementation. Rao et al. (2007:16), Hill and Jones (2009), Nell and Ambos (2013:1092) and Morikawa (2015:423) agreed with all the previous authors, as they were also of the view that strategic controls of an organisation include the following, amongst others:

- output controls that are used to measure the performance of the units by the head office
- centralisation of certain strategic functions in the head office for the benefit of the entire organisation such as strategic planning and goal setting
- personal controls and human resources management functions such as the appointment of divisional managers heading the units.

Swiatczak, Morner and Finkbeiner (2015) found that performance management systems that are designed in accordance with the organisational goals and that are independent measurements influence the impact of the organisation in its sector or industry.

Organisational structure

Chandler (1962:314) wrote 'unless structure follows strategy, inefficiency results'. According to Ostos, Hinderer and Bravo (2017:66) and Chandler (1962), a contribution to strategy and organisational structure was pioneering. Hence, an organisational structure is a key tool at the disposal of an organisation to enable the implementation of its selected strategy. Echoing Chandler's (1962) views, Sellitto (2011:24) posited that an organisation needs to have an appropriate organisational structure to enable it to function properly and to implement its strategy (see also Seip 2011; Stare 2011; Valos 2008:204), as well as respond to the needs and demands of the society (Seip 2011).

Pleshko (2007) introduced Miles and Snow's (1978) strategy typology in the study mix and found that organisational structure influences the profitability of organisations.

Mat et al. (2010) added management accounting practices and organisational change as new variables in the study mix of the role of organisational structure in the relationship between strategy and performance; they found a significant positive relationship between organisational structure, strategy and organisational performance (see Seip 2011). There are somehow conflicting results by Palacio and Soriano (2010), who found that organisational structure has little influence on organisational performance; Higgins and Toms (2011), who found little evidence associating the organisational performance to a particular type of organisational structure that is used in an organisation; and Zheng, Yang and Mclean (2010), who found that a negative relationship exists between organisational structure and organisational effectiveness.

Strategy implementation

Boiko (2013:75) and McTigue, Monions and Rye (2018:157) posited that strategy implementation tends to fail because of a lack of adequate corporate controls, coordination and monitoring. Engert and Baumgartner (2015), Thompson, Strickland and Gamble (2010:381) and Volberda et al. (2011:480) are also of the view that a lack of corporate controls, such as poor coordination of key actions between the key stakeholders and inappropriate organisational structure, is a typical challenge to strategy implementation and that poor coordination results in poor strategy implementation leading to the organisation not meeting its strategic objectives. Kazmi (2008) found that an organisational structure that does not provide clear roles and responsibilities normally leads to problems during strategy implementation. Sull et al. (2017:5) argued that flexibility is required in the organisation to ensure that its chosen strategy is implemented effectively.

Lack of resources (i.e. financial and technical) causes problems when implementing a strategy (Cristian-Liviu 2013:1690; Lowy 2015:18; Nwachukwu, Chladkova & Olatunji 2018:47; Prasad et al. 2018:6; Pella et al. 2013; Reitsma & Hilletoft 2018). Ivancic et al. (2017) and McTigue et al. (2018) also found that a lack of resources creates challenges to strategy implementation, which affect the organisational performance negatively. Ramutsheli and Janse van Rensburg (2015:109) found that public entities do not have critical human capital resources.

Research design and methodology

Research design

In line with the adopted research philosophy (post-positivist and constructivist-interpretivist), the concurrent mixed methods design was used (Cresswell 2008 as cited in Gasela 2021a, 2022a). This mixed methods design was adopted for this investigation because it is a complete and comprehensive research approach that provides concrete answers to the research questions compared to 'unmixed' methods (Heyvaert, Maes & Onghena 2013:671). Both the deductive and inductive approaches were adopted.

Research methodology

Data collection and analysis

Quantitative sample: The targeted population were the executives of the public entities and government departments who were responsible for crafting and implementing business strategies. A simple random sampling method was used to select the sample of respondents, consisting of four executives from each of the eight public entities (eight public entities \times four executives per each public entity = 32). The sample also included two executives from each of the head offices of the aforesaid three provincial government departments that provide direct control to the eight public entities through the appointment of the boards of directors of those entities. The executives from the affected provincial departments are responsible for crafting the broad business scope of the public entities that are under their control. These executives provided an understanding of their views and perceptions regarding the influence of corporate controls on organisational performance during strategy implementation in the public entities from the corporate parent department's (provincial department which controls the public entity) perspective. The total size of the sample for the quantitative investigation was therefore 38 respondents (32 from the entities and six from the controlling provincial departments).

