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EFFECTIVENESS AND SUSTAINABILITY OF THE LOCAL ECONOMIC DEVELOPMENT STRATEGY OF EMAKHAZENI LOCAL MUNICIPALITY

by

Nondumiso Radebe

Technical Research Project

Submitted in partial fulfilment of the requirements for the degree

Master of Commerce in Local Economic Development

in the

SCHOOL OF ECONOMICS

at the

UNIVERSITY OF JOHANNESBURG

Supervisor: Dr B Maphela

MARCH 2019
DECLARATION

I certify that the minor dissertation/dissertation/thesis submitted by me for the degree Master’s of Commerce (Local Economic Development) at the University of Johannesburg is my independent work and has not been submitted by me for a degree at another university.

Nondumiso Nonkululeko Radebe
ABSTRACT

The study under review investigated the effectiveness and sustainability of Emakhazeni Local Municipality local economic development strategy. The socioeconomic development challenges faced by ELM, such as unemployment, job creation, eradication of poverty, lack of service delivery and lack of local economic growth, are the reason why it was necessary to assess the effectiveness and sustainability of its strategic approach. To do so, a critical analysis process was identified to unpack the chronology of significant events that had occurred. The study investigated the municipality’s planning process, mission statement, short-term and long-term focus, objectives and implementation efforts. Finally, it assessed whether the municipality had the capacity to successfully execute the strategy.

The research question posed was whether the ELM strategy to achieve LED intentions was effective and sustainable. To answer the research question, the researcher explored a range of approaches, strategies and methods appropriate for the study. A qualitative content analysis approach was adopted. The research focused on the analysis of legislation, policies and frameworks to understand how they impacted on the ELM strategic approach towards LED. The systems thinking approach was used to examine whether there were factors affecting ELM from achieving its strategic objectives regarding an effective and sustainable LED strategy. It was also used to examine whether the LED strategic approach was comprehensive, well-structured and integrated in contributing to the potential for local economic growth in ELM. Various recommendations were made at the end of the study which included strategic management plan and the application of a systems model to ensure that inputs are effective in achieving required outputs.
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<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative for South Africa</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>B2B Programme</td>
<td>Back to Basics Programme</td>
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<tr>
<td>CoGTA</td>
<td>Cooperative Governance and Traditional Affairs</td>
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<tr>
<td>DCoGTA</td>
<td>Department of Cooperative Governance and Traditional Affairs</td>
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<td>ELM</td>
<td>Emakhazeni Local Municipality</td>
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<td>GEAR</td>
<td>Growth, Employment and Redistribution</td>
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<td>GVA</td>
<td>Gross Value Added</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>IPAP</td>
<td>Industrial Policy Action Plan</td>
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<td>MTSSF</td>
<td>Medium Term Strategic Framework</td>
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<td>LED</td>
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Thank you
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SECTION 1: BACKGROUND AND INTRODUCTION

1.1 INTRODUCTION

Local government plays a crucial role towards the development of the country’s economy such as being a catalyst in creating an environment that will enhance strong macroeconomic (CoGTA, 1998). And being the drivers of local economic growth, employment creation and development initiatives within the context of sustainable development (CoGTA, 1998). This is achieved through an extensive range of objectives and strategies that are created and which include internal development that involves the use of internal competencies and resources (MacKay, 2001). Local Economic Development (LED) is the vehicle that local government uses to form and shape the future of its communities towards economic development along with other strategic policies and frameworks that have been created to speed up economic development, eliminate poverty and reduce inequality (Senge, 1990).

The National Development Plan (NDP) 2030 is economic development agenda has been designed to ensure that by 2030 South Africa’s economy would be able to employ its citizens and equip them with the skills they need, make ownership of production more diverse, and be growing at a rapid speed to eliminate poverty and reduce inequality (NDP, 2011).

The NDP depends on the activities of the business sector, but also on economic development policies and frameworks carried out by public authorities at national, provincial, regional and local levels (Sienkiewicz, 2014). Such policies and frameworks are instruments used to foster economic development and should be incorporated in relevant municipalities’ strategies. Local government plays an integral part in the realisation of national growth (Sienkiewicz, 2014). South Africa has three tiers of government namely, national, provincial and local. Each one has its own legislative and executive authorities. They are defined in the Constitution of the Republic of South Africa as “distinctive, interdependent and interrelated” (Koma, 2014: 126)." Chapter 7 of the Constitution stipulates that local government should “structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial development programmes”
Local government executes this Constitutional prerequisite through the Integrated Development Plan (IDP). Strategically this should enhance the implementation of Local Economic Development (LED) and contribute to employment opportunities and eradication of poverty, and boost local economies (Koma, 2014).

This implies that local municipalities should give winning and coherent direction to realise their organisational vision (Ramodula, 2014). This also means that analytical tools and a well-structured process should be in place. However, municipalities function in increasingly complex communities with a myriad of economic, social welfare, environmental and socio-political issues that need to be addressed (Meyer, 2013). Furthermore, municipalities face challenges in strategic decision-making as they are controlled by governance structures that include senior municipal staff members, ward councillors and ward committees (Ramodula, 2014). According to the South African Department of Cooperative Governance and Traditional Affairs (CoGTA), these challenges have resulted in a state of ‘distress’ for local government (CoGTA, 2009). As stated by CoGTA, these have manifested in different forms, such as, “insufficient funds, unemployment, poverty, poor service delivery, violent conflicts (civil unrests and labour disputes), billing crises, as well as many other forms of political decay, such as corruption” (Ramodula 2014: 3).

The research under review sought to understand the effectiveness and sustainability of the strategic approach Emakhazeni Local Municipality (ELM) has adopted in terms of Local Economic Development (LED). Strategic planning gives paramountcy to the complexities that exist within communities it serves and the resultant implications for the effectiveness of the strategy adopted. It uses systems thinking theories to explain the nature of local government and challenges facing local communities. These theories provide a tool towards understanding the status quo, strategic approach and transformation potential (Byrne, 2005).

The study neither sought to enforce nor suggest that the traditional strategic approach was obsolete, but aimed to broaden the scope of approach towards an LED that is comprehensive, well-structured and integrated in cultivating the potential for local economic development in ELM (Swinburn and Murphy, 2019).
1.2 BACKGROUND

Strategies are expressed at various levels of government starting with legislation setting the tone that becomes the overall strategic framework for economic and social development. Each government tier must therefore align its strategies and development policies with the national strategy (Koma, 2014). The NDP 2030 is a strategic framework for South Africa and was created to charter a new path for the country with the aim of eliminating poverty and reducing inequality (Manual, 2011). All other planning provincially and locally should contribute to the guiding objectives of the NDP. The National Framework for Local Economic Development (NFLED) is an action plan with the objective of integrating all government actions to create shared value that promotes a strategic approach towards development (CoGTA, 2006). It a guideline that seeks to clearly define LED and a tool that proposes strategic approaches municipalities could apply in the implementation of LED (CoGTA, 2016).

At local government, the IDP is the economic development strategy that supports local capacity and local efforts. LED is therefore the outcome of activities and interventions ensuing from good governance and the integration of national priorities and programmes at local government (CoGTA, 2016). The Integrated Development Plan (IDP) promotes economic development through basic services provision as required by the community. This includes the provision of water, roads, health and education facilities and other developmental needs as identified through public participation process and mandated by section 152 (1) of the Constitution and Section 19 (1) and (2) of the Municipal Structures Act (Thobatsi, 2014: 14). The White Paper on Local Government (1998) makes it clear that even though local government’s responsibility is to work together with citizens to find sustainable ways to social, economic and environmental needs; it is not directly responsible for creating jobs. Instead it is responsible for “…taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities” (CoGTA, 2016:9).

However, there have been numerous challenges facing local government particularly pertaining to economic growth and development (Koma and Kuye, 2014). Some of these issues also include strategies employed by local government. “The National Planning Commission’s (NPC) diagnostic report noted that outside the metros, the two-tier structure of local government was not working as efficiently as the
policymakers had intended, primarily because the districts had inadequate financial, human and physical resources to play their planning and coordination roles (NPC Diagnostic Review, 23). Local government is challenged by poor performance which attribute to inadequate human capital, overstretched infrastructure, weak governance system and the inability to live up to their mandate (Molofo, 2012). These challenges have manifesto themselves in a form of protest actions which in the years have escalated in number (Managa, 2012). Indicating a transgression in a system which its input are not translating into outputs that create a conducive environment.

Other complex issues that municipalities wrestle with include unemployment, poverty and inequality. According to Stats SA, among the 9 694 economically active youth (15–35 years) in the area, 34,2% are unemployed. This is extremely high when compared with the current employment rate in the municipal area, which stands at 25,9%. This is slightly lower than the current South Africa unemployment rate, which as of the second quarter of 2018 stood at 27,1% (StatsSA 2011, 2018). According to Aurangzeb and Asif (2013), a high unemployment rate plays a crucial role in the underdevelopment of an economy, as this means there is an underutilisation of its human capital. Tsela and Tregenna (2008) raise the issue of unemployment as the root cause of poverty and inequality. Arguments by TIPS, an independent, economic research institution, also suggest that “people with access to wealth experience the country as a developed modern economy, while the poorest still struggle to access even the most basic services” (TIPS, 2009: 6). The economic statistics of EML, according to its IDP, are as follows,

• “Relatively high historic growth rate of 4,7% per annum for the 1996–2013 period
• Contributed 1,4% to Mpumalanga economy in 2013 – an increasing trend since 2001, but ranked third lowest within the Nkangala District Municipality
• Transport and mining contributed the most to the municipal area’s economy
• Gross Value Added (GVA) R1,6 billion at constant 2005 prices – one of the smallest economies in the province
• GVA in 2013 – R2,9 billion at current prices and R1,6 billion at constant 2005 prices – one of the smallest economies in the province (IDP, 2016, 87)"
These economic statistics are a window into the economic growth trends of ELM. They signify the strength, opportunities, and weaknesses of ELM.

Since a municipality faces several daunting and unpredictable challenges, a systematic strategic approach is warranted. Many authors, including Zafar, Babar, and Abbas (2013, 15), state that “…the success of an organisation will depend on management’s recognition of the following functions: analysing the environmental changes, selecting the strategists, helping them to think creatively, setting objectives, establishing strategies to achieve objectives, assign responsibilities and implementing the strategies, measuring success and evaluating results”.

There is a fair amount of research on promoting local economic development through strategic planning. The findings of many studies advocate that strategic planning for local economic development is significant because it is a foundation for sustainable development (UN Habitat, 2005). They further state that strategic planning “…determines an appropriate target to satisfy the objective, recognize existing opportunities and constraints in the environment, and device a way by which objective can be achieved” (Zafar, Babar, & Abbas 2013, 15).

The ELM LED strategic objectives are to build strong, responsive, inclusive and adaptive economies. Driven by local assets and realities, a diverse industry base and commitment to equality of opportunities and sustainable practices with the following growth estimates expected to happen within the municipality are required (IDP, 2016: 86).

• Expected to record a GDP growth of 4,0% per annum over the period of 2011–2016 – second highest forecasted growth in the province
• Contributed 1,4% to Mpumalanga economy in 2011 – increasing the trend since 2001, but ranked third lowest
• Mining and transport should contribute the most to the municipal area’s economic growth in the period 2011–2016
• Gross Value Added (GVA) – R2,7 billion at current prices and R1,6 billion at constant 2005 prices – one of the smallest economies in the province (IDP, 2016, 87)

The social and economic development challenges faced by ELM, such as unemployment, job creation, eradication of poverty, lack of service delivery and lack
of local economic growth, are the reason why it is necessary to assess the effectiveness and sustainability of its strategic approach. To do so, a critical analysis process was identified to unpack the chronology of significant events that had occurred to that point. It investigated the municipality’s planning process, mission statement, short-term and long-term focus, objectives and implementation efforts. Finally, it assessed whether the municipality had the capacity to successfully execute the strategy.

