P

Performance Management in the Public Sector

Vincenzo Vignieri
Department of Political Sciences and International relations, University of Palermo, Palermo, Italy
Institute for Archaeological and Monumental Heritage of the (Italian), National Research Council, Catania, Italy

Synonyms

Planning and control systems; Results management

Definition

Performance management is a management style aimed at setting goals and ensuring that such targets are achieved through a planning and control cycle. It embodies a set of activities, tools, and mechanisms intended to measuring and evaluating results to continuously improve performance.

Introduction

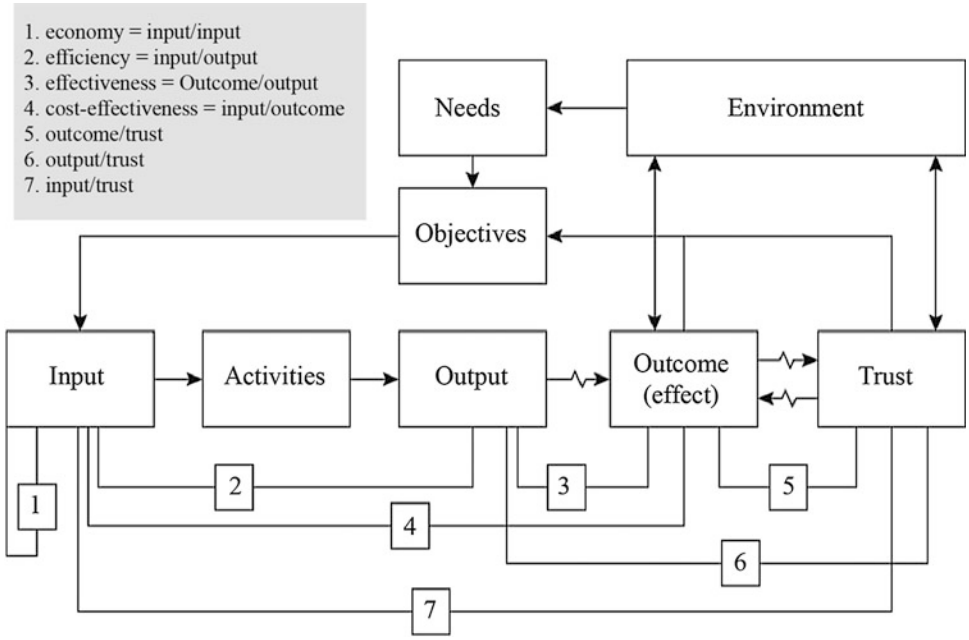
In the last 20 years or so, public sector organizations have borrowed management practices from the private sector. The pushing argument of *doing more with less*, which have inspired New Public Management (NPM) reforms, brought within the public sector the need for explicit use of standards and measures of performance (Hood 1991). The government of Western countries started to place greater emphasis on output control, reward systems, and results rather than overlooking compliance with administrative rules and procedures. NPM-oriented reforms provided public managers with these new tools for achieving performance. However, the specific complexity of the public sector demands to frame performance and adapt its management tools and methods to such environmental aspects, as well as to implement these techniques by balancing different values within organizations. Following these premises, this work explores the content of performance management in public sector organizations. Initially, the substance of performance is examined along three lines: models, dimensions, and levels of analysis. Then, performance management and measurement are distinguished and described. Lastly, a concluding section highlights central points concerning this performance management in the public sector.

Performance in the Public Sector: Models, Dimensions, and Levels

Models of Performance

The meaning of government operations and deliveries has changed over the years as the literature

A. Farazmand (ed.), *Global Encyclopedia of Public Administration, Public Policy, and Governance*,
https://doi.org/10.1007/978-3-319-31816-5_3480-1



Performance Management in the Public Sector, Fig. 1 Span of performance in the public sector: an analytical framework (Bouckaert and Halligan 2007, p. 16)

on performance management has recognized (Talbot 2009; Van Dooren et al. 2015; Walker et al. 2010). Academic and practitioners have offered a large variety of frameworks. However they are based on two fundamental models: the "3Es" model (i.e., economy, efficiency, effectiveness) and the "IOO" model (e.g., input, output, outcome) (Boyne 2002). Performance has been described according to two leading perspectives, here commented in turn: performance as production and performance as public value.