Qualitative sample: The purposive sampling method was used to select the participants who were interviewed in the qualitative investigation of the study. According to Silverman (2000:104), purposive sampling allows a researcher to choose the participants who hold relevant information to the phenomenon of interest to the study. Therefore, while the executives of the public entities develop business level strategies and are charged with strategy implementation in the public entities, the executives of the head offices of the controlling provincial departments are responsible for the crafting of corporate strategies and monitoring of their implementation in the public entities. Eleven executives from the SA public entities and their controlling provincial departments were selected as participants. The participants of the qualitative research were different from those that were selected for the quantitative research, purposely to compare the results between the two, to increase the reliability of the study findings.

For the quantitative part of the investigation, a self-administered questionnaire was developed to collect the data. The survey questions were formulated after a detailed literature review was completed, and they were guided by the research questions. Pilot testing of the questionnaire was also undertaken. The 5-point Likert scale was used in the survey questions.

The *t*-distribution was used to compare the mean scores on the Likert scale with the undecided or neutral score of three, which was the midpoint between agree and disagree, by applying the one-sample *t*-test:

$$T = \frac{\bar{X} - \mu}{S / \sqrt{n}} \quad [\text{Eqn 1}]$$

where \bar{X} is the mean score, μ is the assumed mean value (in this case, it equals 2.5), S is the standard deviation of the scores, X is where $i = 1, 2 \dots n$ and n is the sample size.

This was done by testing the null hypothesis that the mean score for a particular question was equal to 3. If the difference between the two values was statistically significant from zero and provided the mean score calculated from the data was less than three, then this would provide a scientific proof that directors-level personnel agreed with the statement. In this case, the calculated *t*-value would be negative. If the difference was not significant, it would mean that they were undecided or neutral. On the contrary, if the difference was significant, and the mean score was more than three, then it would mean that the directors-level personnel disagreed with the statement. In this case, the calculated *t*-value would be positive. Correlational analysis and multiple regression were also used to determine the relationships between variables. Statistical Package for Social Scientists (SPSS) was used for statistical analysis of the quantitative data.

For the qualitative part of the investigation, interviews, strategy documents and annual reports of the public entities that are in the public domain were reviewed. The qualitative data analysis consisted of Tesch's eight-step for data analysis, which involved the recording of data, preliminary analysis, reading and writing memos, categorisation and coding, as well as generating themes and patterns (Creswell & Creswell 2018). Content analysis was used to analyse the official documents.

Reliability and validity, and ethical considerations

Triangulation and piloting of the questionnaire, as well as the steps of enhancing the trustworthiness of the qualitative findings of Lincoln and Guba (1985) (see also Lemon & Hayes 2020), were used to ensure the validity and reliability of the study findings.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of the Free State Faculty of Economic and Management Sciences Ethics Committee (reference number: UFS-HSD2018/0003). Approvals were obtained from the chief executive officers (CEOs) of the eight public entities to conduct the study in those entities. Respondents in this study signed a written informed consent form indicating their voluntary participation. The strategic documents and annual reports of the public entities that were used in the content analysis are publicly available documents on the respective websites.

Results

Part 1: Descriptive analysis

Most respondents (93.34%) had less than 20 years of management experience. It was deduced that, in general, the managers had been long enough in their positions and had the experience needed for providing reliable answers. Almost all the respondents (97%) had either a degree or a diploma and a management qualification and hence had the relevant knowledge to execute their functions.

Key constructs

Role of corporate controls during strategy implementation:

Table 1 shows the descriptive statistics of the influence of corporate controls on organisational performance during strategy implementation. It provides mean scores and standard deviations that were used to measure the role of corporate controls during strategy implementation. The variables were measured on the Likert Scale, where 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree and 5 = strongly disagree. Table 1 shows that the mean scores ranged between 1.7 (almost 'agree') and 3.567 (almost 'disagree'). Statement 2 (i.e. 'the organisational structure of the public entity supports its strategy implementation resulting in improved organisational performance') had the maximum mean score of 3.567 (standard deviation = 1.278), which is almost 4 (disagree). Statement 5 (i.e. 'effective corporate controls in the public entity are one of the mechanisms that can result in the improvement of the alignment gaps between the corporate and business-level strategies of the public entity') had the minimum mean score of 1.7 (standard deviation = 0.651), which is almost 2 (agree).