1.3 PRELIMINARY LITERATURE OVERVIEW

There is no dearth of literature on the role of strategic management in local government. This interest started gaining momentum in the early 1990s, when European countries launched a forum to improve “local democracy, public management and efficiency in the provision of local services” (Ángel, 2015:40). Initially these reforms were inspired by what had worked in the private sector (Ángel, 2015). In recent years’ strategic management has been instrumental in dealing with complex issues that exist within local government and for achieving higher performance (Ángel, 2015). Strategic management has emerged as an important policy tool in South Africa (Strydom, 2016). The NDP 2030 is the strategic framework for South Africa. At local government, the municipal IDP is the economic development strategy that supports local capacity and local efforts. The NDP for LED, again, is the tool that spells out action plans for the achievement of economic development (CoGTA, 2016).

By promoting LED through strategic management, issues of job creation, service delivery and sustained economic growth to alleviate poverty and inequality can be addressed (David, Guilbert, Hamaguchi, Higashi, Hino, Leibbrandt & Shifa, 2018). In the Ukraine the stimulation of regional development has taken place based on balancing the national, regional and local development interests. This has been achieved by determining locally-based government priorities in solving problems of social and economic development. This has created a favourable investment climate and thriving local government in the regions (Lavriv, 2015).

Strategic management is a dynamic process that requires a specific thinking style. This is illustrated in the literature review by Strydom (2016), who states that strategic
management is long-term based. It therefore should be approached through engagements whereby functions and resources of an organisation are integrated and coordinated and aligned with the environment to gain a competitive advantage for the benefit of all stakeholders. Municipalities have socio-political environments that are becoming increasingly complex. These complexities require a system set of thinking. Systems thinking, according to Aronson (1996:1), “… focuses on how the thing being studies interacts with other constituents of the system – a set of elements that interact to produce behaviour – of which it is a part”. This means seeing things holistically and interconnected. The complexities within the governance of municipalities mainly arise when stakeholders focus on their own objectives, rather than considering the impact of their behaviour on other role players (Hildbrand & Bodhanya, 2014). Such complexities challenge the effectiveness of the strategy and result in counterproductive efforts.

To be able to unpack them, the theoretical framework that this research focused on was Soft Systems Methodology (SSM). SSM was used to facilitate a thorough understanding of the complexity in multi-stakeholder settings, the municipality’s planning process, its mission statement, short-term and long-term focus, objectives and implementation efforts. It was further used to determine whether ELM resources were allocated according to plan and deliverables (Hildbrand and Bodhanya, 2014). This was done using the SSM four-action-oriented stages that interrogate problem situations and seek to facilitate improvements.

There are several examples of where SSM has been used. In the South African context, Ramodula (2014) used SSM to assess the extent of the application of strategic thinking at Mangaung Metropolitan Municipality. Other researchers, such as Luckett and Grossenbacher (2003), used SSM to explore district health systems in KwaZulu Natal. Cordoba and Farquharson (2008) used it to examine the feasibility of skills development in South Africa. SSM has provided a better understanding of complex situations, the stakeholders and steps to achieve objectives. In the research under review SSM was used to understand the status quo, strategic approach and transformation potential of ELM.
1.4 PROBLEM STATEMENT

CoGTA states that local government is faced with an increased demand to foster the economic output of local municipalities, including ELM, to advance their economic future and the quality of life for all (COGTA, 2009). It has labelled areas such as ELM as being in a state of ‘distress’ (CoGTA, 2009). A municipality is labelled as being in such a state when it cannot sustainably fund the delivery of basic public goods and other requirements as per Constitutional mandate (Ncube & Vacu, 2015). Researchers, such as Koma (2014), have concluded that such a negative state was caused by lack of alignment of national and provincial government policy in relation to local economic development. He states that it is important to situate economic growth with development planning frameworks envisioned to address poverty alleviation and unemployment. The studies conducted by the National Planning Commission (NPC) also revealed that there was a lack of structure integration between the two tiers of local government (district and local municipalities), resulting in inadequate planning coordination of resources (National Framework for LED, 2017). The ELM audited general reports between 2011/2012 and 2012/2013 show that the annual performance of the municipality, as prescribed in the Municipality Systems Act, was inconsistent in terms of its objectives, key performance indicators and key performance targets as prescribed in its IDP (Annual Report, 2012, 2013).

According to Porter (2010), a logical strategy should consider factors affecting its organisation, the strategies and structures governing it, its environment and its own governance. However, the audited general reports detected discrepancies that existed between national and provincial policies, the district and local municipalities and the IDP and community realities. They also revealed that the municipality did not seem to be taking advantage of its several stakeholders that were apparently playing a crucial role in economic development and service delivery (Ramodula, 2014).

Unless a fresh approach is employed, ELM will continue to engage in a strategic approach merely focused on compliance as opposed to a strategy accomplished to finding sustainable conducts to meet social, economic and material needs and advance the quality of life for its community. The latter could only be achieved by working with them and groups within its community. The sentiment is echoed by the 2017 – 2022 LED pillars and clearly defined by its Pillar 5 “Economic Governance and
Infrastructure” which goal is to “unpack(s) the notion of an enabling environment for LED, and consists of institutional systems and processes that support the development of local economic activities and a strengthened national coordinating and central point for LED in South Africa” (NFLED, 2017: 21,23).

To overcome these challenges this study explored strategic management tools that could be utilised to ensure that the ELM LED strategic approach would address economic health and other livelihood issues of its residents.

1.5 RESEARCH QUESTIONS

The primary question in this research was:

Does ELM have a local economic development strategy that effectively addresses social and economic sustainability?

This question is supported by the following secondary questions which would help answer the main question:

- How do national and provincial policies influence municipality LED strategies?
- What improvements could be made to ensure that strategic decisions are drawn from the best available alternatives?
- Do the LED strategies take available ELM resources into consideration?

1.6 RESEARCH OBJECTIVES

The objectives of the research study were to:

- Examine whether the ELM strategic approach could improve the potential for local economic growth, based on its comprehensives, structure and interestedness.
- Examine whether there were factors inhibiting ELM in achieving its strategic objectives towards a sustainable LED.
1.7 RESEARCH METHODOLOGY AND DESIGN

1.7.1 Research Method and Design

Dawson (2002) states that when contemplating research methodology, the researcher should be able to differentiate between a qualitative and quantitative approach. The research under review adopted a qualitative research method, which was augmented with content analysis of relevant sources.

The qualitative research approach was appropriate for this research because it, “uses words in the gathering and examination of information and it further emphasises that the academic researcher must write the study through the eyes of the participants in the researched topic” (Maphela, 2015: 34). The research undertook content analysis, which is qualitative, as it presents a better opportunity for understanding the strategic approach in local government than by using quantitative research. This is especially the case in the situation of the IDP procedure and further related policy directives, such as the NDP, which inform development planning (Ramodula, 2014). One could further argue that a qualitative research approach was appropriate for the study because it enabled the researcher to ascertain certain occurrences or situations by studying existing academic literature (Maphela, 2015). Content analysis is the process of transforming raw data into a standardised form (Kohlbacher, 2006). Content analysis is further defined as ‘the study of recorded human communications’ (Kohlbacher, 2006:10). Content analysis made it possible to add predictions and principles already explored and described by researchers.

1.7.2 Data Collection

There are different methods a researcher may use to collect data. Primary data collection includes raw data collected through, e.g., observation, interviews, focus groups, and questionnaires (Saunders & Lewis, 2012). Another method is secondary data collection which includes data collected, processed and stored prior to the research under review, e.g. documentary, survey and multiple sources (Saunders & Lewis, 2012).

Since the strategic approach towards development planning at local government is influenced by legislation, policies and frameworks, the researcher examined several documents that have a bearing on the NDP, Provincial Growth and Development
Strategy (PGDS), and IDP, and other initiatives to understand and interpret strategic planning within a municipality.

Secondary data were therefore applied in the research under review. The motivation for using secondary data is that it is obtained by researchers all over the world; making it more prevalent and practical (Johnston, 2014).

The utilisation of secondary data has its disadvantages, which include being confined to libraries or research institutions (Lopez, 2013). This may result in a researcher only focusing on the scope of knowledge gleaned (Lopez, 2013).

1.7.3 Data Analysis

The analysis of secondary data, according to Johnston (2014), is usually determined by the research questions. This allows for data collected to be grouped into categories that lead to clear interpretation of data (Saunders & Lewis, 2012). By applying theoretical knowledge, the researcher can unpack the different scopes of legislation, strategies and systems thinking methods required to respond to the research question (Saunders & Lewis, 2012). When analysing secondary data, the researcher must be wary of its limitations, which include “having to settle for the original measurement tool and therefore having to evaluate and make a judgment call on the instrumentation. Having to settle without understanding how original data was collected and how the researcher examined issues such as sampling, response rates, missing responses, and bias” (Johnston, 2014:623).

1.8 CONCLUSION

This section presented the scope of the research, starting with the historical background of strategic management in South Africa. Then followed a description of the problem situation, highlighting the complex and unpredictable challenges faced by local government. Using theory, concepts informing the problem statement were identified and explored.

The problem identified was the increased demand to expand the economic output of ELM to improve its economic future and the standard of living (Ramodula, 2014). This demand has been spurred by increase in lack of service delivery, unemployment,
inequality and lack of alignment of legislation, fiscal policies and development planning frameworks intended to address poverty alleviation and unemployment (Koma, 2014).

The research question and objectives furnished stated the relevance of having an effective and sustainable strategic approach needed examination. The research methodology explained the methods used to gather the information to answer the research question. The next section identifies the research that already has been completed pertaining to the study under review, thus allowing further analysis of information relevant to the topic that could assist in responding to the research questions.
2.1 INTRODUCTION

A strategy boils down to a discourse of “adding value to your stakeholders” (Loewen, 1997:21). To add value to stakeholders, an organisation needs a view of its future, an understanding of its current environment and competencies to survive in the long run (Loewen, 1997). Prior studies have recognised that LED plays a vital role in improving the standard of living through job creation, alleviation of poverty and inequality (Meyer, 2014). They recommend that a comprehensive strategy towards LED be compiled to achieve developmental success (Meyer, 2014). In South Africa development planning policies are overarching strategies with the aim of stabilising the macroeconomics and attaining sustained growth, improvement with literacy, better infrastructure, reduced poverty and improved healthcare standards (Kende-Robb, 2005). They set the tone in terms of the country’s vision, mission and objectives. They also determine appropriate targets to achieve the objectives and devise ways in which targets can be reached (Perai, 2016). However, the performance of an organisation in a competitive economy relies on implementation and quality of management through proper strategic management (Zafar, Babar & Abbas, 2013).

Section 2 gives a theoretical summary of the impact of development planning policies and frameworks on strategic management. They are significant as they are often deemed to be key actors in economic development and pave the way for strategy formulation (Meyer, 2014). National, provincial and local perspectives of policies and framework are examined in line with the prerequisite of the Constitution (South Africa, 1996) and the Municipal Systems Act, 2000 (South Africa, 2000). The systems thinking model is utilised to understand the factors that hamper ELM in achieving its strategic objectives (Swinburn & Murphy, 2015). Systems thinking is founded upon the principle of “an outlook to see better; a network to understand better and a platform to act better” (Skyttner 2005: 38). Ramodula (2014) has used the model to evaluate the degree of the application of strategic thinking at the Mangaung Metropolitan Municipality.
2.2 DEFINING LOCAL ECONOMIC DEVELOPMENT (LED)

The National Framework for Local Economic Development (NFLED) (2017:30) defines LED “…as the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation with the objective of building up the economic capacity of a local area to improve its economic future and the quality of life for all”. LED sentiments are echoed by the Sustainable Development Goals (SDG) 2030, which state that, “LED offers local government, the private and not-for profit sectors, and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive” (Perai, 2016:3). These above definitions indicate that LED is concerned with micro-economics; determining the use of local resources to create sustainable economic and social development in local areas (Wyngaard, 2006) and determining how decisions are made based on the allocation of limited resources at local level (Meyer, 2014).

