

Managing Performance

International comparisons

**Geert Bouckaert and
John Halligan**



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Managing Performance

In recent years, concerns over the effectiveness of public administration have encouraged the widespread measurement and management of ‘performance’. But is performance management an appropriate model for public sector organisations, and has it proved successful? Moreover, how do the principles of performance management affect how public bodies operate, and the way they relate to the wider community?

In this important new text, the viability of performance management in public sector organisations is systematically assessed across a number of international case studies. The book provides a framework through which models of performance management can be understood in terms of both their impact within a public sector organisation, and the effects that have been seen in countries with contrasting administrative contexts.

Managing Performance – International comparisons critically examines the effects of performance management models in the public sector, and assesses their future evolution. It is an important book for all students and researchers with an interest in management, public administration and public policy.

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**To those who taught us how to compare and
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Introduction

Two big questions in public management during the last fifteen years – the role of markets and performance in the public sector – have attracted the most controversy in an unprecedented era of public sector reform. Both have recent origins in new public management (NPM), although their lineage is much longer, and reflects private sector ideas. Both are interlinked for some purposes as in many inter-agency relationships – but long-term trends now appear to support the ascendancy of performance ideas as a dominant force in public management.

Markets are examined in many studies addressing the application of institutional economics to public sector questions (e.g. Lane 2005), but performance management remains something of an enigma, a paradox lacking coherent meta-analysis. The ambiguities in research arise because although performance remains implicit in many studies, they either refer to it without clarification or use a general synonym such as ‘managing for results’. Or, the focus may be on measuring performance without locating it within a broader system of management in a way that invests the concept and practice with meaning.

The paradox derives from the inverse relationship between uptake and general growth, and the associated and sustained critique of performance management. There is a sharp divide between those passionately supporting it (usually practitioners and consultants) and those critiquing it (likely to be academics). Countries that declared opposition to NPM a decade ago have now succumbed to the use of performance for at least some purposes. The parallels between performance management and public management reform in general are sufficiently close that the observation ‘the international reform movement has not needed results to fuel its onward march’ (Pollitt and Bouckaert 2004: 132), can be applied equally to performance management.

The subject of this book is the core of public management, certainly in its new public management form: is it possible to envisage management in the public sector without due regard to the pursuit of results and the measurement of performance? Nevertheless performance management lacks a coherent treatment that explicates its significance, analyses its several dimensions as a working system, compares its application internationally, and challenges

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its shortcomings. The purpose of this book is to develop this comprehensive understanding of performance management as a concept and phenomenon that has swept through OECD countries, to examine how it has been applied in practice and to review the relationship to public management.

Most books in the field of performance management fall into one of the following categories: general public management with some (minor) reference to performance as such (Christensen and Lægveid 2001; Wollmann 2003); performance measurement as such (Hatry 1999); and consideration of specific public management functions with some reference to performance (e.g. budget cycle, personnel, evaluation, contracts, etc.) (Miller *et al.* 2001). Other studies are based on either a single country or are organised around several classical management topics such as finance, personnel, organisation, strategy, etc. In contrast to the standard approach of focusing on specific management functions (integrating performance information by the traditional functions), a cross-cutting issues approach is favoured here with the analysis of performance management taking the form of specifying distinctive models, their components and relationships.

Performance and management as the focus

This book systematically examines performance in public management systems. The performance focus not only has an impact on the key public management functions and components (HRM, finance, strategy, etc.) but also changes the nature of policy and management in the public sector in itself.

A broad and generic definition of performance-based public management is taking/allocating responsibility for the performance of a system and being accountable for its results (Pollitt and Bouckaert 2004). By taking this broad definition as a point of departure, major and basic mechanisms in public administration are being redefined in theory and in practice. In its pure (ideal) type of definition – which does not of course exist in reality (although elements are present in a number of countries) – this may result in:

- the financial function rotating from a horizontal to a vertical dimension and linking financial and other information;
- guidance and steering: from *ex ante* to *ex post*;
- new interactions between parts of the organisation, and between the organisation and its environment;
- cascading down of organisational objectives to almost an individual level.

Performance management has to be located within a broad construction of organisational life, which recognises that performance management cannot be considered in isolation from other factors that make up public management and the more general public administration system. Our study is grounded in academic traditions that recognise rationality and trust as two fundamental

dimensions of public organisations and these form the bases for deriving models of ideal types for analysing practice.

