

MANAGERIALISM, MBO AND PERFORMANCE APPRAISAL IN REGIONAL LOCAL GOVERNMENT – VICTORIA

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Abstract

The Kennett government in Victoria during the late 1980s and early 1990s undertook a significant managerialist reform agenda. As part of the reform process the Victorian Local Government Act, 1989 was introduced and major changes were made in the strategic direction, organisation and control of Victorian local government. One of these changes was the introduction of fixed term performance contracts for all senior management staff. As a result, senior management issues such as promotion, training, remuneration and contract renewal are now directly influenced by performance evaluation. This paper examines the performance evaluation process in practice in order to determine its outcomes. It found considerable commitment by CEOs and senior officers to the system, but quantitative outcomes are more difficult to identify. This is a regional study, set in six local government units in Gippsland, Victoria.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

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INTRODUCTION

In accordance with the managerialist policies of the Kennett government in Victoria during the late 1980s and early 1990s (Van Gramberg and Teicher, 2000), the Victorian Local Government Act, 1958 was replaced by the Victorian Local Government Act, 1989. The new act introduced significant change in the operation and administration of local government in Victoria. In particular, it introduced fixed term contracts in conjunction with performance evaluation for senior officers¹ (managers²). However, even though Victorian local government has been the subject of a comprehensive study of human resource management reforms (Aulich, 1995) and other research (Gerritsen and Whyard, 1998; Kloot, 1999; Martin, 1999; Van Gramberg et al., 2000), little consideration has been given to the impact of reform on the senior officer employment relationship and in particular, the introduction of performance evaluation.

The aim of this paper is to bridge this gap through an examination of the senior officer performance evaluation process. In doing so, it seeks to determine whether or not the changes in the senior officer employment relationship envisaged under the Act (VLGA, 1989), and subsequent amendment (VLGMAA, 1993), have materialised in practice. To achieve this, the paper is structured as follows: firstly, we briefly introduce the study region and then outline the methodology; secondly, we present the research findings; and, finally, we discuss and develop conclusions.

CASE STUDY REGION AND METHODOLOGY

This study is situated in the Gippsland region of Victoria, which has a population of 240,000 people and is a typically large (238,600 square kilometres), mainly rural region. It has a mixed economy employing over 96,000 employees in services, manufacturing, agriculture, electricity, mining, oil, and timber production. A further 4,000 are employed in the public sector and defence. Although it has a more diverse economy than many other regions, its local government organisation and structure, by Act of Parliament, is representative of other regional and urban areas in Victoria.

As indicated above, since the late 1980's, and as a direct result of legislative change LGUs in general in Victoria have undergone significant change and restructuring. They were required to introduce compulsory competitive tendering (CCT), to restructure their organisational and management structures and to develop a more commercial approach in their operations (Aulich, 1995; 1999; Kloot, 1999; Martin, 1999; Van Gramberg et al., 2000). In addition, in 1994 they were required to undergo a thorough and far reaching amalgamation process.

In December 1994, the 26 Gippsland LGUs were rationalised to 6, the democratic process was suspended and government appointed commissioners replaced democratically elected councillors in each of the LGUs. Councillors did not reassume power in the region until March 1997, when elections for the 6 new LGUs were held.

This research concentrates on the six rationalised LGUs and is part of a broader study utilising a triangulated data collection methodology. This involved an analysis of relevant statutes, a questionnaire survey, and semi-structured interviews. In this paper, our emphasis is on reporting the outcome of the semi-structured interview phase, although we briefly examine relevant Acts (VLGA, 1958; 1989) and amendment (VLGMAA, 1993) to provide the setting of the senior officer employment relationship.

In the context of this study, 16 (52%) of the total of 31 senior officers in the Gippsland LGUs were

¹ "...a 'senior officer means a member of Council staff who is entitled to total remuneration in any 12 month period of at least \$60,000'...[Victoria, Local Government (Miscellaneous Amendments) Act 1993, Part 2, 3 (c)]

² The terms senior officer and senior manager are used interchangeably in this paper.

interviewed. The respondents included five (out of the six) CEOs and eleven other senior officers from diverse functional areas. These covered corporate affairs, human resource management, customer service, strategic planning, budget and finance, and community services. This is consistent with the view that diversity among respondents strengthens the validity of results (Felts and Schumann, 1997). All of the respondents had significant local government experience, post the 1989 Act.