The function of the NFLED (2017) is to provide better understanding of LED and its role in national and regional development and growth in South Africa. The LED core policy pillars have been designed to promote local government’s participation in relevant development (see Figure 2.1 below). They further impress the objectives of the NDP and the White Paper on Local Government, which are “… working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives” (NFLED, 2017:18). The policy pillars are:

- Building diverse and innovation-driven local economies
- Developing inclusive economies
- Developing learning and skilful economies
- Enterprise development and support
- Economic governance and infrastructure
- Strengthening local systems of innovation
The six LED core policy pillars provide a legal framework and have an influence on how municipalities conduct local development. The study under review adopted the economic governance pillar. This pillar, as stated in the NFLED (2017), uncovers the idea of an “enabling environment” for LED, and it suggests institutional systems and processes that support the development of local economic activities. Programmes that are targeted under this pillar include the following:

- Improving the role of municipal leadership in LED in terms of capacity building, lobbying, and advocacy
- Efficient provisioning of land and land-use for economic development
- Efficient provisioning of economic infrastructure through programmes such as Municipal Infrastructure Grant (MIG)
Improving the regulatory environment and reducing red tape and promoting public-private dialogue (NFLED, 2017: 22).

The literature consulted has many definitions of LED. However, as the research intention was to understand the effectiveness and sustainability of the ELM LED strategy from a policy perspective, the NFLED definition was used for the purposes of this research.

2.3 DEFINING STRATEGIC MANAGEMENT

The Annual Audited General Report (2017) detects discrepancies in the alignment of national and provincial policies, the distorted relationships between district and local municipalities and the IDP, and community realities (Ramodula, 2014). A strategic management approach needs to be employed to meet social, economic and material needs and improve the standard of living for ELM residents. According to Peria (2016:5), strategically planned LED can be used “to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs and workers”. The design and approach of the LED strategy need to be guided by its community’s economic, social and physical attributes (Peria, 2016). Therefore, the strategic management of LED requires a system to be put in place that will facilitate the capabilities of the municipality and its response to the unknown, unpredictable and not amenable environment (UKEssays, 2013).

The strategic approach of economic development in South Africa is constituted in the Constitution (South Africa, 1996). The Local Government Municipal Structures Act (South Africa, 1998) calls on municipalities to provide democratic and accountable government for local communities, to ensure the provision of services to communities in a sustainable manner and to promote social and economic development.

The objectives contained in the above are the blueprint for municipalities to conduct business. They are further defined by the country’s core strategy, the NDP, which may not always be explicitly articulated but should be echoed in a municipality’s IDP as a form of commitment to its local citizens and the country. Therefore, the IDP becomes
the strategic management tool that describes who the stakeholders are, how the municipality reaches and relates to them, what it offers to them, with what resources, activities and partners, and, finally, how it organises finance and manages operations (de Kluyver & Pearce, 2015).

Figure 2.2 is a road map indicating the strategic process drawn up and defined by national government. The medium term strategic framework (MTSF) is government’s strategic plan for the 2014 – 2019 electoral term. “It emulates the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP” (MTSF, 2014:4). The MTSF spells out the action that each government sphere is supposed to take. It also ensures policy coherence, alignment and co-ordination (MTSF, 2014). The MTSF arguably becomes the first blueprint providing purpose and actions for local municipalities.

![Medium Term Strategic Framework](image)

**Figure 2: Medium Term Strategic Framework 2014-2019**

(MTSF, 2014)

Strategic management therefore “… involves decisions concerning what an organisation might do, given the opportunities in its environment; what it can do, given the resources at its disposal; what it wants to do, given the personal values and aspirations of key decision makers; and what it should do, given the ethical and legal context in which it is operating” (UKEssays, 2013:7). It declares the difference an organisation seeks to make in the world (Groscurth 2014).
The strategic management plan for ELM as stipulated in its 2017 – 2022 IDP, starting with its vision, is to develop to become a municipality striving for excellence and to accelerate provision of quality services to the satisfaction of its communities. The vision statement describes what ELM would like to accomplish in the long term. The vision statement serves to provide a clear guideline of the future’s course of action (Groscurth 2014).

The vision statement also provides clear guidance for the research under review, allowing it to unpack what could constitute an effective and sustainable LED strategy for ELM. Furthermore, the mission statement provides the strategic direction that responds to the tool that drives the organisational performance to succeed (Groscurth 2014). While the core values define what the municipality stands for, its purpose gives the reason for its existence (Groscurth 2014).

**VISION STATEMENT**

“A developmental local municipality striving to accelerate provision of quality services to the satisfaction of our communities (IDP 2017, 37).”

**MISSION STATEMENT**

“ELM exists to improve the quality of life of its citizens by providing accelerated services and creation of an environment conducive for economic growth through good governance, innovation and integrated planning (IDP 2017, 37).”

**CORE VALUES**

- **Consultation** – ELM should consult with all community stakeholders by holding meetings with consumers.

- **Service standards** – The municipality should have service standards that are precise and measurable so that users determine whether they are receiving what was promised.

- **Access** – All communities within ELM should have uninterrupted access to basic quality municipal services and information.
• **Courtesy** – The staff of ELM should empathise with citizens and treat them as much considerations and respect as they would like for themselves.

• **Information** – ELM should make information about municipal services, the organisation and other service delivery-related matters available for all its residents and staff members at all points of delivery.

• **Transparency** – The community has the right to know more about the way the municipality operates, how well the municipality utilises the resources they consume, and who is in charge.

• **Redress** – The municipality should welcome complaints and identify when municipal services are falling below the promised standard quickly and accurately and have procedures in place to remedy the situation.

• **Value for money** – Consumers are entitled to service standards commensurate, to the value of the money they pay for the municipal services.

• **Responsiveness** – ELM should promptly respond to community members’ queries about service rendered (IDP 2017, 37).

The execution of the strategic management plan is the responsibility of the municipal council. It should exercise its executive and legislative authority and use its resources in the best interests of the community (SALGA, 2011). The council should further ensure that service delivery is provided to the residents of a local community in a financially and environmentally sustainable manner, and consult the community about the level, quality, range and impact of municipal services and the available options for service delivery (SALGA, 2011). Therefore, it is the municipal council’s responsibility to unpack the vision of an enabling environment for LED, which consists of institutional systems and processes that support the development of local economic activities, as stipulated by Policy Pillar 5 of the NFLED 2017-2022 (NFLED, 2017).

The ELM LED strategic vision, which has been accepted by the municipal council, is stipulated in the IDP “…to ensure accelerated growth and generate employment opportunities” (IDP, 2017:65). The municipality plans to achieve this LED vision by creating an environment that is productive, competitive and diversified (IDP, 2017). The LED strategic plan is summarised as follows:

**Strategic Objectives**

• To promote social and economic development  **Strategies**
• Ensure the functionality of the LED forum and the creation of a year calendar
• Ensure the review of the investment strategy
• Create an enabling environment for co-operatives and SMMEs to thrive
• Reduce the unemployment rate within the municipality (IDP, 2017: 67)

Understanding the definition of strategic management and knowing the LED strategy for ELM will aid in unpacking whether ELM strategy towards LED is effective; considering factors affecting its organisation, the strategies and structures governing it, its environment and its own governance.

2.4 NATIONAL, PROVINCIAL AND LOCAL POLICIES AND FRAMEWORKS

The South African National Development Plan (NDP) is the overarching strategy for development planning in South Africa. It is the blueprint with the view for the future and an understanding of the types of skills, competencies and resources necessary to operate in the future (NDP, 2012). According to the CoGTA (GCIS: 2016, 1), its jurisdiction is to “facilitate cooperative governance, to support all spheres of government and to assist the institution of traditional leadership with transforming itself into a strategic partner of government in the development of communities”.

The NDP provides order and direction for creating an environment that enhances resilient macro-economic expansion through increased local economic growth, employment creation and development initiatives within the context of sustainable development (CoGTA, 2012). The NDP is supported by various policies, plans and legislation which are executed at different government tiers. The South African government is divided into three tiers, namely national, provincial and local governments, each with its own legislature and executive systems that are interdependent, interrelated and co-operative (GCIS, 2016). These tiers are managed in accordance with the Constitution, laws and policies made by National Parliament. This means that provincial and local governments cannot do anything that goes against the law or policies laid down by national government (GCIS, 2016). Furthermore, CoGTA’s mission is to guarantee that all municipalities achieve their basic responsibilities and functions reliably, including abiding by the various policies and frameworks to ensure all spheres of government work towards attaining the same
goal and follow similar approaches towards achieving economic development (CoGTA, 2018).

The IDP is a tool used to facilitate a system of communication and co-ordination between local, provincial and national spheres of government (IDP, 2017). The IDP should consider national and provincial policies, legislation and frameworks when formulating and implementing LED strategy as it will ensure government support and easier access to government grants and donor organisations (Mogale City, 2011). Provincial and local governments receive most of their funds from National Treasury, through grants and loans. Grants, loans and revenue raised by municipalities are allocated to pro poor growth services, such as Small; Macro; and Medium Enterprises (SMMEs), water, electricity, and road and municipality infrastructure (the capital required to provide municipal services) (Financial & Fiscal Commission, 2014). Authors such as Meyer (2014), argue that the pro poor services do not always deliver the required results for LED. “The main constraints in delivering results in ‘pro poor’ implementation is poor analysis of local economies, unsustainable community projects, lack of capacity and lack of resources” (Meyer, 2014: 624).

The pro poor approach towards economic development in South Africa stems from the interim Constitution which encouraged local government to mediate and perform a principal role in job creation and reduction of poverty through LED (Meyer, 2014).

The South Africa interim Constitution, which was adopted in 1993 lead a new political dispensation in the history of South Africa. The country adopted a long-term development planning strategy after realising that markets or the private sector could not resolve the development challenges faced by the country (Moyo & Mamobolo, 2014). The Reconstruction and Development Programme (RDP) was the first development plan that South Africa adopted. It was a policy created to address the inequality, poverty and unemployment the country was experiencing at the time (Moyo & Mamobolo, 2014). Through the RDP many deserving South Africans were offered housing, water, sanitation, electricity and other community initiatives that alleviated poverty and encourage economic growth. “The RDP’s pro poor approach included land reform, industrialisation, productivity improvements, human capital development, agricultural growth and infrastructural development, and provision of basic social services such as housing, education and health care” (Moyo & Mamobolo, 2014: 948).
The RDP encouraged the preceding government to exercise a ‘leading and enabling role’ in economic and social transformation. Soon after 1994, the government realised that country needed sustainable economic growth of more than 3% (Moyo & Mamobolo, 2014).

The South African government launched the Growth, Employment and Redistribution (GEAR) strategy, which was designed to rebuild and restructure the economy to reach the goals of the RDP (Moyo & Mamobolo, 2014). Karriem and Hoskins (2016) state that the move from the RDP, which promoted ‘growth through redistribution’, to GEAR, which promoted ‘redistribution through growth’, resulted in a neoliberal approach. The neoliberal approach meant that the South African government would focus on markets as a mechanism for efficiently allocating resources (Turner, 2008). GEAR’s focus was on the macro-economic reform to further increase investment. The assumption was that this neoliberal approach would create an environment where the market would produce a natural order in society by the voluntary exchange of goods and services, and promoting productive efficiency, social prosperity and freedom (Turner, 2008).

Soon after, the government concluded that GEAR was not producing the intended results as it was not bringing forth satisfying growth rate. Government then introduced the Accelerated and Shared Growth Initiative for South Africa (ASGISA) because it was concerned about the high levels of poverty and unemployment even after the country had experienced an average of 3% per annum growth during the period of 1994 – 2004, 4 %, and 5% in 2005 (Moyo & Mamobolo, 2014). The ASGISA strategy was to increase the GDP to be 4, 5% on average between 2005 and 2009 and 6% per annum over the period 2009–2014. “Unemployment was to be reduced from 26% in 2005 to below 15% and to halve poverty to less than one-sixth of households”. It also sought to implement infrastructure programmes, sector investment strategies and skills development, for example, the Joint Initiative for Priority Skills Acquisition (JIPSA), to identify urgent skills needs and propose quick and effective solutions” (Moyo & Mamobolo, 2014: 948). Unfortunately, ASGISA was never realised, due to the recall of President Thabo Mbeki, who was the initiator of the development plan. This led to the implementation of the New Growth Path (NGP), which was introduced by President Jacob Zuma during his inauguration (SAHO, 2018).
The NGP was government’s act to target mass joblessness, poverty and inequality. The development plan recognized where employment creation would be probable with success indicators being jobs, equity growth and environmental outcomes (IDP, 2015). The short-term to medium term outcomes were to support labour-absorbing activities, especially in infrastructure, agriculture values chain and light manufacturing services; simultaneously promoting SMMEs, Black Economic Empowerment (BEE), and education and skills development (IDP, 2015). The NGP was later revised and the NDP was introduced in 2012.