A framework for comparative analysis of performance management

In order to make meaning of the diverse uses and combinations of performance, measurement and management, a framework has been developed with three major types – Performance Administration, Managements of Performances and Performance Management. This framework allows analysis of the evolution of performance management over time and the comparison of country orientations to performance.

A significant element is the contextual analysis of the performance management systems of six countries. This also allows comparisons to be made across countries, while recognising the importance of their cultural and administrative contexts. Three types of countries are identified: those that have made a high commitment to performance management, where the interest is in how to frame the performance management systems and how to handle the limitations to this approach; countries that have sought to balance performance management with other features and how that plays out in practice; and countries that have sought to selectively draw on performance management techniques while operating within another type of system.

In each case we are interested in how the mix of design features is constructed and to what extent they give systematic attention to complementary aspects. For the first and perhaps the second categories, there is also interest in how they frame their performance management systems. For all, three questions are asked about how they handle the limitations of their approach, such as excessive rationality through performance management; the difficulties of selective merging of features with different theoretical bases; and the problems with attempting to graft performance management onto different types of operating system.

In summary then, the book is:

- organised around a set of categories for analysing and evaluating performance management;
- based on a range of countries operating under different administration traditions;
- focused on cross-cutting issues;
- engaging with debates about alternative approaches to performance management and their efficacy for public management.

Overview

Chapter 1 examines ‘What is performance management and why do we have it?’ It first elaborates on the need for the systematic study of performance

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management based on its rise, expansion and current significance, and the international range of degrees of implementation and penetration of performance management. Several of the key debates have produced a burgeoning literature that addresses core issues of public management, yet ambiguities remain about the standing of performance management. The chapter finally seeks a preliminary answer to the question of what is performance management. A range of different types of definitions in the performance and measurement literature is drawn on to define performance management and to consider how it differs from public management. This also recognises the need to look at the relationships between a performance management focus and the scope of governance.

Chapter 2 introduces our approach to the analysis of managing performance, which consists of two elements: an analytical framework; and the broader public management system. The starting point is a framework for the analysis of performance, measurement and management. We employ the three categories of Performance Administration, Managements of Performances and Performance Management to denote successively greater degrees of complexity and integration. The analysis of performance management can then consider these components over time and evaluate the approaches of different countries.

Our interpretation of performance management is grounded in the debates about the functioning of public sector organisations. This involves the tension between values such as trust and integrity and rationality and controls based on compliance and measurement. The second element then is the perspective on performance management that locates it within a broader public management system and as being derived from one mode of thinking about organisational life. The distinction between the two traditions – rationally based or objective and trust-based or subjective – captures many of the fundamental debates of public administration. A look at how these debates have developed over time illuminates the relationship between performance management and rationalism. This distinction also provides one basis for differentiating several models – ideal types for examining underlying operating system of control. The relative importance of one or the other has important implications for society with indications that trust has been waning while rationality and performance culture have been in the ascendancy.

When do we have performance management? Several factors – institutional, cultural and administrative tradition – assist in accounting for levels of commitment to performance management. Finer analysis requires clarification of the main components of performance management (an OECD 1997 checklist in the Appendix (pp. 223–7) is relevant here) and of the thresholds for defining levels. A spectrum of options ranges from performance management as a framework with system properties to a performance approach limited to the application of selected measurement techniques. The approach to analysis will indicate the need for sensitivity to contingencies

and conditions. Performance management is also used as an independent variable for the purposes of analysing its impact on public management, the operations of the executive branch and democracy.

Chapter 3 examines the context of, and explanations for, performance management. In the overall pattern of development three phases can be identified: the origins in Performance Administration based on measurement movements and debates mainly in the United States (the rest of the world was not directly participating in the early twentieth century). The second phase is the emergence of Managements of Performances internationally in the last quarter of the twentieth century. This involved a broadening and elaboration of the earlier focus on measurement through contributions from several countries, to produce a fairly common frame of reference about performance management. The third phase reflects trends in the modern reform era as performance, measurement and management come to permeate thinking about public management. This phase has increasingly acquired elements of Performance Governance.

In order to explain the rise of performance management, we employ several theoretical interpretations of change and growth: performance-based theories, rational choice-based neo-institutional theories, socio neo-institutionalism, historical institutionalist perspective, and contingency-based theories.