However, the study is limited regarding: (1) social desirability bias, (2) respondents' interpretation of value terms, and (3) the general lack of reference to a specific problem or decision or moral dilemma (Frederick and Weber, 1990). Whilst there are also a small number of interview respondents, they do represent over 50% of the study population.

FINDINGS

Senior officer human resource management arrangements under the main governing statutes (VLGA, 1958; 1989) were significantly different (see Table 1). Under VLGA 1958, many of the aspects of senior officer employment were not under the internal control of council. For example, senior officers such as the municipal clerk, treasurer, surveyor, engineer, valuer and collector were termed 'designated' or 'statutory' or 'mandatory' officers because the Act 'compelled' councils to appoint these positions, whether or not they wanted them (VLGA, 1958:160-1; BRRSALGV, 1979:11.31).

A further example of external control was that, although councils had the 'right' to appoint to 'statutory' positions under the Act, they could only appoint those persons who had acquired the appropriate certificates of competency issued by the Municipal Clerk's Board (VLGA, 1958:162-1). The same applied to engineers or surveyors who were required to possess 'certificates of competency' or 'certificates of qualification' issued by the Municipal Surveyors Board or the Municipal Engineers Board respectively (VLGA, 1958:163-1). The certification process effectively limited the selection role of council and limited entry into local government by providing "...a barrier to entry for able and well qualified 'outsiders'..." (Aulich, 1995:94)

It was also very difficult for any council to terminate a designated officer. An officer's employment could only be terminated after a person appointed by the Governor-in-Council had undertaken an inquiry (VLGA, 1958:160-5,6,7). "As these investigations are only called for because of strong misgivings regarding conduct and performance, and are infrequent, senior officers normally enjoy security of tenure" (BRRSALGV, 1979:11.34).

Table 1: Victorian Local Government – Senior Officer Human Resource Legislative Framework

VLGA 1958	VLGA 1989 and VLGMAA 1993
1.1 No clear definition of council role. However, a feature of local government was the involvement of elected councillors in day to day council activities	2.1 Elected council role limited to formulating broad policies and strategies
1.2 Council role to appoint all senior staff and responsible for human resource requirements	2.2 Council HR limited to appointment and performance management of CEO. Human resource activities for all other staff, CEO's role
1.3 Council limited to appointing staff with appropriate certificates from various professional registration and certification boards	2.3 No requirement to appoint certified staff, selection on basis of relative ability, knowledge and skills in fair and open competition
1.4 Council required to appoint officers to statutory positions (eg. municipal clerk, treasurer, surveyor, etc.) whether or not council needed or had the income to support them	2.4 Councils are no longer required to appoint to statutory positions
1.5 Council unable to rationalise officer positions, establish new organisational structures or change roles and responsibilities	2.5 Council empowered to establish own organisational structures and recruit people on needs basis
1.6 Statutory officers employed on virtual tenure basis. Could only be dismissed following a recommendation of Governor-in-Council inquiry	2.6 Senior officer five-year performance contract appointments, no implicit or implied agreement of contract renewal on completion
1.7 No provision for human resource performance measurement	2.7 Performance contracts must specify criteria for annual performance review by CEO. Council role to annually evaluate CEO performance
1.8 No provision for staff development and promotion	2.8 Council staff should be provided with effective education and training. Specific requirement to promote staff on the basis of 'relative efficiency'

Source: Victorian Local Government Act, 1958; Victorian Local Government Act, 1989; and Victorian Local Government (Miscellaneous Amendments) Act, 1993

Essentially, the HR appeal process was largely outside the control of councils, as was the issue of tenure and two of the most important HRM decision areas - recruitment and dismissal. It should be noted that under the Act, councils determined senior officer salaries and allowances (VLGA, 1958:158-3), although trade union agreements effectively precluded anything but cursory control in this regard. The Act made no provision for staff development, promotion and human resource performance measurement.

However, although promotion was 'de facto' under council control, this was somewhat illusory. Whilst councils could recruit from within and made that decision, they were still effectively restricted in terms of the market forces imposed by the certification process. For example, they may have a very good internal candidate for a position, satisfactory in all respects, but would be unable to promote the individual if they were not certified for that position under the Act.

A further HR issue under VLGA 1958, was the lack of definition between the roles of senior officers and councillors. As a result, a feature of local government under this Act was the involvement of councillors in the day to day operation and administration of council.

In contrast, under VLGA 1989, many of the restrictions previously placed upon local government authorities in respect of senior officer employment have been eliminated, but some new ones have been added. Councils are now empowered to establish their own structures and recruit people to their needs. Along with this, the specification of designated or statutory positions has been removed, as has the certification process (VLGA, 1989:94). Councils are now no longer obliged to recruit staff to positions they may not need and may not be able to afford. They are also now not restricted to recruit in a narrow, certificated labour market.