Cabinet approved the NDP in 2012. It committed the nation to “building a capable state” that would eradicate poverty and reduce inequality (Karriem & Hoskins, 2016). The eradication of poverty and the reduction of inequality were to be achieved by raising the living standards, increasing employment, and establishing higher income through productivity, social wages, and good-quality public service (NDP, 2011; 1516).

Scholars, such as Breakfast (2015), Karriem and Hoskins (2016) and Moyo and Mamobolo (2014), have argued that these policies do not convincingly identify the problematic root cause of poverty, inequality and unemployment. Moyo and Mamobolo (2014:952) state that “…the failure of the Plans to present strategies that will lead to transformation of the structural order that breeds poverty and inequality, seriously casts doubt on their credibility”. Their argument draws on the performance, implementation and achievement outputs of the programmes. They add that “…the RDP was a credible programme despite the challenges that led to its abandonment. […] the RDP was not drawn up by experts – although many experts have participated in that process – but by the very people that were part of its implementation. It was a product of consultation, debate and reflection on what the country needed and what is possible’. […] The comprehensive nature of the document is evident in its scope, which addresses practically all aspects of the challenges that the country faced at the dawn of democracy: political, social and economic” (Moyo and Mamobolo 2014:952).

Breakfast (2015) argues that the introduction of neoliberalism through GEAR emphasised privatisation and benefitted those who were associated with the ruling party. Neoliberalism, according to him, is an “ideological framework (is) premised on the notion that to address poverty one has to create employment; jobs are created
through the expansion of the formal economy” (Breakfast, 2015: 761). Breakfast (2015: 764) maintains that “…those who subscribe to Marxism in the African National Congress (ANC) argue that GEAR was a deviation from the Freedom Charter towards a capitalist economic approach. According to them, GEAR was a betrayal of the National Democratic Revolution, which seeks to establish a socialist state”. GEAR reflected the views of the business and political elites within the ruling party it focused on business running the economy while government took a back seat and it failed to focus on those that were marginalised (Breakfast, 2015).

Naidoo and Maré (2015) state that there have been various responses to the NDP, that it appears to be similar to the RDP and its approach towards implementation does not have institutional arrangements to avoid the pitfalls of the previous development plans. They add that the NDP is like the RDP in scope and symbolic value and has attracted widespread societal support from opposition political parties, and business and non-governmental sectors (2015: 424). However, the ANC alliance COSATU has criticised the NDP; raising issues about the quality of jobs and low wages, and citing that its credibility is narrowly focused, as that of GEAR and ASGISA were.

The approach that government adopts towards development planning plays a critical role in the development of an LED strategy by local government (Karriem & Hoskins, 2016). The pro poor approach was centred on focusing on the poor, while the neoliberal approach focused on formal business and industrial development. While there is criticism about each school of thought, their influence has impacted the approach regarding the implementation of LED. Change in leadership, as discussed above, thwarted development plans and meant local government was not given ample time to fully contextualise and synchronise the plans in their context (Kondlo & Maserumule, 2010). It also means not enough time was given to create a robust and inclusive economy to exploit local opportunities.

Other intergovernmental planning and strategies in place to bring about long-term development in South Africa and which municipalities should incorporate into their plans are the following:

local economies. The document makes the point that the implementation of policies and programmes of government to stimulate economic development should be realised at local level. The key policy pillars of the National Framework for LED are:

- Building a diverse economic base
- Developing inclusive economies
- Developing learning and skilful economies
- Enterprise development support
- Economic governance and infrastructure

**Industrial Policy Action Plan** – The Industrial Policy Action Plan (IPAP) 2011/12 – 2013/14 is a Department of Trade and Industry (DTI) drive to continuously build on industrial development. IPAP addresses South Africa’s economic challenges through industrial development, identifying key sectors that can generate employment and DTI investment in such sectors (IDP, 2015).

**The National Spatial Development** – The National Spatial Development (NSP) was created to reconfigure apartheid spatial relations and implement spatial priorities that meet the Constitutional imperative of providing basic services and alleviating poverty and inequality. The NSP provides an indication of potential in different geographic spaces across the country and is used as an instrument that informs the respective development plans of the national, provincial and local governments, which include Integrated Development Plans, Provincial Growth and Development Strategy and the Medium Term Strategic Framework.


- Exercise the municipality’s executive and legislative authority and use the resources of the municipality in the best interest of the local community.
- Provide, without favour or prejudice, democratic and accountable government.
  - Encourage the involvement of the local community
- Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.
• Consult the local community about o The level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and
• The available options for service delivery.
• Give members of the local community equitable access to the municipal services to which they are entitled.
• Promote and undertake development in the municipality.
• Promote gender equity in the municipality’s executive and legislative authority.
• Promote a safe and healthy environment in the municipality.
• Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

These intergovernmental planning policies and strategies along with provincial strategies should be co-ordinated and aligned with the IDP. The IDP is considered to be the strategic management plan that has been developed to meet the goals of national and provincial governments. The provincial frameworks and legislation are incorporated into the IDP only if they seek to deal with specific issues that facilitate progressive growth of the desired developmental trajectory of the district municipality (Nkangala District IDP, 2017). The Nkangala District Municipality (NDM) is a Category C municipality. According to the Municipality Systems Act, 2000 (MSA), a district municipality is primarily responsible for capacity-building and district-wide planning. District municipalities are required to have a 5-year strategic plan which is inclusive and strategic for the development of the municipality. Strategic plans, link, integrate and co-ordinate plans, take into account proposals for the development of the municipality, and align the resources and capacity of the ELM (MSA, 2000). The key provincial programmes that have been incorporated into the NDM are as follows:

Mpumalanga Economic Growth Development Path 2011 – “The primary objective of the Mpumalanga Economic Growth and Development Path (MEGDP) is to foster economic growth that creates jobs with the aim to reduce poverty and inequality in the province. The MEGDP identifies key sectors of the province” (Sithole 2013, 4). The MEGDP aims at achieving the NGP objectives.
Mpumalanga Rural Development Programme (MRDP) – The MRDP aims to be an effective response against poverty and food insecurity by maximising the use and management of natural resources to create vibrant, equitable and sustainable rural communities. The MRDP should improve the standards of living and welfare but also rectify past injustices through rights-based interventions and address-skewed patterns of distribution and ownership of wealth and assets. The strategic objective of the MRDP is therefore to facilitate integrated development and social cohesion through participatory approaches in partnership with all sectors of society.

Mpumalanga Tourism Growth Strategy – The Mpumalanga Tourism Growth Strategy 2007 is a detailed framework to guide tourism initiatives and development in the province. The focus area is to increase revenue in the tourism sector; creating additional economic activity which will benefit the people of Mpumalanga (IDP, 2016).

Nkangala District Municipality (NDM) - The NDM 5-year plan, which is in the form of an IDP, is a planning instrument that informs planning and development in the district. It identifies priority needs for local municipalities and focus areas. The IDP guides duties of official bodies involved in the implementation processes. The NDM IDP has nine key pillars aimed at improving the economic landscape of the district economy

- Good governance and capacitation
- Human resource and community development
- Industrial and big business development
- SMME development and support
- Tourism development
- Rural development
- Sustainable environmental development
- Nepad and international cooperation (NDM IDP, 2018)

The NDM LED is done through coordination of district economic development and sectorial cluster plans in consultation with all relevant stakeholders within the district. The strategic focus of the NDM LED plan is to enhance economic development, job creation and poverty alleviation through:

- Economic diversification
- Research studies and plans
• Marketing
• Institutional development
• Green economy mainstreaming
• Business retention, attraction and development (NDM IDP, 2018)

The NDM Spatial Development Frameworks Strategy lists the following as priorities for the district:

• To identify and procure land for new township and cemetery establishment in the district
• To subdivide and rezone strategic development area
• To facilitate the development of an economical nodal point
• To ensure the formalisation of informal settlements
• To update the land use schemes to be in line with the new promulgated act, the Spatial Planning and Land Use Management Act and the Regulation thereof
• To facilitate the integration of the human settlement programme within the district
• To review and implement the NDM GIS strategy by providing hardware/software resources, HR resources, and training for all local municipalities (NDM IDP, 2018)

The NDM comprises of six local municipalities, including ELM, which are required to focus their efforts and energy on one vision for the district. Furthermore, the MSA Section 3 stipulates that “A local municipality must align its integrated development plan with the district’s framework”. However, it should be noted that NDM IDP should be developed through consultation with the local municipality to ensure alignment and coordination. This process also guides the local municipality when formulating its IDP.

ELM is required under Section 28 of the Municipal Systems Act 32 of 2000 (MSA) to “adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan”. An IDP is an inclusive and strategic 5-year plan which links, integrates and co-ordinates development of the municipality according to its resources and capacity (Municipal Systems Act, 32 of 2000). It also assists municipalities in decision-making on issues such as municipal budget, business plans and land use management (Coetzee, Feldman, Huebner, Majozi,
The role of the IDP is to

- Assist local government by giving guidance to perform its roles, such as provision of basic services, creation of jobs, promoting democracy and accountability and eradication of poverty
- Assist in making the decisions in a democratic and transparent manner instead of decision being made by few influential individuals
- Give an opportunity to inform the council about its developmental needs.
- Give community members and other stakeholders an opportunity to understand the direction that the municipality is taking
- Open communication between community members and their councilors and governing body
- Give community members an opportunity to measure the performance of their municipality and hold the ward councilors accountable for their responsibilities
- Encourage participation of previously disadvantaged groups such as women and disabled people, resulting in their voices being heard (Coetzee, et al., 2000).

The IDP encourages different stakeholders within a municipal area to partake in the preparation and implementation of development plan. Different stakeholders include community members, non-governmental organisations (NGOs), business owners who reside and do business within that municipal area, councillors, municipal officials and provincial and national departments. Stakeholder involvement is fundamentally important in the process of creating an IDP as it allows for decisionmaking that will create economic growth and income opportunities. Furthermore, it allows municipalities to decide on the LED strategy, which is part of IDP development. The LED strategy should be based on the complete vision outlined in the IDP and should imitate the results of the identified problems and priorities. The development of an LED strategy requires a municipality to examine the existing situation, look at opportunities for growth and decide on the best strategies to achieve its goals (IDP, 2012). This indicates that participation should be structured to ensure full participation of all stakeholders, including those that are marginalised.

More importantly it indicates that an IDP is a critical component of LED.
When considering the changes that have occurred in development planning (i.e. RDP, GEAR, ASGISA, and NDP) and in national, provincial and local leadership, they present challenges for local municipalities and test their creativity and endurance (Kondlo & Maserumule, 2010); also regarding the strategies they come up with. What is certain is that it can no longer be ‘business as usual’. Communities are increasingly becoming dissatisfied and require better solutions to confront challenges of poverty, employment and inequality (International Fund for Agricultural Development (IFAD), 2010). Planning begins by specifying the problems, and constructing the hypotheses to explain the problems is needed. Only when we understand the situation can we begin to implement change.

The systems thinking model has been proposed as an approach to understand complex situations (such as policy and legislation alignment, stakeholder management, and strategy development) that ELM has to deal with, how they come about and what might be done differently.