Chapter 4 examines Performance Administration through the two elements of indicators and measurement systems. It does this by addressing the technical issues and organisational implications of a functional and legitimate performance measurement system. The main trends are for measurement to become more extensive, intensive and external. At the same time converging measurement systems can be observed. The chapter also points to the significance of performance measurement policies.

Chapter 5 focuses on Managements of Performances. Models for measuring performance include some of the familiar typologies: pre-designed monitoring systems covering standardised models (e.g. balanced scorecard (BSC); European Foundation for Quality Management (EFQM)); and sui generis country specific monitoring systems (e.g. Australia and Canada). These models are assessed in terms of convergence and overlaps. Different models may exist for different purposes. The question is asked: how well do they facilitate matching supply and demand?

Chapter 6 on Performance Management is concerned with taking and allocating 'responsibilities' for performance, redefining performance as 'results' and defining the appropriate and relevant levels of systems. These levels range from the single organisation to networks of organisations, and incorporate interaction with civil society, values and systemic scope. The analysis uses both trust-based control systems and performance measurement-based

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control systems to define the scope: who is responsible; what is performance at each level; what could be the results; who defines results; how to report; and how to be accountable.

Chapter 7, 'Managing performance: comparing country models and practice', compares the country models' performance of six cases – Australia, Canada, Netherlands, Sweden, United Kingdom and United States – and the extent to which they have been implemented. The analysis of performance dimensions follows the categories developed for the country overviews in the Appendix, that is, design of measurement, incorporation of information, using information, and managing and governing performance. The systems are first evaluated in terms of their official frameworks, aspirations and intentions. This involves examining the ideal types of Managements of Performances and Performance Management and the country models that fit each. The focus then shifts to comparisons of the basic aspects of the country models identified with Performance Management. The second part addresses how the country model works in practice; the analysis examines practice against the main dimensions of performance, making comparisons among the systems where possible.

Chapter 8, 'Paradoxes and disconnects in managing performance', examines a set of issues with managing performance centred on the key disjunctions that provide the basis for much of this comment. Whereas Chapter 7 examined country practice against the official models that most approximated the Performance Management type, here the concern is with paradoxes, contradictions and unsolvable problems.

The starting point is a review of four types of critique of performance management and measurement. This is followed by analysis of major disconnects, the points at which there is communication failure and transmission confusion. These disconnects refer both to the performance sequence and the interface with the policy context and the political environment. Accountability for performance is then considered as a special case because it raises a range of issues, and the focus on external and public reporting provides insights into the complexities and challenges of performance. Finally, the chapter reviews ten tensions, ambiguities, paradoxes and contradictions that range from unintended consequences arising from technical limitations through to the broader implication of performance management and governance for society and democracy.

Chapter 9 addresses 'Towards Performance Governance: a new agenda?'. Two dominant trends of the last thirty years in public administration – the management revolution in the public sector and the steady ascendancy of performance as a fixation of governments – have produced powerful means of controlling and directing public services. More recently, pressures for public services to move tasks out and societal trends for government to engage

other sectors have generated a movement towards governance. In this chapter we identify an additional ideal type, Performance Governance, in which governance replaces management. This consideration is an exploration in the realms of governance and performance fused together, but with much guidance available from the international literature and experience. We are unaware of any country that readily fits this category (which is arguably less realisable in the short term than the other types discussed), although several have affinities with it.

There are well-documented performance and governance trends that have been identified by informed observers that derive from concerted efforts to identify either country or international trends, and from analyses of activity on the ground. Our task here is to look at how those relevant to Performance Governance together suggest something fresh and if integrated, point to the new ideal type.

The ideal type that is developed, expanded and appraised in this chapter, is grounded in four components each of which has a performance and a governance element:

- 1 Organisational relationships both within and beyond the public sector.
- 2 Participation and citizen engagement including community performance feedback.
- 3 Integration of performance across several levels.
- 4 Societal impacts as demonstrated and managed by performance.

The final chapter, 'Conclusion and next steps', reflects on the enduring influence of the performance movement and the immediate prospects. Performance remains the mainstream focus of international public management. New boundaries are challenging reformers, but to what extent are they an option for all performance-oriented countries, and will the limitations of existing models be addressed?

Part I

**Concepts, approaches
and explanations**

1 What is managing performance?

Explaining the age of performance is the first task of this chapter. It elaborates on the need for the systematic study of managing performance in the public sector based on its rise, expansion and current significance as indicated by the range of acceptance and the levels of penetration. The chapter then examines the nature of managing performance and seeks to define it and to differentiate it from competing terms.