The *t*-test results show that the respondents agreed with Statement 1 (i.e. 'the entity has effective financial controls that support strategy implementation influencing performance positively') and disagreed with Statements 2, 3 5 and 6; and they were neutral for statement 4 (i.e. 'corporate controls of the entity have a positive influence in the alignment between its corporate and business-level strategies and performance').

In general, the respondents disagreed that the role of corporate controls during strategy implementation was positive or effectively supported strategy and strategy implementation. For example one participant said:

'[I]t is of no use having a company that is top-heavy and the fruits do not go downwards, so we would rather have what we do and bring the emerging farmers up, from grassroots up and into the marketing structure.' (Participant 9, Female executive)

Another participant added:

'What needs to happen is an organisational structure based on real needs, not on wants ... where we look at what the needs of the organisation for the benefit of heritage are and not for the benefit of somebody's little personal powerbase.' (Participant 8, Male executive)

Another participant claimed:

'[O]ne of the big problems of the entity currently is that although we are a listed public entity, our staff members are still being managed by the parent department Although it has got a small positive in it in the fact that we do not have to deal with HR matters as we do not have the capacity in terms of the HR component at the entity, it has a huge negative effect on the entity because our posts are filled or not filled at the discretion of the department.' (Participant 3, Male executive)

Another participant said:

'We are almost like ... a parasite, you know, and in that sense then it is easy for them to control us. The entity relies on the parent body for most of the services. But they are providing that ... little bit of oxygen, and because of that then it becomes a little bit contaminated.' (Participant 6, Female executive)

Another added:

'[Y]our leadership, your managerial leadership, your CEO, where is it? To whom is he answerable, right? ... You have a CEO here, but you have a deputy director sitting at head office in the heritage unit. There are three guys sitting on that side operating whatever they are operating. Now the financial delegation ... sits now with the CFO, who is responsible for three entities.' (Participant 8, Male executive)

TABLE 1: Role of corporate controls during strategy implementation.

Number	Statement	Number of observations	Mean score	Standard deviation	<i>t</i>	Probability	Conclusion
1.	The entity has effective financial controls that support strategy implementation influencing performance positively.	30	2.633	1.066	-1.8836	0.035	Agreed
2.	The organisational structure of the public entity supports its strategy implementation resulting in improved organisational performance.	30	3.567	1.278	2.4286	0.011	Disagreed
3.	The head office of the parent department has sufficient control systems to supervise, monitor and coordinate strategy implementation in the public entity, resulting in improved performance.	30	3.467	1.167	2.1910	0.018	Disagreed
4.	Corporate controls of the entity have a positive influence on the alignment between its corporate and business-level strategies and performance.	30	3.067	1.112	0.3283	0.373	Neutral
5.	Effective corporate controls in the public entity are one of the mechanisms that can result in the improvement of the alignment gaps between the corporate and business-level strategies of the public entity.	30	1.7	0.651	-10.9333	0.000	Disagreed
6.	The organisational structure of the public entity that supports the aligned strategy is one of the mechanisms that can result in the improvement of the alignment gaps between the corporate and business-level strategies of the public entity.	30	1.9	0.845	-7.1313	0.000	Disagreed

HR, Human Resources; CFO, Chief Financial Officer; Obs, Observations; Df, Degrees of Freedom; MEC, Member of the Executive Council.

TABLE 2: Correlational matrix.

Variable	Strategy implementation	Corporate controls	Organisational performance
Strategy implementation	1.000	-	-
	29.000	-	-
Corporate controls	0.720***	1.000	-
	0.000	-	-
	29.000	29.000	-
Organisational performance	0.116	0.220	1.000
	0.549	0.244	-
	29.000	30.000	30.000

Note: ***, significant at the 1% level.

TABLE 3a: Strategy implementation.

Source	Sum of squares	df	Mean square	No. of obs. = 28 F(3, 24) = 7.70 R square = 0.490 Adj. R sq. = 0.427
Model	4.535	3	1.512	Prob > F = 0.001
Residual	4.714	24	0.196	-
Total	9.249	27	0.343	-

df, Degrees of Freedom; Coef., coefficient; Std. err., standard error; obs., Observations.

