Chapter 6

Adaptive Leadership in Digital Age Financial Management of South African Municipalities: A Systems Approach Observation

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Abstract

This article discusses the challenges related to financial management, corruption, and poor administration faced by municipalities in South Africa (SA), which have a negative impact on service delivery to citizens. It argues that addressing these issues requires capable leaders who are skilled at problem-solving and proposing solutions. It also highlights the potential impact that climate change and the 4th Industrial Revolution (4IR) may have on service delivery, and proposes a systems-based strategy and adaptive leadership to promote diversity and help individuals within municipalities adapt to new challenges. It stresses the significance of flexible leadership in contemporary economic systems and the need for adaptive leadership. This is supported by data collected from interviews conducted with government officials at KwaZulu-Natal Department of Cooperative Governance & Traditional Affairs (KZNCOGTA). The study done for this paper also reviewed various secondary sources, i.e. government documents, reports, and archives, as well as published literature on public financial management. A key finding is that when municipalities continuously change their administration, it can cause significant upheaval and interfere with the implementation of services. Therefore, the recommendation is made that municipalities adopt an adaptive leadership style and a systems approach, so as to enhance public financial management.

Keywords: Adaptive Leadership, Digital Age, Public Financial Management, Municipalities, Service Delivery, 4th Industrial Revolution.

Introduction

Public sector organisations are currently contending with increasing demands to deliver rapid results while adhering to the goals laid out in the National Development Plan (NDP) 2030, then Sustainable Development Goals (SDGs), and the African Agenda 2063 (South Africa National Planning Commission, 2012; Union Africa 2013). This challenges public sector organisations because these measures all call for speedy results. The demand for adaptable leadership and robust digital financial management systems must now be addressed with the utmost importance, as the need to achieve sustainable development, optimise resource use, and comply with legislation has increased. The COVID-19 pandemic further highlighted the significance of these systems, and the need to adopt a leadership strategy that is both adaptable and robust in the face of difficulties that have never been seen before (Cheng et al., 2022).

In recent years, there has been a significant trend toward setting up digital financial management systems in the public sector. This shift has occurred in the quest for improved openness, accountability, and efficiency in decision-making. However, integrating these systems requires a comprehensive strategy that considers the existing infrastructure, cost implications, cultural differences, and stakeholder group preferences. Therefore, this paper focuses on studying the prevalent corruption and mismanagement problems within South African municipalities from a financial management and leadership perspective. It provides an in-depth examination of the impact of these problems on service delivery and the impact they have on adaptive leadership within the context of the digital financial management landscape.

Adaptive Leadership and Digital Financial Management in the Public Sector after Covid-19

The aim of the study done for this chapter was to compare how adaptive leadership and digital financial management play out in the public sector. Maki et al. (2022) confirmed that effective governance through sound leadership practices that are adaptable to changing times and robust fiscal control are the cornerstones of success within public sector organisations. Thus, implementing strategies that rely heavily on technology adoption, and which relate to both adaptive leadership and finance, has become a key topic for policymakers worldwide, while at the same time attracting interest from academic researchers, and practitioners (Murtomo & Riyanto, 2021). The post-COVID-19 period highlighted the importance of technology adoption for ensuring economic growth. This can be achieved by utilising approaches such as adaptive leadership and digital financial management. These approaches play a crucial role in the public sector, particularly in these areas like cyber security, sustainability, education, health, and the justice framework.. This research involved a critical appraisal of whether or not China's use of blockchain technology in the public service and electronic payment methods can serve as an example for other countries (Rahayu et al., 2022).

The Chinese government established a centralised epidemic control system and ensured significant support for the healthcare system during the COVID-19 pandemic. This contributed to a practical disease control approach, which resulted in rapid economic recovery (Hai, et al. 2021). However, Brazil's public sector struggles with adaptive leadership are evident in their delayed response to implementing stringent measures to curb the spread of COVID-19 spread, despite the notable advances in digital financial management such as online tax payment options and issuing electronic invoices. Similarly, Russia is investing heavily in digital financial management via initiatives such as electronic government services and the online tax payment system (Grędzińska et al., 2022; Thygeson et al., 2010). In the book 'Practice of Adaptive leadership' Heifetz, et al (2009) Adaptive leadership remained elusive during the pandemic, as the government belittled early attempts to check its spread, while delaying the development of necessary interventions such as strict lockdowns (Bui, 2024)

Nigeria's (Shuja et al., 2020), progress in terms of digital financial management has been commendable, even though parallel progress with adaptive leadership is proving elusive. The implementation of diverse digital services (for example, online tax payments and electronic government services) signals Nigeria's impressive advancement in the area of the digital management of finances. Nevertheless, effectively incorporating adaptive leadership within their public sector response mechanisms has presented daunting challenges related to reigning in the massive COVID-19 fatality figures (Ferwana & Varshney, 2021). SA registered formidable and admirable gains in terms of its online tax payment avenues and the successful incorporation of electronic government services. However, the country encountered enormous hurdles to adopting effective measures for adaptive leadership during the gruelling pandemic in 2020. The government faced a challenging predicament when balancing stringency with lockdown procedures while accounting for COVID-19's economic aftermath (Olivier et al., 2020).

A comprehensive analysis of the countries under study revealed that a uniform trend of significant advancements in digital financial management, highlighting the growing importance of this aspect in the public sector reform (Grędzińska, 2022). In countries such as China and SA, where enforcing rigorous quarantine measures meant they simultaneously provided substantial aid for their public sectors, had a better chance of limiting the pernicious socio-economic impact of COVID-19. Conversely, Brazil and Nigeria encountered challenges when implementing effective adaptive leadership, which increased their susceptibility to the pandemic's economic effects of the pandemic. Ultimately, cultivating an operational model that includes digital financial management and adaptive governance is pivotal for these countries to achieve sustained fiscal growth in the post-COVID-19 era (Ferwana & Varshney, 2021).