Why study ‘managing performance’?

Several of the key debates have produced a burgeoning literature that addresses core issues of public management. Yet some ambiguities, even confusion, remain about the standing of performance management. Initially, therefore, we elaborate on the case for the systematic study of managing performance and the international range – particularly within OECD countries – of degrees of implementation and penetration of performance ideas and techniques.

The age of performance

The most striking feature of managing performance is its continuing expansion over the last two decades making this current period its international apogee. As will be discussed in Chapter 3, the antecedents of managing performance – various approaches to performance and measurement – have a long lineage. But the recent astounding international commitment goes well beyond a resurgence of interest in measuring performance. Moreover, managing performance is recognised to have evolved, to be different and to now involve more sophisticated measures (Schick 2001).

International observers agree that something unusual was occurring internationally in the 1990s with ‘the rise of “performance” as an issue in public sector theory and practice’ (Talbot 1999). Similarly a US expert reports that:

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if there is a single theme that characterises the public sector in the 1990s, it is the demand for performance. A mantra has emerged in this decade, heard at all levels of government, that calls for documentation of performance and explicit outcomes of government action.

(Radin 2000: 168)

The penetration was significant by the mid-1990s: measurement was becoming 'more intensive, more extensive and more external' (Bouckaert 1996). Key performance management questions were prominent in a ten-country survey by the OECD although stronger in the Anglo-American compared to the European public sector (OECD 1997a; Bouckaert 1997).

This trend continues in the 2000s with no indication that it is abating. A second survey of nine OECD countries has documented continuing consolidation of managing performance (National Audit Office 2001; Talbot *et al.* 2001). A Dutch observer notes that 'in recent years, management techniques from industry have penetrated deep into public organisations' (De Bruijn 2004), and a Canadian comments that 'performance measurement and performance reporting have become even more important within most governments. "If you can't measure it, you can't manage it" has become a familiar refrain' (Thomas 2003: 1). Measuring performance and developing performance measurement systems, and especially commitment to it, is subject to influence from technical, cultural and political conditions (Boyle 1989) and is therefore contingent. But whatever the contingencies are, the focus on performance is an expanding practice. One indicator is the various handbooks and guidelines from academia (McDavid and Hawthorn 2006), consultancies (Bens 1998), professional organisations (Hatry 1999) or official publications (Salminen and Viitala 2006).

It is obvious that the practice of measuring performance has become more extensive. Almost no service now escapes from the practice of measuring performance, including museums (Ughetto 2006), police (De Vries 2001), schools (Hoxby 1999; Rubenstein *et al.* 2003), criminal justice and social programs (Halachmi and Grant 1996) and a broad range of other services (Chartered Institute 1990), varying from refuse collection to hospital treatments.

Measuring performance is also more intensive. In the UK, the number of Highways Agency's performance indicators and targets have increased significantly; from seven performance indicators in 1994–5 to twelve performance indicators (PIs), sixteen road user's targets, seven Whitehall standard targets and 33 ten-year plan targets in 2002–3 (Wilkinson 2005: 19).

Answering the questions of why we measure performance, and what is its purpose, is crucial for a sustainable, legitimate and above all functional way of measuring performance. It also suggests that different purposes may require a differentiation to guarantee sustainability, legitimacy and functionality. There are several ways to differentiate purposes. Some may be more instrumental in supporting a range of management functions. Personnel functions

have different purposes from financial functions. Some have produced mixed lists of purposes (Behn 2003). Purposes are also different from effectively using performance information (Hatry 1999).

The paradox mentioned in the Introduction is relevant here: despite mounting critiques, managing performance continues to increase and is arguably now the dominant idea for governments. One factor has been its centrality to public management. Managing performance forms the core of public management, especially NPM: is it possible to envisage management in the public sector without due regard to the pursuit of results and the measurement of performance? This correspondence can readily be established through stock specifications of NPM features (e.g. Hood 1991). When Behn (1995) writes about the 'Big Questions of Public Management' – micro-management, measurement and motivation – he is essentially identifying questions about managing performance. When Hood and Peters (2004) reflect on 'The Middle Aging of New Public Management' are they not writing for the most part about the side effects of managing performance?