TABLE 3b: Strategy implementation.

Variable	Coef.	Std. err.	t	Prob.	95% confidence interval	
					Lower	Upper
Constant	1.036	0.494	2.10	0.046	0.018	2.055
Corporate controls	0.638	0.217	2.93	0.046	0.018	2.054

df, Degrees of Freedom; Coef., coefficient; Std. err., standard error; obs., Observations.

Part 2: Inferential analysis

Table 2 shows the correlations between the key constructs. The correlational analysis in the table indicates that corporate controls are positively correlated with strategy implementation ($r = 0.720$, prob. = $0.000 < 0.01$). A positive correlation means that if the value of one variable goes up, the value of the other variable also goes up. On the contrary, the negative correlation means that if the value of one variable goes up (or down), the value of the other variable goes down (up).

Strategy implementation

Table 3 provides the regression model for strategy implementation. The model is highly significant (prob. = $0.001 < 0.01$). According to the results, corporate controls ($t = 2.93$, prob. = $0.046 < 0.05$) are significant. This implies that corporate controls affect strategy implementation positively. The adjusted R square is 0.427, which means that the model explains 42.7% of the total variation of strategic implementation. Thus, corporate controls explain the variation of strategy implementation at almost 50%, and the stakeholders, that is, both the mother departments and public entities, should take them seriously.

Role of corporate controls

Table 4 provides the regression model for organisational performance. The model is highly significant (prob. = $0.000 < 0.01$). According to the results, the roles of corporate controls ($t = 2.677$, prob. = $0.013 < 0.05$) and alignment controls ($t = -1.449$, prob. = $0.160 > 0.1$) were measured. This implies that corporate controls affect organisational performance

TABLE 4a: Organisational performance.

Source	Sum of squares	df	Mean square	No. of obs. = 28 F(2, 26) = 200.071 R square = 0.960 Adj. R sq. = 0.955
Model	263.790	3	87.930	Prob > F = 0.000
Residual	10.987	25	0.439	-
Total	274.778	28	-	-

df, Degrees of Freedom; Coef., coefficient; Std. err., standard error; obs., Observations.

TABLE 4b: Organisational performance.

Variable	Coef.	Std. err.	t	Prob.	95% confidence interval	
					Lower	Upper
Controls	1.122	0.419	2.677	0.013	0.188	1.358
Alignment controls	-0.291	0.201	-1.449	0.160	-0.456	0.679

df, Degrees of Freedom; Coef., coefficient; Std. err., standard error; obs., Observations.

positively. The adjusted R square is 0.955, which means that the model explains 95.5% of the total variation of organisational performance.

Discussion of findings

Corporate controls

In general, entities do not have the independence to make any strategic decisions or put in place any financial or strategic controls unless the parent department says so. The entities have extremely limited controls as the entity's policies must be 100% in line with government policies. In the quantitative investigation, the respondents agreed with the statement that entities have effective financial controls which support strategy implementation influencing performance positively. They were, however, undecided on the statement 'corporate controls of the entity have a positive influence on the alignment between its corporate and business level strategies and performance' and that the public entities achieved more than 80% of all its planned service delivery performance targets in the previous reporting period. The respondents disagreed that public entities attained an unqualified audit opinion with no findings (known as a clean audit) from the Office of the Auditor-General of South Africa (AGSA) during the previous financial reporting period (supporting the qualitative investigation finding), but they agreed that public entities achieved an improved financial performance during the current financial year.

Budget controls are challenging for some entities, as it is difficult for some of them to control officials who also do work for the parent departments:

'If they need specific posts filled or to create specific posts at the department that is not on their structure or that was not funded, they take them from the museum budget ... our posts are not filled; and then eventually they tell us no, the post has been defunded. But what happened to the money of that post? So yes, we do not get a big transfer from the department and the department is under this illusion that the museum can be self-sustainable.' (Participant 3, Male executive)

One of the major challenges is that the *Public Finance Management Act* (PFMA) is very strict on how entities must procure:

'PFMA requirements and other requirements make the alignment impossible ... I say in our Annual Performance Plan (APP), do not expect us to increase our targets because with the capacity and the funding we have, we can only do this much. You know, the outreach, the specific goal in which we would like to really make a difference in terms of redress and access, which [is] outreach to the people who have never had the experience or the opportunity. There we cannot really fulfil our mandate because we do not have the funding ... we have just to keep the lights on and pay the telephone and cover the basics.' (Participant 3, Male executive)

'[E]xpected to do those different compliance issues, we can never comply, if we are realistic and practical about it. So the entity will always get a qualification audit opinion as a public entity 3c.' (Participant 9, Female executive)

In agreement:

The chairman of the board is answerable to the MEC but now there is another structure that operates at provincial level called the heritage unit. Now this heritage unit is performing functions, independent of the board, and we do not often know what those heritage functions are. ... Our budget is so restricted that we cannot implement what we are supposed to implement.' (Participant 8, Male executive)

Because of the small budget, some entity offices cannot even afford telephone and electronic communication; they even use very old vehicles:

'[T]he budget of R2.5 million has never been increased in eight years. How can anybody operate with a budget that has never been increased for eight years?' (Participant 9, Female executive)

'For instance, if we had like R9 million or R10 million in our budget, that will allow the entity to perform on a certain level. So I think in terms of leadership it is more about how much you have and how much you can stretch yourself. ... so hence I am saying, the capital to some extent determines the performance of the entity and leadership.' (Participant 6, Female executive)

Public entities find it difficult to use the control systems, and when they procure, they must get three quotations, they must use a Central Supply Database (CSD) for all the registered service providers and they have many other compliance issues within the supply chain management prescripts. The entities do not use nor have the necessary control systems because they are too advanced for them; some entities do not even know where to start. This then means that the parent department must transfer half of its own internal control systems to those entities for them to respond to what the PFMA wants, which is a big challenge.

Organisational structure

Organisational structures of some entities do not support the alignment between the corporate and business level strategies. In the quantitative investigation, the respondents were not sure whether a supportive organisational structure was one of the mechanisms that could result in the improvement of the alignment between the corporate and business-level strategies of a public entity. For example, one public entity reported that it does not have a full-fledged

organisational structure and other operational systems that support its strategy implementation. Organisational structure and the levels and the requirements of PFMA compliance negatively affect the performance of the entities. Marx (2016) and Kazmi (2008) found that poor organisational structure that is not aligned to the business strategy leads to problems during the strategy implementation. The entities do not have the expertise and capacity to comply with PFMA. Improper controls lead to failed strategy implementation (see Boiko 2013; Engert & Baumgartner 2015; McTigue et al. 2018; Sull et al. 2017; Thompson et al. 2010; Volberda et al. 2011). The public entities lack financial resources and human resources, which affects the implementation of their annual performance plans negatively. This finding supports the findings of Prasad et al. (2018), Reitsma and Hilletoft (2018), Ivancic et al. (2017), McTigue et al. (2018) and Nwachukwu et al. (2018).

Financially, budget and resource allocation cause a misalignment between the two strategies:

'There is no way that with the current resources, financial resources, as an entity we will be able to effectively drive the strategy forward and implement it effectively unless some of these dollar issues are sorted out. Riemvasmaak is very far from Kimberley, and you incur a lot of additional travelling expenses. It is not possible to reach every person because of the limited resources.' (Participant 10, Female executive)

'[B]ased on percentage, you can only meet about 40%. So, when planning, they plan around the percentage that they can meet, but they report that they achieved their target. In terms of effective regulation and looking at the vastness of this province, the department should increase the budget so that the entities can have presence in the districts as well and be visible. According to the mandate, inspectors must be visible on a 24-hour basis.' (Participant 10, Female executive)

According to another participant:

'[I]f one of their mandates is to conduct a study that is going to cost you not less than R10 million and you are only getting a transfer of 3 million from us, where does it put you? Clearly there is a problem ... either from overseas or from the continent, who may be conducting some research. ... So, I start to ask myself, if I say we give them R3 million and they can do 11 things with that amount out of 30 things they must be doing in terms of their broad mandate, it means they will not be focusing on core functions in terms of legislation because of these money problems.' (Participant 11, Male executive)

'[T]he organisational cultures of the entities facilitate the alignment between corporate and business level strategies. ... The unfortunate part is the issue of the financial resources, which is causing problems to the strategy alignment and strategy implementation in the public entities.' (Participant 11, Male executive)