However, the role of elected councillors has been limited to the role of "... boards of directors ..." in formulating policy, strategy, and contractual oversight "... but with no direct involvement in operational decision making ..." (Van Gramberg et al., 2000:488). One exception to this is that the elected council is responsible for all human resource activities related to the CEO (VLGA, 1989:94).

In addition, VLGA 1989 provides that the employment of the CEO and all other senior officers be regulated by five-yearly performance contracts. Whilst the council has been vested with the authority to review the performance of its CEO annually (VLGA, 1989:95A and 97A), the CEO's contract can only be renewed after it has been advertised in a newspaper circulating throughout Victoria (VLGA, 1989:97A-3A). In contrast, the elected councillors have no role at all in the human resource management of the other senior officers employed by council; this is clearly the domain of the CEO (VLGA, 1989:97).

In this brief comparison of the two Acts (VLGA, 1958; 1989), it can be seen that the external control and resultant job security and tenure that existed under VLGA 1958 has largely disappeared. In terms of senior officer employment, we can summarise the relevant features as follows:

- senior officer human resource decisions are internal to the council³;
- performance evaluation plays a critical role in the senior officer human resource process, both between the councillors and the CEO and between the CEO and the other senior officers;
- there are clearly defined roles between the elected councillors and the CEO in HR matters; and,
- there is no explicit or implied tenure: the employment of any senior officer can be ended, without instituting an inquiry, by simply not reappointing them at the end of their contract.

This paper is structured to:

- report on the nature of the performance evaluation process; and,
- identify the impact of performance evaluation on human resource factors.

Nature of Performance Appraisal Process

Given that fixed term performance contracts are structured into the senior officer employment statutory framework (VLGA, 1989), it is of no surprise that we found that all senior officers are appointed on performance contracts, and performance evaluation systems have been established in all councils involved in the study. Each council has developed and operates its own system of performance appraisal system within the framework of the Act. Similar findings were found in another Victorian study covering both managers and staff (Kloot, 1999). This study reported a vastly increased use of individual performance measurement "... for accountability, performance based pay and staff development purposes" (Kloot, 1999:574).

In examining the findings, it became clear that all of the LGUs were operating MBO type performance evaluation systems. MBO is a type of performance management where targets of performances are established mutually through joint discussion between the parties and it is neither rigidly quantitative nor exact but is clear, simple and rational (Drucker, 1955). Further, in MBO:

... objectives are established for individual managers at the beginning of a time period and achievement of these is subsequently measured. Most enthusiasts agree that the objectives should be developed mutually by the individual manager and the manager's supervisor. (Hatry, 1981:66)

When asked about their views on performance evaluation, most senior officers expressed satisfaction with the performance contract system. They knew the expectations of the position as these were clearly set out in

³ The Victorian local Government (Further Amendments) Act 1997 has changed this. Under this Act, the Office of Local Government (OLG) now has "...the power to authorise any changes to the status of employment of Chief Executive Officers (CEOs) and other senior council staff, including the power to veto senior appointments made by council." Van Gramberg, B. and Teicher, J. (2000) Managerialism in local government - Victoria, Australia. *International Journal of Public Sector Management*, 13 (5): 476-492.

the performance appraisal process⁴ and believed there was no hidden agenda on which they might be judged. The performance indicators themselves were established during meetings between the senior officer and the CEO. In all cases the officer has the opportunity to provide input into the development and establishment of performance criteria. Although many of the items changed from year to year, even at times during the year, they were all subject to annual negotiation, depending on outcomes.

These findings are supported in a study of senior management MBO performance evaluation in American cities. This study found that: “The most highly rated benefit was the ability of MBO to increase goal clarity ...” and as such “... it improved the employee’s certainty about the nature of [their] job.” (Moore and Staton, 1981:226-228). The fact that senior officers expressed satisfaction with the evaluation system is also consistent with the nature of MBO. Moore and Staton found that: “Most of the MBO proponents stress subordinate participation in the establishment of goals and objectives for the subordinate. Participation supposedly will increase employee commitment to the goals and increase the employee’s job satisfaction.” (1981:224).

In all councils, senior officer performance is judged on a set of key performance indicators. These are drawn mainly from corporate objectives, the numbers and nature of which vary from council to council and from position to position (Kloot, 1999:574 reports similar findings). Some councils emphasised not just what had been achieved but how the results were achieved. In many cases the performance evaluation systems were associated with performance bonus payments, which we discuss later.