A contested field

The field has become the subject of debates about the value of performance, its measurement and management. Managing performance has become a growth area within public administration and management, centred on critiquing aspects of performance and measurement. Books are devoted to critiquing, challenging and analysing performance and its management or aspects of performance and its measurement (see, for example, the book edited by Forsythe 2001; Ingraham *et al.* 2003).

One should note the parallel debates in business administration where both developments in thinking and analysis are reported as well as critiqued (e.g. Meyer (2002) asks 'Why are performance measures so bad?').

Five types of argument from these debates can be mentioned. The first is about the impact of rhetoric on poor implementation ('What makes performance management so attractive in theory, yet so difficult in practice?' Thomas 2004: 1). A second critique explores the limits of rationality and unintended consequences. Managers are seen as functioning within the narrow parameters of managing performance and an imperfect model that is rationally defined and deficient (Christensen and Lægheid 2004).

A related position is the attribution of an error of logic regarding the purveyors of managing performance: for example, the assumption of the managing performance industry that an agency will be 'transformed by measuring its performance. This is the logic of GPRA' (Schick 2001: 43). To a consultant, managing performance may simply be the difference between managing and not managing, whereas the academic wishes to recognise the complexities involved (Nathan 2004). It is not always clear that practitioners consistently make the same claims about systems designed and advocated by central agencies and the most senior echelons of management.

Moreover, with performance measurement there is an ‘array of buzzwords . . . reinventing government, new public management, performance management, results-driven government, results-based budgeting, performance contracting etc’ (Thomas, 2004: 1); and authors move casually between one concept and another (e.g. a discussion of performance management is really about performance measurement: Bovaird and Gregory 1996: 239). Finally, another argument points to apparent confusion. There is a lack of agreement on how to measure performance: ‘Measuring government performance is like the weather. Everyone talks about it . . . But there is not consensus on how to do it’ (Kettl quoted in Schick 2001: 40).

For all these reasons there is a need to look at ‘managing performance’ more systematically and to ground it in analysis of its constituent elements. Despite sustained analysis, there is a lack of rounded treatments of managing performance in the academic literature. There is need for clarification of performance and its measurement, and the context of managing it.

Several themes emerge from the literature, each associated with the core concepts of performance, measurement and managing this (measured) performance.

What is performance?

There are different meanings of performance. There are different performances according to the range of disciplines. For example, psychology, social sciences or managerial sciences use different definitions depending more on individual, or societal, or organisational and system performance. Performance ‘is not a unitary concept, within an unambiguous meaning. Rather, it must be viewed as a set of information about achievements of varying significance to different stakeholders’ (Bovaird 1996: 147).

The 1993 US Government Performance and Results Act (GPRA) suggests a difference between performance and results. However, this is not clarified in practice, quite the contrary. According to the US General Accounting Office (GAO) ‘high performing organisations have recognised that an effective performance management system can be a strategic tool to drive internal change and achieve desired results’ (GAO 2003: 488). By stating that ‘to manage for results, you start with measuring performance’ (Kamensky and Morales 2005: 4) there is a suggestion that performance is a tangible operationalisation of results, which is a more generic concept. This seems to be confirmed by the US Office of Management and Budget (OMB) in describing a performance budget as consisting of ‘a performance-oriented framework in which strategic goals are paired with related long-term performance goals (outcomes) and annual performance goals (mainly outputs)’ (OMB 2003). Outputs and outcomes are the substance of a performance-oriented framework that is demonstrating results. According to Wye, who was director of the Performance Consortium, and of the Center for Improving

Government Performance at the National Academy of Public Administration, 'there is a growing understanding that there are central concepts underlying [performance management]: performance, results, and the bottom line' (Wye 2005: 23). In this book we use performance as the generic key concept to define results and bottom lines.

There is a *span* of performance and a *depth* of performance. A broad conception of performance claims that it has always 'been an issue in government' and key goals, such as efficiency, economy and fairness are "'performance" goals as widely defined' (Talbot 1999: 2). Performance is commonly conceived in either individual, or organisational terms, and also as a combination of both. It may also be identified with an activity, programme or policy (Talbot 2005a), the latter linking in with the evaluation movement. Talbot (2005a) outlines the different dimensions of performance – as accountability; user choice; customer service; efficiency; results and effectiveness; resource allocation; and creating public value. 'Performance' is also commonly used as prefatory to other activities such as auditing and budgeting and more diffusely to 'improvement', 'orientation' and 'trajectories' (Pollitt and Bouckaert 2004: 341, 126).