The production process model refers to the ability of an organization to turn resources into outputs and outcomes. The production logic – inputs ➔ activities ➔ outputs – can be applied to an institution/organization or a policy program. Such a standard model has been extended (Pollitt and Bouckaert 2011) (Fig. 1) and labeled as "the span of performance" (Bouckaert and Halligan 2007, p. 16).

The analytical framework of performance portrayed in Fig. 1 can be used not only to measure the efficiency and effectiveness of an agency, but it also increases the span of performance measurement and management since it concerns two levels of results: operational result and process results (Pollitt and Bouckaert 2011). Indeed, managers can measure the capacity of the organization to (i) address socioeconomic issues of the context, (ii) deliver services and outputs – even non-transactional ones – to the citizens and to the administered community and its efficacy in doing so, (iii) have an impact on the socioeconomic environment through intermediate and final outcomes. This model assumes as a starting point the societal needs of the environment based on which a public organization endows its system with the requested resources to deliver the planned outputs. Services and products such as the number of authorizations issued by a municipality, school degrees, meals provided to students at a school canteen, surgery treatments, and vaccination treatments are delivered to external users and may generate intermediate and final outcomes on both the targeted users and the social context. Picking some of the above output examples, the time it takes for the municipality to issue the authorization may impact on the current profitability of a business venture, students passing the university admission tests after getting a

college degree, and people fully recovered after surgery treatment. All of these outcomes reflect the effects of a policy program on the external environment and – as Fig. 1 portrays – gathering the trust toward the political system. Therefore, the extended production model connects organizational performance with internal and external dimensions of effectiveness and includes the "four types of performance" as recognized by Dubnick (2005, p. 392).

The public value perspective of performance clarifies the substance (Van Dooren et al. 2015) of what is described by the four performance types. Indeed, Moore (1995, p. 10) asked himself how to operationalize the ability of public sector organizations "to create value in the short and long run" or what he called the managerial success. For the private sector, the value created by an organization is measured by the profitability or the stock price (as a forecast of the first), but there is no equivalent for public sector organizations. Public value can be derived from the improved living conditions for the community as a whole, and public sector organizations produce value when they meet the needs of citizens. Public value embraces several disciplines, and it enhances the production model of performance (Voets et al. 2008). To this end, literature refers to the administrative arguments as grouped by Hood (1991). He clustered administrative values about performance into three clusters: economy and parsimony, honesty and fairness, and security and resilience. The first group of values emphasizes output control since they are connected with "the matching of resources to defined tasks" (Hood 1991, p. 12). The second cluster of value is associated with the governance process. A government has to operate in a democratic, honest, fair way. This group of values focuses on the process rather on results as stressed by the production view of performance (Voets et al. 2008). The third group was labeled as "regime" which includes values relating to resilience, endurance, robustness, survival, and adaptivity. This argument indicates the capacity of a public organization to remain active in "worst case conditions and to adapt rapidly in a crisis" (Hood 1991, p. 14).

The public value perspective of performance offers a framework which enhances public governance, with additional dimensions (Boyne 2002) including measures of the citizens participation in public processes, integrity of public agencies, and accountability (Walker et al. 2010), as well as democratic values "like equity, equality, probity, and social capital" (Talbot 2009, p. 501).

Dimensions of Performance

The discussion on the two perspectives of performance has introduced some fundamental dimensions of performance. Both production and public value models require measuring performance regarding the use of resources, quality and cost of processes, quality and quantity of outputs, and outcomes achieved by public sector organizations (OECD 2009). Indeed, for public organizations to cover the entire extent of performance, they need a wide range of measures: outputs, efficiency, outcomes, and effectiveness.