2.5 Systems thinking

Part of understanding whether a strategy is effective and sustainable includes being able to describe it in terms of its development model and whether it permits a clear consideration of the architecture of its respective components and its relationship to its environment, which is constantly changing (de Kluyver and Pearce, 2015). de Kluyver and Pearce (2015) state that thinking holistically about every component that contributes towards successful strategic management and systematically challenging beliefs about such components significantly extends the scope for innovation. It also expands the probabilities of building a sustainable competitive advantage. However, there have been many concerns about the poor performance of municipalities, resulting in the belief that the strategic approach is neither effective nor sustainable. This was indicated in a programme, Back to Basic (B2B), initiated by the DCoGTA called the Back to Basic (B2B). The B2B programme focuses on the efficiency of municipalities in delivering basic services to the citizens, which include clean drinking water, sanitation, electricity, shelter, waste removal and roads. These are basic human right services, which are essential components of the right to dignity preserved in our Constitution and Bill of Rights (n.d.). The programme has revealed that “political instability and weaknesses in governance are two of the primary causes of poor service delivery at municipal level (CoGTA, 2016: 41)”.

It also has pointed out that
“municipalities with weaknesses in governance and corporate management functions such as financial management, human resource management and supply chain management, also tend to experience difficulties in service delivery” (DCoGTA, 2016: 41). What this reveal is that unless the value of a particulate service offering is constantly maintained, nourished and improved, it will erode over time. This is what municipalities constantly experience (de Kluyver & Pearce, 2015).

The systems thinking approach was used to examine whether there were factors affecting ELM from achieving its strategic objectives towards an effective and sustainable LED strategy. It was also used to examine whether the LED strategic approach was comprehensive, well-structured and integrated in contributing to the potential for local economic growth in ELM.

The approach to systems thinking is unique from the traditional form of analysis (Aronson, 1996). Traditional analysis focuses on issues separately, for example a SWOT analysis would usually entail evaluation of data or information by breaking it into components. It recognizes the internal strengths, weaknesses, opportunities and threats of the organisation (Aronson, 1996). Systems thinking attention is on how several components being studied connect with one another. Instead of identifying strengths, weakness, opportunities and threats, systems thinking would seek to dig deeper, understand multiple perspectives, and therefore raise the level of thinking (Aronson, 1996). There are five approaches to systems thinking, and they deal with “understanding interrelationships, dealing with different perspectives and addressing power relations in relation to systems intervention in different ways” (Reynolds & Holwell, 2010: 129). This is depicted in the Table 2.1 below:
Table 1: Systems Thinking Tools Summerised

<table>
<thead>
<tr>
<th>Systems Thinking Tools</th>
<th>Meaning</th>
<th>Examples</th>
</tr>
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<tbody>
<tr>
<td>Systems Dynamics</td>
<td>Systems dynamics was founded by J W Forrester in the mid-1950s. It is a method to describe, model, simulate and analyse dynamic complex issues (Pruyt, 2013: 1). The system uses “feedback loops and simulation models within the systems paradigm”. System dynamics can assist in understanding structure and behaviours of a system with non-linear links and feedback (Pejic-Bach &amp; Ceric, 2007).</td>
<td>The model has been used to improve understanding of the “possible consequences of policy choices and towards deepening policy-makers comprehension of the underlying problems and issues” (Economic Commission for Latin America and the Caribbean, 2019).</td>
</tr>
<tr>
<td>Viable System Model (VSM)</td>
<td>VSM is a diagnostic tool developed by Stafford Beer who was seeking features in a system that makes it viable. This includes the competency of a system to exist, have an identity and survive despite disturbances. (Hildbrand &amp; Bodhanya, 2015).</td>
<td>Operational management or engineering. Consultants, decision-makers and systems analysts particularly appreciate VSM given the thoroughness and rapidness of its diagnosis and ability to assist with complexity management (Hildbrand &amp; Bodhanya, 2015: 186).</td>
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<tr>
<td>Strategic Options Development and Analysis (SODA)</td>
<td>SODA is a problem-structuring method that enables participants to negotiate meaning through group engagement based on cognitive and, or causal mapping. It was compiled by Colin Eden and Fran Ackermann. SODA is a graphical technique for mapping out major attributes and facets of problematic situations (Reynolds &amp; Holwell, 2010: 129-135).</td>
<td>SODA is more commonly applied in group settings</td>
</tr>
<tr>
<td>Soft Systems Methodology (SSM)</td>
<td>SSM was designed by Checkland in 1981 to provide a tool for investigating an unstructured problem situation. SSM questions what operations the system should perform and, more importantly, why. Thus SSM provides a “soft” investigation (into what the system should do) which can be used to precede the “hard” investigation (into how the system should do it) (Gasson, 1994: 1)</td>
<td>The area where SSM is of most use is in information system requirements investigation, where the problem situation is seen as “fuzzy” or ill-defined. In other words, it is not immediately clear what type of system or systems will solve the problems of the organisational work system (Gasson, 1994: 2).</td>
</tr>
<tr>
<td>Critical Systems Heuristics (CSH)</td>
<td>CSH is a philosophical framework for supporting reflective practice, and for contrasting judgements about problem situations. It is further a mechanism for understanding how people frame situations (Reynolds &amp; Holwell, 2010 129-135).</td>
<td>CSH is composed of twelve “boundary questions” created to sketch situation frameworks. CSH is used in the “arena of evaluating plans or planning processes either as post-hoc, summative evaluation or as more constituent in-situ formative evaluations” (Reynolds, 2007: 101-122).</td>
</tr>
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in the ELM context because it “… facilitates a holistic understanding of problem situations, supports learning and improvements, which will assist with examining the effectiveness and sustainability of ELM LED strategy” (Hildbrand & Bodhanya, 2014).

The SSM approach was developed by Peter Checkland and John Poulter through action research over a period of 30 years. They developed the methodology to understand and work with social complexity (Reynolds & Holwell, 2010). Patel (2018: 13) defines SSM as a “particularly productive methodology for studying any organized human activity existing to pursue a given purpose or purposes”.

“Municipalities have complex social structures. The complexity in a municipality context arises from the interaction and interdependency of legislation, policy, governance and stakeholders that have diverse perceptions and partially conflicting views” (Hildbrand & Bodhanya, 2014). SSM empowers persons to learn their own conducts of handling problem situations through an organised process of thinking about and interrogating such situations. It is an interpretive framework that focuses on improvement rather than solutions, and emphasises accommodation, instead of consensus (Hildbrand and Bodhanya, 2014, 409). Furthermore, SSM is slightly simpler to use than VSM, for example. Researchers such as Reynolds and Holwell (2010) have described the VSM model as interpretivist or even emancipatory in approach, while SSM requires no elaborate tools. Pen and paper are sufficient, while its ability to identify problem areas is very comprehensive and incisive (Patel, 2018).

The first four stages of the conventional seven stages were used to aid inquiry into the problem context and the human activity system (something that people do or cause to happen). The human activity system was analysed and defined by the production of the rich picture, root definition and conceptual models. These four stages are never-ending learning cycles within SSM that continuously enquire about problem situations and seek to facilitate improvement. They are characterised by their messy, unstructured, complex and ill-defined nature (Hildbrand and Bodhanya 2014, 408,411,412). The seven stages of SSM are illustrated in Figure 2.3 below.
The four stages used for the purpose of this research are the following

**Stage 1**: Finding out about a perceived problem situation – Rich Picture: A Rich Picture constitutes an expressive illustration of a situation. It shows, for example, the relevant stakeholders, structures, issues and opinions, as well as their interrelationships in a situation to facilitate a common understanding and encourage discussions (Hildbrand and Bodhanya, 2014).

**Stage 2**: Generating models of purposeful activity systems that potentially assist in dealing with the problem situation – namely the PQR formula and CATWOE: CATWOE names the key stakeholders and aspects that need to be included in the root definition. The PQR formula states what a purposeful activity system needs to do (P), how it can accomplish this (Q), and why it should do it (R); in short ‘do P by Q in order to achieve R’ (Hildbrand and Bodhanya, 2014).

**Stage 3**: Comparing these models with the problem situation to reach agreement on changes (Hildbrand and Bodhanya, 2014).
Stage 4: Implementing agreed changes (Hildbrand and Bodhanya, 2014).

The first stage is critical and it will be illustrated through a Rich Picture that expresses the situation at ELM, for example, the structures, issues and opinions (Hildbrand & Bodhanya, 2014). The second stage explores the problematic situation throughout theoretical and conceptual models. It is a stage where the environment of ELM is rationalised through legislation and policies (i.e. NDP) and is integrated with information gained from the first stage. The CATWOE articulates the assumptions, particularly the worldview of the stakeholders involved (national, provincial and local). The third stage seeks to reach an agreement on changes that are relevant and culturally feasible. This stage includes reviewing audited reports and the IDP. It assists in assessing the gaps between resources that ELM is able to generate through its revenues and resources required to carry out assigned responsibilities. In the fourth stage a plan is designed that carries out specific actions. These actions are communicated to specific stakeholders, mainly the actors. The performance of the plan is monitored, including the environment where the plan is being executed. Lastly results are evaluated.

According to Patel (1995:13), “the stages of SSM make it unique as it allows the analyst to be able to embark on a process of learning about the real-world situation while seeking to improve it by analysing the situation within a paradigm of soft systems thinking and suggesting recommendations for further action to improve the problem situation”.

2.5 CONCLUSION

The IDP is an inclusive strategic plan that leads and informs the planning, budgeting and development of a municipality. It also allows municipality leadership and management to take informed decisions about efficient and effective service delivery (South Africa, 2000). However, the complexities existing in a municipality and that arise from the interaction and interdependency of legislation, policy and stakeholders with diverse perception and sometimes conflicting views mean it can no longer be business as usual (Hildbrand & Bodhanya, 2014). Such interconnected complexities require a system of thinking different from the norm. Such a system should enable the ELM to gain access to a broader set of opportunities, to eradicate poverty and
maximise economic growth and development (Khambule and Mtapuri, 2018). While SSM is a suitable methodology for understanding and working with social complexity, it has been criticised for being radical when compared to other approaches for dealing with complex problem contexts (Reynolds & Holwell 2010:130).
SECTION 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

In the past years South Africa has endeavoured to build sustainable economic growth and has developed an agenda that will ensure that this takes place (Koma, 2012). The NPD is a broad vision that provides. “strategic direction on how the country intends to drive the economy and development trajectory and, more importantly, intervene in favour of the poor and the marginalised component of the population” (Koma, 2012: 125). The NDP touches on the many challenges, such as poverty, unemployment, skills shortage and development growth, that the country, and particularly local municipalities, face (Strydom, 2016).

Common philosophical assumptions were reviewed and an ontology paradigm was identified for the research framework. The research design, which is the research blueprint, provides the structure that links the research questions with the research process, analysis and conclusions. Research design also ensures that the evidence attained responds to research questions as unambiguously as possible (Donley, 2012). The research questions allude to explanatory studies that focus on studying a situation to explain the relationships between variables (Donley, 2012). The research variables were analysed using a qualitative content analysis research method where the impact of national and provincial policies on local economic development was assessed. The method used in the application of qualitative content analyses is the directed method which uses existing theory by identifying key concepts or variables as initial coding categories (Hsieh & Shannon, 2005). The identified key concept in this study is, a comprehensive, well-structured LED strategy should enhance the unique set of local conditions to its full potential whilst contributing to macro-economic development. Systems thinking model was applied as a coding process. The coding process use existing legislation, frameworks and policies to offer either support to existing text or to offer improvements that could be implemented to ensure that strategic decisions are drawn from the best available alternatives. Therefore, in this case the content analysis approach required collection of secondary data. This mainly included published data that was already available from various government publications and those of subsidiary organisations, books, magazines and
newspapers. The overall approach and analysis assisted in answering the research questions and meeting the research objectives of the research under review.

3.2 RESEARCH PHILOSOPHY

The research philosophy refers to the assumptions a researcher accepts based on a specific worldview. These assumptions are the ones that underpin the research design and the methods chosen as part of that strategy (Saunders, Lewis & Thornhill, 2007). They provide guidance for conducting research and prescribe whether the researcher’s role is neutral or based on his or her personality (Gubrium & Holstein, 2001). The research philosophy underpinning the research under review assumes that LED is important as it is a cornerstone for poverty alleviation, job creation and inequality discrepancy minimisation. It also assumes that to implement LED a strategic plan needs to be in place as this reveals unique opportunities that create competitive advantage for a municipality. This is supported by a series (tools and practices of LED) drafted by the United Nations Human Settlements Programme (UNHSP) (UN Habitat, 2005: iv) in partnership with EcoPlan International, which states that “LED is recognised as a key component in broader efforts to reduce poverty ... poverty reduction provides for both the promotion of local wealth creation ... and it ensures that those traditionally left out are active participants and have access to opportunities resulting from development”.