Capacity and expertise are a big challenge to the entities:

'Task one of the staff when we are in the audit committee whether the APP was submitted. They give me an APP document. I go through the APP and I say to them ... this is not the quality of the document that can be submitted.' (Participant 4, Male executive)

'[I]n a certain year, the liquor board could not conduct the required number of inspections due to funding, and they had to cut down on the number of inspections.' (Participant 5, Male executive)

'Nceda currently is having eight staff members. Is it adequate? It is not adequate. How then can that capacity be able to support a strategy of this entity? It cannot. It does not add up.' (Participant 7, Female executive)

Segregation of duties and reviews which relate to the organisational structure was also a concern of the audit committee (AC):

'[T]he funding shortfalls, HR capacity problems and inadequate systems in our entities do not enable them to implement their strategies effectively. These also result in them not being able to achieve their strategic objectives and their mandates.' (Participant 11, Male executive)

The research findings indicate that corporate controls are positively correlated with strategy implementation, and there is a positive relationship between the role of corporate controls and organisational performance. Although business scope and purpose as reflected by the public entities' strategies are seemingly in line with the broad business scope and mandate as defined by the parent departments' strategies, the entities do not implement them for several reasons, including (amongst others) lack of capacity (i.e. finance and HR), having no support from parent departments, not having effective oversight and monitoring, not having an assessment of impact and feedback, working in silos and not having effective communication:

'[I]s this really what those people want? If everything was aligned, it would become easy then to come up with programmes that fit the local municipalities or local governments. The national and provincial strategies are based on what they think people might need or want.' (Participant 6, Female executive)

In general, public entities set their performance targets according to the available resources and the limitations the entities have, not strictly according to the business strategies. This finding was compatible with the quantitative data finding and the documentary analysis finding. The respondents were undecided about the statement that the public entities implemented their strategies effectively.

Conclusion

It has been found that corporate controls affect strategy implementation positively, resulting in a positive effect on the organisational performance of the public entities. The entities have extremely limited controls as their policies must be 100% in line with government policies, with no flexibility. Organisational structure and requirements of PFMA compliance negatively affect the performance of the entities. Generally, entities have serious capacity challenges. Some entities are working in silos, not only at national, provincial and local levels but also within the parent departments and the entities, which wastes money.

The financial resources and HR are inadequate in the entities, which results in an ineffective strategy implementation.

In addition, the business processes of the entities do not support strategy implementation. The vastness of the province also affects the implementation of strategies. However, the entities do what they can, based on what is currently available in terms of resources and capacity.

Recommendations

Organisational structure

The South African government should ensure that the organisational structures of the entities are responsive to strategy alignment and implementation:

1. Organisational structure issues should be addressed or re-engineered for the structure to support the strategy implementation of the entity.
2. The entities' mandates must be reviewed to suit the structures for the entities to be able to drive those mandates.
3. Salary levels of some key strategic positions in the entities should be revisited following job evaluation (JE) processes. For instance, the levels of key strategic officials of the entities that are prescribed by the legislation, such as the CEOs, should be revisited to avoid a high turnover of such officials with scarce skills.
4. The job evaluation process and grading that is currently being used at the entities should be tailor-made to suit the unique environment of the public entities. The inputs to the current JE system were designed for the parent departments, which have unique input variables such as budget considerations, span of control and other input issues, compared to the environment prevailing in the public entities. The operating environments are different between the public entities and parent departments. Therefore, the JE outputs in the public entities will yield inappropriate salary levels as the inputs to the JE system were designed for the parent provincial departments, not the public entities. The parent departments and public entities must attend to this issue by finding a suitable JE system that will be tailor-made to respond to the unique environments of the public entities.
5. There should be a segregation of duties and reviews between the entities and parent departments, which relates to the organisational structures.

Corporate controls

Issues of corporate controls in the public entities should be addressed:

1. The public entities must have the independence to make strategic decisions and put in place their own financial or strategic controls.
2. The licensing process should be decentralised, and the issuing of licenses should be done at the region and/or district level.
3. The entities should make sure that the systems and processes they use support the alignment between the corporate level and business level strategies in them.

4. Oversight and monitoring by the parent departments should be done to check whether the entities are doing exactly what they are supposed to do and whether they are spending the money correctly as per corporate strategy and the broad mandates.

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