The focus of traditional performance measurement was concerned with inputs and processes. Innovations provided by the NPM and public governance agenda shifted the focus of performance management system to the results of such processes, namely, outputs and outcomes. An output configures an immediate result of organizations activity (certificate issued, the amount of money spent); an outcome expresses "everything beyond outputs" (Bouckaert and Halligan 2007, p. 16), the effects, or the impact of these activities on the external context (the fraction of certificated issued correctly, what has been produced with these public spending). The outcome implies an estimation of the worth of what has been delivered by public sector organizations; it proxies the quality of a quantitative output or a volume. "Such a view implies the existence of an identity of the form: Outcome = Valuation (output * quality)" (Smith 2013, p. 2).

Other key dimensions refer to the internal efficiency that measures the ability of an agency in "turning inputs into outputs" (Talbot 2009, p. 499), and it can be associated at the maximum production yield of an organization when operating along its production frontier (Van Dooren et al. 2015). On the other side, the allocative

efficiency allows organizations to understand the effect of resources' allocation to a specific policy area. As Schick (1996, p. 87) argued, the "efficiency in producing outputs is not the whole of public management. It also is essential that government has the capacity to achieve larger political and strategic objectives. [. . .] It will have to move from management issues to policy objectives, to fostering outcomes." The ratio between output and outcome can be used as a measure of effectiveness (Bouckaert and Halligan 2007). In the same way, the comparison of inputs versus outcomes focuses on the organizational capacity to address societal requests expressed within the political system.

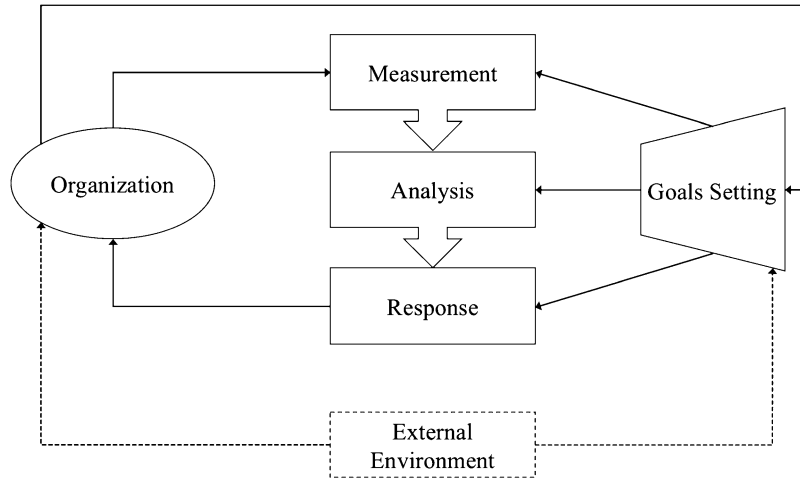
Levels of Performance

NPM reforms focused performance analysis at the micro level (i.e., the organizational level) (Voets et al. 2008). However, both the multidimensionality of the concept (Talbot 2009; Van Dooren et al. 2015) and the spread of the emergent paradigm of public governance induced scholar to widen the scale of their analysis. In this sense, the integration of the extended performance model with values of public governance resulted in a "dynamic and variable span and depth of a performance platform for control" (Bouckaert and Halligan 2007, p. 16). Indeed, when assessing performance, three main "levels" of analysis can be distinguished (Bianchi 2010): (i) a political (or macro level), (ii) a managerial (or micro level), and (iii) a political versus managerial conversation (or *meso* level). The first level refers to the national/international scale and implies gauging four types of results (Fukuyama 2013): (i) procedural measures (corruption, tax evasion, gender discrimination at workplace), (ii) capacity measures (taxation, education of public service employee, and professionalization), (iii) output/outcome measure (education scores, GDP, literacy, public health, public security, and national defense), and (iv) bureaucratic autonomy measures (as a response to principal agent theory implications). These empirical measures are examples through which assess and compare the quality of public sector services. However, data may not cover all of these areas making them difficult to measure. Furthermore, main issues regarding the national scale concern the conceptualization behind such performance measurements (Fukuyama 2013). A macro perspective of performance can also be seen, for instance, as the case of a local area that needs to align its strategies with few involved municipalities. One may call this perspective as "interinstitutional" (Bianchi 2010, p. 376) or a "governance wide" (Bouckaert and Halligan 2007, p. 18).