In sighting an actual review (with permission from the respondent), it was clear that the evaluation was based on seven different indicators. These were:

- relationships with council, chief executive officer, and the management team
- external and internal relations
- corporate management
- relationships with employees
- functional competency
- personal competency areas
- strategic performance objectives.

The last indicator included such further areas as achievement of compulsory competitive tendering (CCT) targets, reviews of manuals and policies; completion of audits, and presentation of half yearly and final reports to the CEO. In addition, achievements also included completion of the capital works program within the budget and on schedule, production of an action plan for the coming year, and completion of a course of study the manager was enrolled in. Kloot (1999) also reported a broad spread of indicators, “... with a range of financial and non-financial areas in the agreements.” (574).

As can be seen from the above, one of the performance indicators is maintenance of relationship with the peers and, more importantly, with their immediate manager(s) and the elected officials. Whilst one senior officer suggested that this was just one of many criteria which, on its own may not significantly affect the overall performance evaluation of an officer, one CEO was clearly of a different opinion. This CEO argued that there are written and unwritten performance indicators and the relationship with the CEO and/or elected officials may be unwritten, but it is nevertheless a decisive one in their performance evaluation.

I think that there are probably written and unwritten ones ... And the written ones are to a standard and not all that specific. But at the end of the day what it gets down to, I believe, in assessing the performance of a CEO is whether or not the council trusts you or not and has confidence in you ... if you don't have the capacity or the confidence, then you've had it really [Even if one is extremely competent].

⁴ The senior officer views on performance expectations were not completely shared by the CEOs and this is identified later in the paper.

Another CEO agreed, and argued that often performance indicators are quite vague, imprecise and inadequate for the purpose of performance evaluation and, as a result, there were written and unwritten performance indicators. The rationale for this, one CEO argued, is because councillors lack expertise in developing precise performance criteria. They are also often short sighted and are unable to project the performance requirements of a CEO far enough into the future. The imprecise and inconsistent nature of performance evaluation is consistently cited as a significant process limitation (Lacho, Stearns and Villere, 1979; Hatry, 1981; Moore et al., 1981).

In terms of frequency, the interviews identified that senior officer performance is monitored throughout the year. They are formally evaluated once a year but in most councils there are half-yearly, quarterly and even monthly informal reviews. One council that holds monthly reviews calls them 'fireside chats'. CEOs, councillors and senior officers participate in these 'chats' and discuss the direction and focus of senior officer activity and whether or not the officers are on-track to achieve their performance targets. These levels of frequency are consistent with those found in MBO evaluation for upper management in City government in the USA (Ammons and Rodriguez, 1986:462-464) and are also indicative of a participatory style of appraisal (Moore et al., 1981).

Councils also try hard to develop objectivity in their performance evaluation because in many instances, evaluation is related to a series of other HR related decisions such as promotion, bonus, training etc. One way some councils seek to achieve this is through the appointment of outside consultants. One senior officer argued that an outside consultant ensures that the evaluation process is adhered to, is 'fair and square', and above board. At times, it was stated that outside consultants arbitrate when the parties disagree with one another. In a counter argument, one CEO felt that outside consultants, instead of facilitating a good relationship, have the potential to limit the development of relationships between senior officers and councillors.

Another method of seeking objectivity in performance evaluation is to make it more quantitative. Although most senior officers said that they had quite clear, quantified performance indicators, others disagreed and argued that in their councils they also included qualitative aspects as well. One senior officer stated that:

"Some of our programs are very measurable and others are very difficult to quantify. So just in terms of functional responsibilities, it's not always that easy in the community services sector to have rigorously defined outcomes for every program or service. But basically, it's based on predetermined targets and performance, as it should be".

An illustration was given from the area of youth development programs, where one can for example, count the number of young people involved in a program. However, it was argued that it is "... very difficult to say what the impact really is - how many suicides have been prevented, we don't know". When performance indicators cannot be quantified, one senior officer suggested that performance evaluation "... tends to go into generalities more so than specifics".

An important issue to consider in any type of public management is whether or not the greater emphasis on 'goal setting and achieving', inherent in performance evaluation, has led managers to ignore process to achieve results. Previously, public managers have been accused of 'displacing goals' (Merton, 1968) and too much emphasis has been placed on process rather than the purpose behind it. In this situation, following rules becomes the end in itself.