Span of performance

From a systemic point of view Figure 1.1 provides an analytical framework to handle the complexity of public sector performance. The list of Glossaries in the Appendix (p. 228) provides sources that further develop the standard terminology in this area.

There are inputs (quantity and quality) that are processed in activities (quantity and quality), which result in outputs (quantity and quality). These outputs, services or products, are leaving the black box and enter society. These outputs are sometimes directly consumable (collecting garbage, delivering a passport) but are in many cases just a degree of availability (which makes them sometimes intermediate outputs that are connected to the analytical level of activities) (e.g. police patrolling), sometimes even for the next generation (e.g. storage of nuclear waste), or undividable (e.g. security by the military). The quantitative aspect may be expressed in financial or in physical terms. The qualitative aspect may be quantified or not. The focus on quality becomes prominent in periods of severe savings and shifted from a focus on quality of outputs to a quality (model) of management, which then became a guarantee and safeguard for qualitative output itself.

The assumption of a direct link between input, activities and outputs suggests a mechanistic relationship that is founded on a machine-based, routine-featured production function that is linear if possible. Reality is more complex, especially in the public sector. Within the 'black box' the chain between resources, activities and outputs is full of disconnections, disruptions and disjunctions, in other words, with inefficiencies.

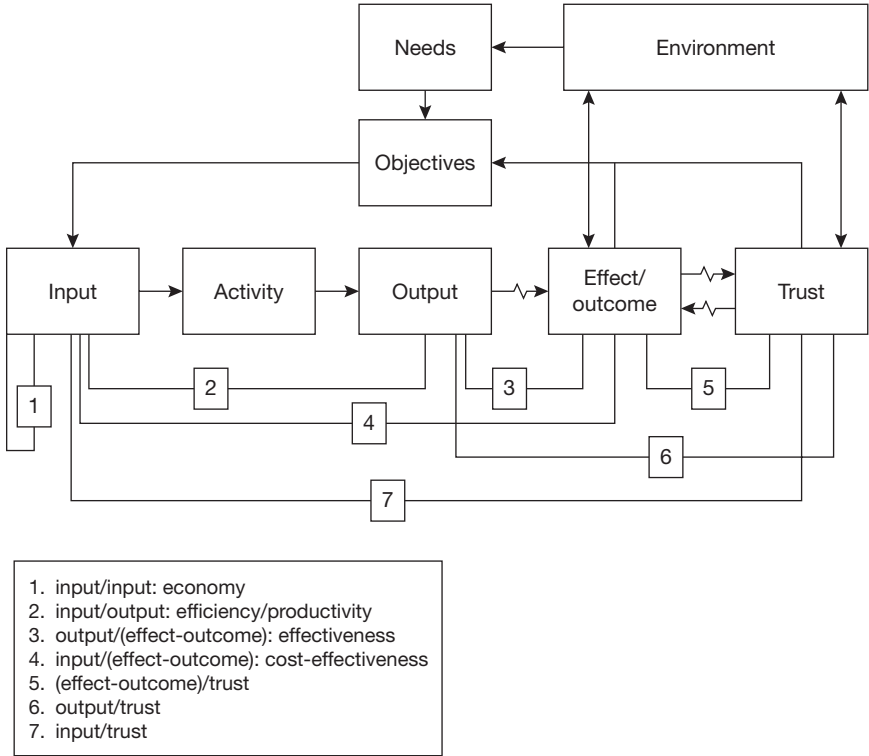


Figure 1.1 Span of performance in the public sector: an analytical framework

Since the 1980s the ambition to create typologies or classifications of outputs has increased. The New Zealand budget-system redesign resulted in a public sector output list, and academics have described system features which then should facilitate the choice of guidance, control and evaluation systems (Wilson 1989).

Outputs are never an end in themselves for the public sector. The more output is an end in itself, the more easily it can be transferred to the private sector. The less it is an end in itself the more it belongs to the public sector. Outputs are not an end in themselves if the subsequent intermediate and ultimate effects or outcomes are a central focus. Outcomes or effects, intended or unintended, gross or net, are everything beyond outputs. Since effects or outcomes are realised by a range of organisations, public sector performance measurement systems should not just be organised at the individual organisational level but at the level of a policy field or a product/service chain as well. Outcomes and effects may be objective or subjective. Also outcomes and effects are affected by the changing policy environment.