This is confirmed by Strydom (2016), who maintains that local wealth creation can be mobilised effectively when local resources are strategically managed – meaning result-oriented processes are in place. Because LED is assumed to be a catalyst for local wealth, this research approached LED using the systems thinking model. The systems philosophy was made popular by von Bertalanffy who saw systems theory providing an alternative mechanistic model dominating the science of his times (Edson, Buckle Henning, & Sankaran, 2017). The systems philosophy was reintroduced by Bob Williams and Richard Hummelbrunner who further unpacked it and provided three primary orientations that they believed characterised a systems approach:

- An understanding of interrelationships
• A commitment to multiple perspectives

These characteristics reflect the ontological, epistemological, and ethical implications of a systems view because they are concerned with the dynamics of relationships within, and between the system and its environment, viewpoint and inclusivity (Edson, et al, 2017). Saunders, et al (2007) explain further that "Epistemology is […] concerned with what constitutes acceptable knowledge in a field of study […] working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists […] and is that what the senses show us as reality is the truth: that objects have an existence independent of the human mind" (Saunders, et al, 2007: 102 – 104). Ontology, they state, is concerned with the nature of reality. Ontology has two aspects, the first one is objectives which portray the position that social entities exist external to social actors, and the second aspect is subjectivism, which view is that social phenomena are created from the perceptions and consequent actions of social actors (Saunders, et al, 2007: 108). Axiology “is a branch of philosophy that studies judgements about value.”

The systems philosophy for the research is an ontology paradigm, because of its subjective position, which requires strategic process to incorporate different objectives and aspirations of multiple role players, each with their own priorities, which are often mutually exclusive (Strydom, 2016). This is suitable for this research because municipalities are characterised by complexities which arise from the interaction and interdependency of stakeholders who have diverse perceptions and partially conflicting views (Hildbrand & Bodhanya, 2014). According to the systems philosophy, an ontology paradigm is a process, embedded in the interactive patterns of a relationship. The interaction includes the feedback process as the system responds to inputs from the environment as well as the variations in its own internal dynamics resulting from previous action (Edson & Henning 2017). Ontology ultimately involves questions of history seeking to understand a system. This approach is fundamental in the interpretation of the past, ongoing and emerging developments to understand prevailing strategic management patterns that are ineffective and unsustainable towards LED (Bellù, 2011).
3.2 RESEARCH DESIGN

The research under review adopted a qualitative content analysis approach. This method was selected because the research focused on the analysis of legislation, policies and frameworks in order to understand how they impacted on the ELM strategic approach towards LED as described in Section 2.

These policies and frameworks are significant because they are often deemed as key actors in economic development and pave the way for strategy formulation (Meyer, 2014).

Downe-Walbot (1992, 314) defines content analysis “as a research method that provides a systematic and objective means to make valid inferences from verbal, visual and written data to describe and quantify specific phenomena”.

The research design adopted a qualitative research strategy. Creswell (2007: 37) states that qualitative research it “begins with assumptions, a worldview, the possible use of a theoretical lens, and the study of research problems inquiring into the meaning individuals or groups ascribe to a social or human problem”. This research method allowed for the interpretation of sources consulted. It further integrated the components of this study; hence the research methodology used was qualitative content analysis. Further, the findings and recommendations of the research discussed in Section 4 are based on this.

To further address the research problem and create a blueprint for the research, an explanatory strategy was adopted. It focused on studying the situation to explain the relationships between the variables (cf. Saunders, et al., 2007). Section 4 indicates the variables of this study, through the SSM. The independent variable were national and provincial policies. The dependent variables were municipality strategies and LED. What followed were possible implementable improvements to ensure strategic decisions based on appropriate alternatives.

Such an approach is contrary to an exploratory study because it does not seek new insight, or assess a new phenomenon. Neither is the approach descriptive as it deals
with a complex socio-political environment. Descriptive research portrays an accurate profile of a situation. This can be challenging in situations where communities that have their own opinions and interests are involved (Saunders, et al., 2007).

Archival research was utilised for the research under review. Archival research “makes use of administrative records and documents as the principal source of data (Saunders, et al. 2007: 143).” This is manifested in Section 2 which investigates the impact of the diverse economic development, pro-and poor and neo-liberal ideologies and their impact on LED. The principal sources of data were national, provincial and local policies and frameworks.

Archival research offers the researcher an opportunity to track changes that have occurred over time and to analyse that. Analysing data is important in answering the research questions because policies, legislation and frameworks determine LED strategy that ELM should adopt.

3.3 RESEARCH METHODOLOGY

3.3.1 Qualitative Research Method

A qualitative research method was used, with an intention of understanding the approach that ELM had adopted towards LED. Hancock, Ockleford and Windridge (2007:7) state that qualitative research, “is concerned with developing explanations of social phenomena […] it aims to help us to understand the social world in which we live and why things are the way they are”. Qualitative research was particularly suitable for this research because it involves situations and social aspects. In the study under review, they are complexities within the governance of ELM indicating that stakeholders mainly concentration on their individual objectives, rather than considering the impact of their behaviour on other role players (Hildbrand & Bodhanya, 2014). These complexities challenge LED effectiveness and result in counterproductive efforts. Qualitative research seeks the following:

- To explore or identify of concepts or views
- To explore “implementability”
- To determine the real-life context
• To identify sensitive topics where flexibility is needed to avoid causing distress (Hancock, Ockleford & Windridge, 2007:7)

Based on a description of what qualitative research is, the research method for this study is different to the quantitative approach as the latter involves statistical data. A quantitative approach comprises five sequential steps, namely… “deducing a hypothesis from a theory, expressing the hypothesis in operational terms which propose a relationship between two specific variables, testing this operational hypothesis, examining the specific outcome of the enquiry and, if necessary, modifying the theory in the light of the finding” (Gibben, 2008:16). The differences between the two approaches are evident. Qualitative content analysis is discussed in more detail below.

3.3.2 Qualitative Content Analysis

This study focused on the effectiveness and the sustainability of the ELM LED strategy. For this purpose, it was imperative that legislation, policies and frameworks be analysed in order to understand their impact on ELM strategy. As stated earlier, the SSM was applied to help understand the problem situations, as it supports learning and improvement. It shed light on the effectiveness and sustainability of ELM LED strategy. Content analysis was therefore done to interpret meaning from the content of text data (Hsieh & Shannon, 2005).

Content analysis was introduced more than decades ago. It was made popular by Bernard Berelson in 1952 when he published ‘Content analysis in communication research’ (Prasad, 2008). Berelson (1952, 18) defined content analysis as “a research technique for the objectives of systematic and quantitative description of the manifest content communication.” Berelson’s definition did not apprehend the qualitative perspective of the analysis (Bengtsson, 2016). Further content analysis definitions have been compiled. Downe-Walbot (1992) maintains that content analysis is more than just a counting exercise. However, one also needs to consider the setting and the environment as a goal to link to the results (Bengtsson, 2016). Downe-Walbot (1992:314) defines content analysis, “as a research method that provides a systematic and objective means to make valid inferences from verbal,
visual and written data to describe and quantify specific phenomena”. Content analysis conforms to three basic principles of scientific method. They are:

1. Objective: Which means that the analysis is pursued based on explicit rules, which enable different researchers to obtain the same results from the same documents or messages?

2. Systematic: The inclusion or exclusion of content is done according to some consistently-applied rules whereby the possibility of including only materials which support the researcher’s ideas is eliminated.

3. Generalisability: The results obtained by the researcher can be applied to other similar situations (Prasad' 2008:3).

Content analysis has been used in several disciplines such as social sciences, communications, psychology, political science, history, and language studies (Prasad, 2008). It has been used to understand a wide range of themes such as “social change, cultural symbols, changing trends in the theoretical content of different disciplines, verification of authorship, changes in the mass media content, nature of news coverage of social issues or social problems such as atrocities against women, dowry harassment, social movements, ascertaining trends in propaganda, election issues as reflected in the mass media content, and so on” (Prasad, 2008:5).

Content analysis was systematically applied to this study. The use of systems thinking allows for an exclusion of certain content. This exclusion is in accordance with the SSM, which is used to organise human activity to pursue a given purpose or purposes. In the research under review, the SSM allowed for the interpretation of legislation, policies and frameworks and discussed the factors affecting ELM in striving to achieve its strategic objectives towards a sustainable LED. This was followed by an interpretive framework which focused on improvement rather than solutions, and emphasised accommodation, instead of consensus (Hildbrand & Bodhanya, 2014).

To understand how national and provincial policies influenced ELM LED strategies, the ELM IDP content for the period 2008 – 2018 was analysed.

Content analysis is useful because of the following:
1. It is a safe method in the sense that if the researcher found that a portion of the necessary information was missing or incorrectly coded, it is possible to return to the text and supplement the missing data. This is not always possible in experimental or survey research.

2. It can deal with large volumes of data. Processing may be laborious but of late computers have made the task easy.

3. It is a shoestring methodology, which is typically labour-intensive and requires minimum capital investment (Prasad, 2008:8).

The disadvantages of content analysis are the following:

1. It can be extremely time-consuming.

2. It is subject to increased error, particularly when relational analysis is used to attain a higher level of interpretation.

3. It is often devoid of theoretical base, or attempts too liberally to draw meaningful inferences about the relationships and impacts implied in a study.

4. It is inherently reductive, particularly when dealing with complex texts.

5. It tends too often to simply consist of word counts.

6. It often disregards the context that produced the text, as well as the state of things after the text is produced.

7. It can be difficult to automate or computerise (Colorado State University, 2004:31).

Content analysis was an appropriate research technique for this research as it assists in analysing large bodies of text (Prasad, 2008). However, to ensure that the outcomes of the study were based on good decisions, it was of utmost important that clear objectives were set and content categories developed and that a sample was identified (Prasad, 2008).

**3.3.3 Qualitative Data Collection Method**

This subsection outlines the methods of qualitative research data collection. It indicates how to best respond to the research questions and meet research objectives. In an era where massive amounts of data are being collected and archived due to technology advancements a wide range of written materials can be produced to best answer the research question and meet the research objectives.
Such data is known as secondary data. Johnston (2014: 619) defines secondary data as an “analysis of data that was collected by someone else for another primary purpose”. Secondary data include both raw data and published summaries (Saunders, et al., 2007). Secondary data were fitting for this research because the study utilised a process of enquiry to assess ELM’s strategy efficiency in achieving LED. This required an investigation of available data to learn about what was already known. In the case of this research an in-depth literature review of the areas of interest was conducted. What remained to be learnt about the topic was explored through systems thinking, which facilitated a thorough understanding of the complexity in multi-stakeholder settings (Hildbrand & Bodhanya, 2014).

3.3.4 Qualitative Data Analysis

Secondary data and qualitative data analysis were used in this research. Analysis of qualitative data involves, “non-numeric data or data that have not been quantified and can be a product of all research strategies. It can range from a short list of responses to open-ended questions in an online questionnaire to more complex data such as transcripts of in-depth interviews or entire policy documents (Saunders, et al., 2007:470)”. The qualitative data analysis method allowed for a clear interpretation of secondary data that had been collected. By analysing the different scopes of legislation, strategy and systems thinking the researcher was able to unpack whether ELM used a strategic approach towards it LED and came up with a bigger picture.

Quantitative and qualitative data differ in that “quantitative research, analysis involves things like summarising the frequencies of variables, differences between variables, and statistical tests designed to estimate the statistical significance of the results” (Hancock, et al., 2007:24).