Given this, we explored the relative focus on 'process and/or results' directly with the managers. Two broad groupings emerged: one group, which would not sacrifice rules (process) to achieve results, and a minority group, which would. However, those who would sacrifice rules would only do so in an extremely limited manner. They would bend and ignore internal processes on occasion but would not break the provisions of statutes or public tendering rules. Membership of this group was mainly confined to those managers charged with, or involved in, regional economic development.

For example, to ensure a project got off the ground or to seal an economic development opportunity, a CEO might commit rate relief or some other form of financial support before official council endorsement. This

decision would then be ratified at a subsequent council or special council meeting. In such situations, managers would either keep the council informed on a continuous basis or would have a clear understanding of what they believed the council would support.

The second group comprised senior managers who saw their role as one of creating a 'climate' for investment and development in the region, rather than being involved in it. In support of this, one CEO argued that local government managers should be judged on the 'way' (the process) a manager achieved results rather than by the outcomes themselves. However, irrespective of which group they were in, nearly all the managers stated that the establishment of performance targets and fixed term contracts had not led them to compromise on process. This is because when the targets were set, they already knew the rules. Targets that required the breaking of rules were simply not set. This outcome is consistent with the collaborative and participative MBO type system utilised by the councils studied (Roberts and Pavlak, 1996; Roberts, 1998).

Impact of Performance Appraisal on HR Factors

Some councils operate performance linked compensation payments. To achieve this the performance evaluation system requires a scaling or measurement process (Lacho, Stearns and Whelan, 1991). For example, one council measures performance indicators in terms of a scale from one to five and bonuses are paid to those officers who have achieved above 4.2 or 4.3. Achievement of less than 3.5 is considered below average performance and does not draw any bonus. In those municipalities offering senior manager performance pay, bonuses representing approximately 2% to 3% of total pay were on offer. All of those interviewed who were participating in a performance bonus scheme had received all or part of their bonuses in the periods to date.

In terms of linking performance evaluation to training, we found two patterns. In some councils, seniors officers claimed that performance evaluation is not linked to training. In these councils, when officers had below average performance, sending them on training courses was not a consideration. This is consistent with the findings of Daley that: "the linking of appraisal to training can prove to be difficult even with the most objective appraisal instrument." (Daley, 1992:43). Other councils spent money on training for skills that are quite new to the local government scene (but this appeared to be a one-off exercise). As one CEO said:

So we've found that a lot of our training dollars are having to be thrown at just I guess, developing business skills for those who are involved in the business units, in contract superintendence skills for those that manage contractors. And, probably less and less, on the general sort of professional career development stuff.

One council contributed half the fees for a MBA course one of the managers was undertaking. However, there was also a distinct preference to recruit staff already trained in particular skills. One CEO was forthright in this regard and stated: "...you talk to staff about what they want in someone, you sometimes hear staff say, 'Oh we'll get someone who we'll train to do this.' I say, well why don't you get someone already trained"? This view is consistent with Kloot's finding that "...managerial staff are expected to bring their requisite skills with them to their positions, and should not require further training." (Kloot, 1999:575)

In respect of terminating staff, we found that performance evaluation had not influenced termination decisions. Neither did we find a situation where a senior officer had not achieved performance targets. These two findings may be related but they may also be linked to the difficulty of quantification and accuracy in performance measures. Lacho et al are of the view that termination decisions based on inaccurate measures may leave the organisation open to legal action (1979).

However, 'achievement in performance' may also be related to the collaborative and participative nature of the MBO systems in use in the region (Moore et al., 1981; Ammons, 1987). It was argued that, when a manager began to have difficulty achieving performance targets, the CEO would become involved. Based on informal monthly or quarterly reviews, the CEO would establish what the problems were and assistance and advice would be given. In some cases, perhaps targets might be adjusted so that the manager would achieve the goals before the annual review was due.

Another reason is that senior officers take their performance targets quite seriously. As one senior officer stated: "I think it's seen as a serious [exercise] ... we need to continually perform to achieve the outputs required of council, and it's not just you know, sit back, job for life situation any more." It was also reported that when the performance contract system was introduced quite a few managers left because they did not agree with the new employment conditions. This effectively cleared out those likely to be disaffected by performance evaluation.

A significant number of those senior officers interviewed attributed their recent promotions to the achievement of good performance records. This is consistent with the findings of Roberts, who found that "Sixty six percent of the respondents agree that promotion decisions are based primarily upon job performance ..." (Roberts, 1995:206)

DISCUSSION AND CONCLUSIONS

We can safely state that performance evaluation is an integral part of the management processes and systems of Gippsland LGUs. All senior officers are employed on fixed term performance contracts and they undergo regular performance evaluations (a minimum of once per year). However, we are less sure that performance evaluation has led to improved organisational performance and/or improved individual performance.