At a micro level of analysis, the concept of performance is mainly associated with organizational results such as output measures of services or products delivered by a public organization to the society. Organizational performance is customer-focused and expresses the allocation of outputs to specific users or the administered community as a whole. It also has a particular emphasis on the quality of deliveries as well as on the customer service level as effects of the "general quality movement" (Talbot 2009, p. 498). Organizational performance includes elements such as the waiting time for surgical treatment or for issuing a certificate, the quality of the document delivered as gathered through the paperwork error rate, and the adequacy of resources compared with service demand. These elements pertain to departmental or interdepartmental level and substance organizational performance. Therefore, by "mapping products and processes, strategic resources and results" (Bianchi 2010, p. 378), organizations may achieve a certain fit with users' expectation regarding service performance.

Meso level analysis refers to three main areas of application (Van Dooren et al. 2015): (i) a policy program (e.g., health care, industrial development), (ii) a value chain leading to products and services delivered to both internal (within the same organizations and across the vertical line of organizational structure) (e.g., the preliminary analysis for public prosecution: from a police officer to a court office) and external customers such as users or the community as whole (e.g., protection and security services), and (iii) a network project (e.g., the strategic plan for a tourism destination).

At this level of analysis, performance is primarily meant as intermediate and final outcomes.



Performance Management in the Public Sector, Fig. 2 Pictorial overview of performance management cycle (Smith and Goddard 2002, p. 248)

Meso level results are realized by the network of organizations involved in a specific policy field (e.g., unemployment). Thereby, performance management system must connect the outputs that each organization involved in such a network produced, with both intermediate and final outcomes achieved through the implemented policy at *meso* level (Bouckaert and Halligan 2007).

Performance Management

Performance management concerns a set of activities, tools, and mechanisms aimed at measuring and evaluating results to continuously improve performance. Performance management systems enable organizations to plan, control, evaluate, and manage performance (regarding outputs and outcomes). Such processes by promoting shared goals and introducing an ongoing based control also allow organizations to improve culture, enhance reporting system, and increase resources productivity. These benefits can be attained only by introducing in an organization a consistent framework embodying all the elements profiling the multifaceted and multidimensional concept of performance.

As classified by Van Helden et al. (2012), the introduction of performance management system within a public sector organization may include four different stages. A construction phase, in which both the system and the extent of performance indicators are designed, follows an implementation stage, which considers tests and empirical experiments. Once the system is up and running, the use of management tools and methods allows organizations to influence its internal units. The subsequent assessment phase concerns a review of performance management system architecture and its internal and external impacts, as well as an evaluation of potential implications for the whole institutional environment where the organization is embedded (Fig. 2).

A cyclical approach to performance management emphasizes that performance management differs from mere performance measurement activities, although in some cases, among politicians and managers, there still exists vagueness about the difference in the meaning of these words. To avoid such an indistinctness, the following two sections deal with performance measurement and management, respectively.

Performance Measurement

"Performance measurement is a bundle of deliberate activities for quantifying performance" (Van Dooren et al. 2015, p. 32) and is focused on capturing how the organization/policy program is performing with regard to several aspects. Performance measurement requires incorporation of measurement within policy design and management initiatives. However these measurements are frequently weak and crude, since they miss many relevant dimensions of results (OECD 2009). Indeed it has been termed as "the Achilles' heel

in administrative modernization" (Bouckaert and Peters 2002). Furthermore, the way in which public administration makes use of these information has been recognized as a raising question for public management scholars. Selective and smart uses of performance measurement information may enhance performance management systems as a literature review provided by Cepiku (2016) argues. She clustered drivers and effects of performance use in three groups: "characteristics of performance information systems, features of public managers as users of information, and internal and external context" (Cepiku 2016, p. 298).

Additional questions regarding performance measurement relate to the rationale and to the object of measuring. Addressing both issues, Behn (2003, p. 587) identified meaningful performance measures associated with "eight managerial purposes." The extent of performance measurement and its purposes plays a central role in performance management: when deciding what to measure, organizations set up the most appropriate type of control system according to the possibility to measure outputs/outcome and the level of knowledge of the process.