To conduct the research the data collected were grouped into categories starting with the policies and frameworks that were categorised according to tiers of government; namely national, provincial and local governments. Further, alignment of these policies or lack of policies in relation to LED and strategy implementation at ELM were examined.
3.4 CONCLUSION

This section concentrated on the research design and methodology that supported the study. Detailed information regarding the research philosophy, research design and research method, their origins, relevance to this study and their general characteristics were explored. The information was further used for discussion in Section 4 with the objective to interpretation the secondary data reviewed depicted using the content analysis method to respond to the research question.
4.1 INTRODUCTION

Strategic planning is an important tool for the management of a municipality owing to regulations established by the Constitution, and laws and policies promulgated by Parliament. Once national government has laid down such laws and policies, provincial and local governments are obliged to adhere to them (Carrera & Wiesbrock 2010). Strategic management has become of the utmost importance for municipalities, due to concerns about the two-tier structure of local government not working as efficiently as the policy-makers have intended (NFLED, 2017). This is because the districts have insufficient financial, human and physical resources to execute their planning and coordination roles, while local government is faced with challenges of poor performance and carrying out its mandate (NFLED, 2017). These challenges have been ascribed to the change in environment, which include historical and sociological processes, leadership (mayoral changes), the physical and natural environment and economic factors (Hildbrand & Bodhanya, 2015).

This section deals with the interpretation of secondary data which was reviewed and discussed in conjunction with objectives. The Soft Systems Method (SSM) was used as an investigative tool to investigate the soft problems that challenge the effectiveness and sustainability of ELM LED strategy (Gasson, 1994). The SSM was also used to explore the best practices regarding the strategic approach because it questions, “what operations the system should perform and, more importantly, why” (Gasson, 1994: 1).

The findings are presented in the four stages set out in Table 4.1 below.
Table 2: Summary of the findings represented in the four stages of SSM

<table>
<thead>
<tr>
<th>SSM STAGE</th>
<th>Definition</th>
<th>Findings</th>
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<tr>
<td>Stage 1</td>
<td>The Rich Picture, an expressive illustration of a situation. The rich picture shows the relevant stakeholders, structures, issues and opinions, as well as their interrelationships in a situation.</td>
<td>The rich picture depicts an image of influential problems that hinder the ELM in achieving its LED strategic objective. Starting with the top-down approach dictated by national and provincial policies and frameworks that stipulate programmes to be implemented at local level regardless of need or buy-in from the community (Chaisson, 2018). This results in decisions being taken from a policy perspective, subsequently leading to desired outcomes not being achieved at local level (Matland, 1995). Consequently, this creates blame, which is often directed to leadership, the municipality and business.</td>
</tr>
<tr>
<td>Stage 2</td>
<td>Generating models of purposeful activity systems that potentially assist in dealing with the problem situation.</td>
<td>Following the drafting of a rich picture the study was able to determine the solution that could assist in dealing with the problem. The ELM requires a system that is comprehensive, well-structured and integrated, and that enhances the unique set of local conditions to full potential while contributing to macro-economic development. The system must be operated for local communities and the private sector because they are the beneficiaries.</td>
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| Stage 3   | The conceptual model is an analysis method of activities that need to take place to clearly define what the actors need to do in order to achieve transformation (Gasson, 1994). | Subsequent to that a list of activities that complement the solutions identified in Stage 2 was drawn up. Activities needed to achieve the objectives identified in Stage 2 were as follows:  
  - Set a goal  
  - Analyse both internal and external environments  
  - Formulate the strategy  
  - Implement the strategy  
  - Monitor the strategy |
| Stage 4   | Once the changes considered ‘desirable’ and ‘feasible’ were considered, effort was expended to implement them. | Lastly, implementation that complements the activities identified in Stage 3. The ELM will have to concerns itself with its own strategic management in terms of what it wants to do, what it can do, and what it should do (UKEssays, 2013). |

(Burge, 2015:2-14)

4.2 OVERVIEW

To recap ELM’s LED strategy is to “…accelerated growth and generate employment opportunities” (IDP, 2017:65). The strategic management plan, which is aligned to the overall ELM vision and approved by municipal council, is as follows:

**Strategic Objectives**

To promote social and economic development
**Strategies**

Ensure the functionality of the LED forum and the creation of a year calendar

Ensure the review of the Investment strategy

Create an enabling environment for cooperatives and SMMEs to thrive

Reduce the unemployment rate within the municipality

The main aim of the research under review was to understand the effectiveness and sustainability of the strategic approach towards LED employed by ELM

The report has stressed the paramountcy and complexities that exist within local municipalities using the SSM. SSM theory was used as a tool to indicate the degree to which the LED strategy was successful in producing a desired result and success. Sub-questions were used to direct the report in responding to the main research questions. They were as follows:

- How do national and provincial policies influence municipality strategies pertaining to LED?
- What improvements could be implemented to ensure that strategic decisions be drawn from the best available alternatives?
- Does the approach to LED strategies align with available ELM resources?

The findings in this section are interpreted below using the SSM tool to respond to the research question and sub-questions.

### 4.3 SOFT SYSTEMS METHODOLOGY

The SSM was developed by Peter Checkland and colleagues at Department of Systems, University of Lancaster, in the 1970s (Simonsen, 1994). It was introduced as fragment of an action research and the general systems theory, which eventually developed into a multipurpose and flexible methodology (Ramodula, 2014). The SSM approach was chosen from a range of systemic approaches because of its capabilities to holistically explore and better understand the complexity that exists in an environment. Furthermore, the SSM pays attention to underlying soft issues.
(Hildbrand & Bodhanya, 2014). According to Simonsen (1994,2), “SSM is seen as a general problem-solving approach appropriate to human activity systems, where the starting point of the methodology does not take a problem, or a need as given”.

4.3.1. Stage 1 – Rich Picture

Stage 1 of the SSM displays the problematic situation to reveal a range of possible and, hopefully, relevant choices (Simonsen, 1994).

The problematic situation in the research under review was identifying whether ELM had an LED strategy that was effective and sustainable in its approach. Through content analysis of the ELM IDP it was revealed that national policy and changes in national policy objectives determined the development strategy. This was introduced in Section 2 of this technical report, which presented the strategic management definition and the systems adopted by national government in execution of the strategy. Figure 2.1 illustrated the medium term strategic framework, using a topdown approach. It was argued that the top-down approach had created a situation where ELM found itself implementing programmes regardless of need or buy-in from the community (Chaisson, 2018). This is evident in the ELM IDP which had adopted the Mpumalanga Vision 2030, the Mpumalanga Economic Growth and Path, the National Development Plan, the Medium Term Strategic Framework, and the 12 outcomes within which to frame public-service delivery priorities.

This approach has been criticised by Matland (1995), stating that it has an exclusive emphasis on the statute framers as key actors. He argues that local service delivery agents have the required expertise and the knowledge of the actual problems and therefore are in a better position to propose solutions.

Furthermore, the top-down approach creates a controlling situation.

The rich picture was put together using the findings relating to the impact policy had on the implementation of strategy at ELM. The rich picture presents crucial stakeholders, present issues, perceptions, relationships and interactions and seeks to determine critical issues (Hildbrand & Bodhanya, 2014). The rich picture, as explained by Monk and Howard (1998, 22), “depicts the primary stakeholders, their interrelationships, and their concerns”.


LED offers government, local communities and the private sector the opportunity to work together to improve the local economy (Perai, 2016). According to Meyer (2014), an improved LED strategy requires governance, cooperation and partnerships. The relationship of the three partners, namely government, local communities and private sector relationship, is depicted in the rich picture (Figure 4.1). The outcomes of this tripartite relationship pertaining to LED is to foster better conditions for economic growth and employment opportunities (Perai, 2016). The success of LED depends on how the three partners are able to adapt to local, national and international market economies. However, Matland (1995) argues that the outcome of the tripartite relationship is impeded by the national policies and agents which see it as something to be controlled. He states that the approach puts an emphasis on instruction-taking, which is swayed by political influence (Matland, 1995).
Matland (1995) is supported by other researchers, such as Zarenda (2011) and David, Guilbert, Hamaguchi, Higashi, Hino, Leibbrandt and Shifa (2018), who have argued that each development planning strategy (i.e. RDP, GEAR or NDP) seems to be addressing a different economic objective, namely job creation, service delivery and building sustained economic growth that could alleviate poverty and inequality. Even though they are required and desirable objectives to achieve, each development policy brings with it a political agenda. The NDP has been criticised by COSATU (2013) as executing a neoliberal policy strategy that promotes capitalism and is dismantling what remains of the regulatory welfare state.

According to Zarenda (2011), this situation is hampering municipalities in executing their strategies. He states that such policies and frameworks have posed a challenge to local government, particularly regarding implementation, which requires additional resources and long lead times. The adoption of development planning strategies impedes the five-year cycles of municipality IDPs, thereby resulting in a municipality not being able to meet its strategic objectives as prescribed by its IDP. Meyer (2012) agrees and argues that in the past national policies have not been able to create an enabling environment at local level. He adds that national policies are unable to address all aspects of local communities, such as economics, social welfare, and environmental and political issues. Ramodula (2014) states that national and provincial policies tend to entrench red tape and bureaucratisation in the strategymaking process.

Evidence of this is found in the ELM Annual Report (2012, 2013), which describes ELM as being inconsistent in terms of its objectives, key performance indicators and key performance targets, as prescribed in its Integrated Development Plan. Such internal challenges to the ELM municipality are depicted in the rich picture as arrows, indicating that they are stemming from mandatory policies. The pictures in Figure 4.1 outside the outer-circle represent the soft problems depicting a system that seems to be falling apart, and which is not effective in its approach towards improving the quality of life, especially of the poor (Meyer, 2013). Consequently, it creates a system of blame which is often directed to leadership, the municipality and business (Ramodula, 2014).

Overall the rich picture depicts an image of influential problems that inhibit ELM from achieving its LED strategic objective. The researcher compiled the rich picture based
on the literature reviewed and subsequent content analysis which exposed the influence that national and provincial policies have on the strategic approach towards LED. It reveals the complexities found in the municipality and which require innovative thinking.

Stage 2 of the SSM further unpacks the unique set of local conditions that existed within ELM. It sheds light on whether there are of strategic decisions with optimal alternatives.

4.3.2. Stage 2 – Root Definition and CATWOE

Stage 2 of the SSM model defines the problem situation by capturing a view, which stems from the rich picture. The first problematic situation identified from the Rich Picture was that national policies play an influential role in the strategic implementation of LED and do not always result in local conditions that enhance the potential for LED. Secondly, the rich picture indicates that there were barriers responsible for influencing the implementation of the LED particularly at ELM and these were “…political barriers, understaffing, inadequate financial resources, inadequate skills, lack of clear national government policy direction, lack of baseline socio-economic data, and a lack of coordination” (Koma, 2012: 136). Lastly, the rich picture reveals that there was a soft issue that relates to communication. According to Koma (2012), there is ineffective intergovernmental coordination and communication across the national, provincial and local spheres of government. This challenge is prevalent in rural municipalities, such as ELM. To build up its economic capacity, ELM is required to align with national and provincial governments because some responsibilities are concurrent. Examples of concurrent responsibilities are water, electricity, and infrastructure (Ramodula, 2014).

The three-way communication between the government spheres could be improved by ensuring that no sphere one of them makes legally binding decisions that affect the other and but that they focus on joint planning, fostering friendly relations, and avoiding conflict (Mdliva, 2012). It is imperative that proper coordination and alignment are warranted during the IDP and LED planning process (Koma, 2012). This is also prescribed in S104 (1) of the Constitution which states that the “three spheres of government are distinctive, interdependent and interrelated”, In this context local government does not exist on its own. “The principle of co-operative governance
underpins intergovernmental relations” (Cameron, 1999:226). Therefore, intentional action is required from all government spheres through collaboration to achieve LED. The Root Definition and CATWOE suggest major improvements together with respective responsibilities, preconditions and possible constraints (Hildbrand & Bodhanya, 2014). These will ensure that the vision and mission, and the long-term development planning of the municipality results in external and internal transformation. The Root Definition names the situation in a structured way, the CATWOE analyses the system in terms of what it is going to do and how it is going to do it (Donaldson & Walsh, 2015). The CATWOE also allows the identification of human activities that need to be developed to respond to those issues identified in Stage 1 (Checkland & Poulter, 2006).