We found that senior officers usually get their contracts renewed and achieve performance targets. Most of them are reported to perform excellently and they argue that they take the performance contract system very seriously. They work hard to perform and as a result, achieve their targets. Indeed, we identified a significant focus on results but not at the expense of process. We also found that the MBO type performance evaluation was collaborative and participative in nature. When senior officers fall behind their performance targets, they are alerted through the use of continuous performance monitoring. As a result, targets and objectives may be modified or adjusted to suit altered circumstances. Not surprisingly, this process of adjustment leads to few managers failing to achieve their performance targets.

There is also evidence that managers have responded to the changes in employment conditions with both pragmatism and professionalism. This is best illustrated by the following comment on the appraisal process:

Actually, if anything, it's probably better set out, you know what performance measures are ... you know what the expectations are ... no hidden agendas ... and the fact that now performance reviews have to be part of these contracted arrangements, to me that's great. And plus the fact that there's bonuses attached to that and it's done on proper written criteria, not just someone's opinion on an informal little chat that might take place sometime.

Although the managers interviewed appeared confident and not threatened by performance evaluation, there were also contrary indications. These included the establishment, by some, of contingency plans to maintain personal mobility. Many of those interviewed have adjusted to performance contracts by limiting their 'organisational commitment' (Dunham and Pierce, 1989) and their community commitment. They have adopted 'coping strategies', which include seeking employment elsewhere or determining their re-employment prospects with their existing council, at least six months prior to end of their contract.

Some no longer purchase homes in the LGU and those who do purchase budget homes that they can easily resell. Many live outside the LGU and commute on a daily basis or only live there on five-day, four-night basis. One manager clearly enunciated this reduced commitment in stating "I don't own a house here and I won't either. I've got a fixed contract ... I could be gone after the expiry of that contract. I can't afford to bring my family here to be part of the community". Similar findings were reported by Martin (1999) who identified that many "... staff now travel greater distances to work ... They are not prepared to uproot family and move house because of a perception of continuing employment instability (Martin, 1999:27-28).

While the nature of the limited term contract might cause some concern about job security, in reality we suggest that the CEO might not be able to exercise the power of dismissal or non-reappointment. They

would need concurrent agreement from their councillors. It would be very difficult for a senior officer who has earned the confidence of councillors to be dismissed or not reappointed by a CEO.

Victorian local government, since its beginning, has suffered from confusion in the distribution of strategic and operating functions. Councillors delved into both functions and quite frequently managers were involved in strategic activities. For example, the Bains' committee (BRRSALGV, 1979:11-73) noted a "... lack of clear definition of the respective roles and responsibilities of councillors and officers". Another commentator argued that this lack of clarity of duties is common to all LGUs in Australia.

The involvement of elected councillors in the detail of day to day council activities became an almost universal feature of local government, so that even when the actual work was done by indoor staff and outdoor employees, elected representatives continued to monitor and intervene in those activities as they saw fit. (Tucker, 1997: 73)

In order to correct this situation, the VLGA (1989) gave the CEO, as the administrative head of all council activities, the authority over the senior officer HR-related functions. However, in practice, the actual situation under the previous Act (VLGA, 1958) does not appear to have changed in Gippsland LGUs.

In our discussions with senior officers it became clear that councillors influence performance evaluation through their informal comments and informal meetings of councillors, CEOs and senior officers. Many CEOs inform us that these comments by councillors are not ignored and are given serious weight. So much so, that the roles of councillors in HR-related matters in some councils have been formalised. In others, the CEOs routinely keep councillors informed about the HR-related decisions they make about senior officers. Essentially, performance evaluation in these LGUs has become a concurrent jurisdiction, where both CEOs and councillors jointly exercise power.

Clearly, while there are some significant limitations in the performance evaluation process extant in Gippsland LGUs, it has no doubt led to positive organisational and individual benefits. Senior managers are more results oriented and focused on achieving outcomes. They are extremely professional in their outlook and have adapted to the performance evaluation process as they would to 'another tool in their managerial toolbox'. In many respects, their willingness to adopt a more mobile attitude to their employment is perhaps a longer-term benefit yet to be realised. The movement of senior officers from one council to another, and perhaps too and from the private sector, could not have been contemplated under the previous system of certification.

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