Measurability has been explored since the1960s. Downs (1967) scaled measurability along eight structural aspects of bureaucracy, while Hackman and Oldham (1980) analyzed measurability along two domains: task ambiguity and task routine. They found that when the level of task routine is low and the task ambiguity is high, both give rise to difficulties in measurement. Blankart (1987) identified in the measurability of the quality of public services outputs the limits to their privatization. He clustered quality in three groups: inspection (tangible), experience (predictable), and trust (intangible). Wilson (1989) classified four types of organizations according to the possibility to measure their outputs and outcomes. These refer to production, procedural, craft, and coping organizations. In discussing the measurability of performance within their extended production model, Bouckaert and Halligan (2007) pointed out the existence and the relevance of three level of analysis (macro, micro, and *meso*) as crucial elements of performance measurement.

Managing Performance

Within the context of public sector organizations, the focus of performance management has shifted from input management (budgets and staffing) or process management (rules and routines) toward achievements accounting (Walker et al. 2010) meant as "managing for results" – driven by NPM reforms (Moynihan 2006, p. 78) – or "centered on programs outcomes" (Heinrich 2002, p. 713). As Behn (2014) argued, performance management requires that an agency provides efforts aimed at achieving a specific public purpose, by eliminating or reducing obstacles to that purpose, setting and tracking targets constantly, and examining performance information and data to understand progress and design corrective policies. In other words, performance management includes either measurement or monitoring, as well as reporting activities of selective and significant values to administrative and political bodies for allowing them to use this information as input for decision-making. The aim of a performance management process is improving the efficiency, effectiveness, economy, and equity of policy programs, organizations, and services. Its cycle includes activities such as planning, measuring, evaluating, reporting, and implementing corrective actions (Cepiku 2016).

The ambition of performance management is to incorporate information and data regarding results within the policy design and budget allocation activities. Thereby, the purpose of such a management style is threefold: (i) to learn how to improve/change strategy and/or implementation with an internal focus, (ii) to steer and control processes and associated activities, and (iii) to report and communicate performance values to give account of public sector results to the external environment (Van Dooren et al. 2015).

The idea that performance management is required to address problems such as inefficiencies of public sector organizations is widely recognized. However, given the specific complexity of public sector organizations, performance management systems may produce structural dysfunctionalities and behavioral implications (Cepiku 2016; OECD 2009; Van Dooren et al.

2015). Risks associated with performance management systems dysfunctionalities may be an inadequate political and managerial focus on performance management practices and a probability of gaming with measurement and report (Vakkuri and Meklin 2006; Van Thiel and Leeuw 2002). When designing performance management systems, to mitigate such adverse effects, it is essential to well-balanced managerial values, political priorities, and the institutional setting.

Conclusion

Performance differs from a mere behavior since it includes some degree of intent (Dubnick 2005). It can be conceptualized as "a set of information about achievements of varying significance to different stakeholders" (Bovaird 2008, p. 185). Two approaches define performance: the production model and the public value perspective. Both models of performance stressed the multidimensionality of the tenet in terms of dimensions (input, output, outcome, efficiency, effectiveness, and productivity) and levels (micro, macro, and *meso*). Performance management is a cyclical process through which managers set goals, measure achievements, and use information regarding performance to implement corrective actions and/or to change targets. Since performance measurement cannot be understood as an end per se (Behn 2003), performance management embodies the measurement of results as supporting activities for the control function. Performance management is an effective practice for improving efficiency and effectiveness of the public sector. To alleviate the risk of distorted effects, in designing and assessing the performance, academics and practitioners must enlarge the extent of indicators and the interest of stakeholders.