**Root Definition**

ELM requires a system that is comprehensive, well-structured, integrated, and enhances the unique set of local conditions to its full potential while contributing to macro-economic development.

**CATWOE Analysis**

The CATWOE analyses the perspective of the stakeholder and the source of the actual problem, and it considers the different priorities assigned by the different stakeholders.

**Table 3: CATWOE Analysis**

| Customers | Beneficiaries – Local communities, private sector  
|           | Victims – Political agencies |
| Actors    | Emakhazeni Local Municipality |
| Transformation | Create an effective and sustainable strategy pertaining to LED in ELM |
| Weltanschauung (Worldview) | A comprehensive, well-structured LED strategy should enhance the unique set of local conditions to its full potential whilst contributing to macro-economic development. |
| Owner | Local government, community leaders, business and non-government organisations |
| Environment | Legislation, applicable policies and frameworks, shift in political power, change in leadership |
CATWOE suggested major improvements to achieve strategic objectives towards a sustainable LED. It stated that the system should be operated for local communities and the private sector because they were the beneficiaries. The victims would be the political agencies who would have little say in the systems as a strategic management approach would be followed, thus minimising misalignment with the economic development policies (i.e. NDP) (Donaldson & Walsh, 2015).

The actor or the implementing agency is ELM. ELM would implement the activities of transformation should the system be made real. The transformation illustrates the change that would need to take place to achieve the Root Definition. In the case of ELM it would be to “create an effective and sustainable strategy towards LED in ELM”. The worldview, which makes sense of the Root Definition, is to have a comprehensive, well-structured LED strategy which enhances the unique set of local conditions to its full potential while contributing to macro-economic development (Donaldson and Walsh, 2015). To achieve the worldview, the decision-makers, given their responsibility for the performance of the system, are local government, community leaders, business and non-government organisations. These entities also have the power to determine whether the system would be implemented or not (Gasson, 1994). The constraints detrimental to the implementation of the system are mainly legislation, a shift in political power and change in municipal leadership. These constraints could restrict the system from operating (Gasson, 1994).

4.3.3. Stage 3 – Conceptual Model

The conceptual model is an analysis of activities that need to take place in order to clearly define what the actors need to do in order to achieve transformation (Gasson, 1994). This is shown in Figure 4.2 below. Such activities can only be performed by the actors identified in the Root Definition or CATWOE Model (Gasson, 1994).
Figure 4.2 shows the activities needed to achieve the objectives. These are listed in an order indicating what actors need to do to achieve transformation. The activities are as follows:

1. **Goal-setting** – this is to determine the aspiration the municipality would like to achieve or accomplish in the mid-term or long-term future.

2. **Analysis** – this is to assess the municipality’s competence and capabilities and its internal and external environments.

   - The SWOT analysis reflects the internal environment and it determines what is wrong and right in the municipality allowing different perceptions to surface in a non-threatening way (Johnson & Scholes, 1993). PESTLE, an acronym for points that are used to analyse the external environment, is used to understand variables that can affect, influence, reduce or improve the municipality’s goal. The external environment comprises of six factors namely, political, economic, social, technology, legal factors and ecology.
3. Strategy formulation – according to Ehlers, et al., (2010), strategies can be described as a comprehensive general approach that guide an organisation’s major actions. The choice of the strategy by an organisations could be based on competitive advantage, specifically regarding based on cost, leadership, differentiation or focus (generic strategies) or on coordinating efforts towards the attainment of long-term goals (Ehlers, et al., 2010).

4. Strategy Implementation – the implementation of a strategy requires commitment, hard work and innovation (McShane & Glinow, 2005). Creating measurable objectives – objectives are more consistent when they state clearly what is to be accomplished, when it is to be accomplished and how the accomplishment is to be measured (McShane &van Glinow, 2005).

5. Strategy monitoring – assignments or projects that need to be done if the strategy is to be accomplished (Johnson, 1979).

4.3.4. Stage 4 – Implementation

The implementation stage starts when changes considered desirable and feasible have been identified (Walsh, 2015). The SSM revealed that the holistic strategic approach towards LED at ELM is restricted by legislative requirements. The implementation is discussed in detail in Section 5, together with the recommendations based on the key findings identified in Section 4 using SSM.

4.4 CONCLUSION

The use of the SSM assisted in identifying factors that hinder ELM from achieving its strategic objectives towards a sustainable LED. These factors were narrowed down using the Root Definition analysis. Further, the CATWOE analysis was used to logically deduce what ELM would have to do in order to comply with the definition (Donaldson & Walsh, 2015). The findings that emanated from the CATWOE allowed
for the development of the conceptual model. The conceptual model provided detailed step-to-step activities that need to be in place to achieve transformation (Gasson, 1994).

The application of the SSM further facilitated uncovering the far-reaching complexities that exist within ELM. They are, that LED is not effective in its approach towards improving the quality of life, especially of the poor. The application of the SSM showed that these issues constrained improvement opportunities. However, it also showed that with improvement the system would be beneficial for all stakeholders. In Section 5 recommendations for systems improvement are given.
5.1 INTRODUCTION

The research under review aimed to assess the effectiveness and sustainability of LED strategy at ELM. By examining whether there was an effective strategic approach towards LED and that it was comprehensive, well-structured and integrated in its approach to improving the potential for local economic growth. It, further, examined whether there were factors hampering ELM in achieving its strategic objectives towards a sustainable LED. A problem statement was determined and research question asked.

The sub-questions examined the influential role of national and provincial legislation, policies and frameworks on the LED strategic approach. The questions aimed to understand the improvements that could be implemented to ensure that strategic decisions be based on the best available alternatives and resources at ELM.

The literature reviewed provided a perspective to LED strategy. The two major perspectives, which repeatedly emerged, were (i) the impact of development planning policies, frameworks and legislation on LED strategic management, (ii) of different stakeholder on LED planning and implementation. Literature on SSM, a systems thinking approach model, was consulted to further understanding of the problem situations and the improvements that could be made, and whether there resources were available at ELM.

5.2 RESEARCH OBJECTIVES, QUESTIONS AND FINDINGS

The research question covered in Section 1 asks whether ELM has a local economic strategy that is effective and sustainable in its approach.

Secondary questions, which are also covered in Section 1, augment the primary question. They are the following:

*How do national and provincial policies impact on municipality strategies pertaining to LED?*
The literature review in Section 2 reveals that the development of the country’s economy relies on an environment that has resilient macro-economic growth created through increased local economic growth (CoGTA, 1998). The responsibility, as stipulated in the Municipality Systems Act, lies with a local municipality to assume the role of contributing to job creation, eradicating poverty and boosting its local economy, which effectively should create a resilient macro-economy (Koma, 2013: 126). However, Section 4 illustrates that local government is involuntarily required to accept the top-down approach. This starts with the political agenda of the ruling government, which could either be pro-poor or neo-liberal. The literature review indicates that the pro-poor approach has been dominant in development planning, initially implemented through the RDP. It continues to play an influential role in development. The pro-poor approach allowed national government to advance the growth of the poor by creating programmes that could change their income status (Chaisson, 2018). The second challenge with the top-down approach is that ELM finds itself implementing programmes regardless of need or buy-in from the community. The Rich Picture expounded on in Section 4 exposes crucial issues and opinions presented by stakeholders who effectively indicate that ELM strategic decisions are taken based on a policy perspective, resulting in desired outcomes not being achieved at local level (Matland, 1995). Thus LED has not brought about local economic growth, job creation and poverty alleviation. Instead it has resulted in ELM’s inability to address stakeholder views. It has also resulted in the ELM’s effectiveness in sorting out the imbalance in resource allocation and problematic implementation of development projects (Koma, 2012).

What improvements could be implemented to ensure that strategic decisions are based on the best available alternatives?

Management in the 21st century is characterised by the systems and the contingency approach (Waldron, 1994). The systems approach views the organisation as a system comprising of interacting subsystems, which are complex and interact with the external environment (Senge, 1990). The effectiveness of the organisation, as described in Sections 2 and 4 depends on its ability to adapt to external environment. This means identifying a good strategy for obtaining necessary resources and dealing with external threats (Waldron, 1994).
Stage 2 of the SSM reveals that there is ineffective intergovernmental coordination and communication across the national, provincial and local spheres of government. This challenge is of prevalent in rural municipalities, such as ELM (Koma, 2012). The conceptual model provided an analysis of what needs to take place to effectively communicate with different government sphere to ensure that the LED strategy is drawn from the best alternative strategic decisions (Gasson, 1994). The activities identified, such as goal setting, analysing the external and internal environments, and deciding on a strategy and its implementation will foster order, discipline and management, as these activities will be performed by the actors that were identified in the CATWOE Model in Section 4 (Gasson, 1994).

Does the approach on LED strategies match resources available at ELM?

The efficiency of an organisation is increased when it finds more rational ways to organise and perform the work and by deciding how to make use of available resources and personnel (Senge, 1990). Executive management has the responsibility for designing an appropriate organisational structure, coordinate operations and determine authority relationships (Waldron, 1994). The executive responsibilities also include fiscal planning, accounting and revenue, and expenses control (Waldron, 1994). Section 2 points out that the IDP is the strategic plan that guides and informs the planning, budgeting and development of the municipality. It also enables the municipality leadership and management to take informed decisions towards efficient and effective service delivery (South Africa, 2000). However, the complexities that exist in a municipality arising from the interaction and interdependency of legislation, policy and stakeholders that have diverse perceptions and partially conflicting views has meant that ELM needs to concentrate on a system that delivers outputs that could lead to fresh inputs, creating a sustainable system. This would then translate to a system that enables ELM to gain access to a broader set of opportunities, eradicate poverty and maximise economic growth and development (Nwaorgu, Nwaodu, & Nwapi, 2013).

ELM should concern itself with its own strategic management in terms of what it wants to do, given the opportunities in its environment; what it can do, given the resources at its disposal; what it wants to do, given the personal values and aspirations of key decision-makers, and what it should do, given the ethical and legal context in which it
is operating (UKEssays, 2013:7). It is only then that the LED strategy could align with the resources available.

5.3 RECOMMENDATIONS

The literature reviewed made it clear that an effective and sustainable LED strategy requires strategic management and the application of a systems model to ensure that inputs be effective in achieving required outputs.

Based on the finding of the research, the following recommendations are made:

- A thorough analysis of activities is required in order to clearly define the vision and mission of LED within ELM in order to achieve transformation should be conducted.
- Collaboration by regional and district localities in order to achieve LED should be sought.
- A conceptual model which shows the activities required to achieve the objectives and what stakeholders need to do to achieve such objectives and transformation should be adopted.

5.4 LIMITATIONS OF RESEARCH

The limitations of this research were mainly the research design and methodology used which impacted on the interpretation of the findings of this research.

The first limitation was the utilisation of secondary data which had its disadvantages, including being confined to library or research institutions (Lopez, 2013). This may result in the researchers only focusing on the research question and objectives, which could limit their scope of knowledge (Lopez, 2013).

The second limitation was the use of content analysis which was a constraint as it was extremely time-consuming. Further, content analysis is subject to increased error, particularly when relational analysis is used to attain a higher level of interpretation, as is mentioned in Section 3.

The third limitation related to the use of content analysis along with SSM. SSM is needed when structured methods can no longer be applied and when problems are
messy and not well defined. However, the method is “soft” because it deals with people and the way in which they relate to the environment. The “system” is how theory is put in practice in relation to people, relationships, objects and process (UKEssays, 2013). This study has been solely based on analysing text. No interviews were conducted which limited this research to only one perspective. Therefore, with only relying on content and the review of legislation, policies and frameworks, it thus limited a meaningful interpretation on relationships, through interviews and how they can impact on the creation of an effective and sustainable strategy towards LED.

5.5 FUTURE RESEARCH

Based on the limitations pointed out by the research, it is recommended that they be used as basis for further research.

It is further recommended that further studies be done using interviews with various internal and external stakeholders, in order to understand the soft issues that impede LED strategy execution. Lastly, further research should be conducted to assess the resources available and required at ELM to achieve LED strategy.
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