Cross-References

- ▶ Comparative Public Performance Management Systems
- ▶ Performance Management
- ▶ Performance Management and Culture
- ▶ Performance Management in Local Government
- ▶ Performance Management in Public Administration
- ▶ Performance Measurement

References

Behn RD (2003) Why measure performance? Different purposes require different measures. Public Adm Rev 63(5):586–606

Behn RD (2014) What performance management is and is not. Bob Behn's public management report 12(1). Retrieved from https://thebehnreport.hks.harvard.edu/files/thebehnreport/files/behnreport_2014oct.pdf?m=1463165660

Bianchi C (2010) Improving performance and fostering accountability in the public sector through system dynamics modelling: from an 'external' to an 'internal' perspective. Syst Res Behav Sci 27(4):361–384. https://doi.org/10.1002/sres.1038

Blankart CB (1987) Limits to privatization. Eur Econ Rev 31(1):346–351. https://doi.org/10.1016/0014-2921(87)90050-X

Bouckaert G, Halligan J (2007) Managing performance: international comparisons. Routledge, New York

Bouckaert G, Peters BG (2002) Performance measurement and management: the Achilles' heel in administrative modernization. Public Perform Manage Rev 25(4):359–362. https://doi.org/10.2307/3381129

Bovaird T (2008) Political economy perspectives on performance measurement. In: Thorpe R, Holloway J (eds) Performance management: multidisciplinary perspectives. Palgrave Macmillan, London, pp 184–199

Boyne GA (2002) Theme: local government: concepts and indicators of local authority performance: an evaluation of the statutory frameworks in England and Wales. Public Money Manage 22(2):17–24

Cepiku D (2016) Performance management in public administration. In: Klassen T, Cepiku D, Lah TJ (eds) The Routledge handbook of global public policy and administration. Routledge, Abingdon

Downs A (1967) *Inside bureaucracy*. Boston: Little, Brown

Dubnick M (2005) Accountability and the promise of performance: in search of the mechanisms. Public Perform Manage Rev 28(3):376–417

Fukuyama F (2013) What is governance? Governance 26(3):347–368

Hackman JR, Oldham GR (1980) Work redesign. Addison-Wesley, Reading

Heinrich CJ (2002) Outcomes-based performance management in the public sector: implications for government accountability and effectiveness. Public Adm Rev 62(6):712–725

Hood C (1991) A public management for all seasons? Public Adm 69(1):3–19. https://doi.org/10.1111/j.1467-9299.1991.tb00779.x

Moore MH (1995) Creating public value: strategic management in government. Harvard University Press, Cambridge, MA

Moynihan DP (2006) Managing for results in state government: evaluating a decade of reform. Public Adm Rev 66(1):77–89. https://doi.org/10.1111/j.1540-6210.2006.00557.x

OECD (2009) Measuring government activity. OECD Publishing, Paris

Pollitt C, Bouckaert G (2011) Public management reform: a comparative analysis. Oxford University Press, Oxford, UK

Schick A (1996) The spirit of reform: managing the New Zealand state sector in a time of change; a report prepared for the state services commission and the treasury, New Zealand. State Services Commission, Wellington

Smith P (2013) Measuring outcome in the public sector. Taylor & Francis, New York

Smith PC, Goddard M (2002) Performance management and operational research: a marriage made in heaven? J Oper Res Soc 53(3):247–255. https://doi.org/10.1057/palgrave.jors.2601279

Talbot C (2009) Performance management. In: Ferlie E, Lynn LE, Pollitt C (eds) The Oxford handbook of public management. Oxford University Press, Oxford, UK

Vakkuri J, Meklin P (2006) Ambiguity in performance measurement: a theoretical approach to organisational uses of performance measurement. Financ Account Manage 22(3):235–250. https://doi.org/10.1111/j.0267-4424.2006.00401.x

Van Dooren W, Bouckaert G, Halligan J (2015) Performance management in the public sector. Routledge, London

Van Helden GJ, Johnsen Å, Vakkuri J (2012) The life-cycle approach to performance management: implications for public management and evaluation. Evaluation 18(2):159–175. https://doi.org/10.1177/1356389012442978

Van Thiel S, Leeuw FL (2002) The performance paradox in the public sector. Public Perform Manage Rev 25(3):267–281

Voets J, Van Dooren W, De Rynck F (2008) A framework for assessing the performance of policy networks. Public Manage Rev 10(6):773–790. https://doi.org/10.1080/14719030802423129

Walker RM, Boyne GA, Brewer GA (2010) Public management and performance: research directions. Cambridge University Press, Cambridge, UK

Wilson JQ (1989) Bureaucracy: what government agencies do and why they do it. Basic Books, New York