This results in a major disconnect, which we term – to emphasise its magnitude – as a ‘Grand Canyon’. The first Grand Canyon in the public sector measurement system is between outputs on the one side, and a disrupted and distant, almost unreachable, but visible sequence of intermediate and ultimate effects and outcomes on the other side.

The disconnect between outputs and outcomes is caused by a variety of reasons: an absence of (quasi-)market mechanisms; politicians that over- or undergrade outcomes; and citizens that inhibit the full attainment of outcomes because of their reactions. Outcomes or effects and the related effectiveness ratio are the ultimate purpose of public sector intervention. The kind and level of outcomes are affected by the environment, which should also be affected by these very outcomes. Needs are derived from this environment and are also supposed to be affected by the level of these outcomes. Needs also result in the strategic and operational objectives of policies that are realised through the level of outcomes. There is a feedback mechanism if needs are taken into account; changing needs result in changing assessments of outcomes.

Outcomes/effects are also crucial and a primary criterion in assessing public sector performance. An effective organisation or policy, which is at the same time inefficient, is not optimal. However, it would be even worse if there were an efficiently functioning organisation or policy that was ineffective. Effectiveness is a primary dimension of performance, efficiency or productivity is a secondary dimension. Both need to be monitored simultaneously since neither is derived from the other, and since there is no (quasi-)market mechanism that could guarantee this.

A measurement policy should include criteria to define the span. According to Grizzle (1999) several factors should be taken into account in setting the performance measurement system’s span. Performance measurement should not be confined to ‘events over which a program manager has near-total control’ (Grizzle 1999: 339). Outcomes therefore need to be included.

One could say that even outcomes and effects are not an end in itself in the public sector. The ultimate ambition is to guarantee a functional level of trust by the citizens in all its institutions and organisations, but especially in its public institutions and organisations. The link between effects/outcomes and trust provides the second Grand Canyon in the public sector. The assumption that effects may positively influence trust is weak and has not been corroborated by theories nor empirical studies (Van de Walle 2004). Environments are interfering (Bouckaert and Van Dooren 2002). However, public sector reform has always, implicitly or explicitly, referred to this ambition to bridge this second Grand Canyon. If they reach the other side of the first Grand Canyon, politicians, but also administrators and professionals eagerly look at the other side of this second Grand Canyon. However, the discontented society rejects this self-fulfilling prophecy of a trustworthy system being a consequence of high levels of effectiveness. But the ambitions remain present. The logic of focusing on ‘high impact agencies’

to construct the bridges across the two Grand Canyons remains to be proven. The role of all stakeholders in helping to construct the second bridge is clear, but where there is a mismatch between politicians, civil servants and citizens in creating effects or outcomes and in constructing trust, the other side of the second Grand Canyon will remain unreachable.

Figure 1.1 shows this disrupted relationship and links the five boxes of inputs, activities, outputs, effects/outcomes (which should be read as intermediate and ultimate outcomes/effects) and trust, and the seven logical linkages between these five boxes. Focusing on economy, or efficiency or productivity results in a smaller span of performance and remains inside the 'black box' (links 1 and 2). Looking at effects/outcomes and effectiveness broadens this scope beyond the organisational border lines (links 3 and 4). Stretching the span up to the concept of trust (and the related links of effect/output-trust, output-trust, input-trust) is a maximal performance design (links 5, 6 and 7), which may be wishful thinking and from a theoretical and empirical point of view is not corroborated and very conditional. However, it is very present in the broad discourse of public sector performance. It is also a significant driver in performance-based public sector reform policies. For these reasons it is useful to include and to connect trust in performance assessments (OECD 2005).

The larger the span of performance, the looser the boxes, as an extending chain of performances are connected, and the less it is possible to attribute causally in a one-to-one relationship the next box to the previous one. The further the scope of this sequence of performance boxes, the more problematic the links are, and the higher the chance of disjunctions. The broader this span of performance is defined, the higher the chances of reverse effects, where trust is influencing the level of outcomes, or even, where outcomes influence the perception of outputs. Nevertheless, this broad span of performance results in a variety of emphases on a performing public sector. This emphasis could be narrow, focusing on economy (input/input), on efficiency or productivity (input/output), or broader, focusing on effectiveness (output-effect/outcome), or cost-effectiveness (input-effect/outcome), or broadest, focusing on linking trust to input, or output, or effect/outcome. In the public sector, there is a need for different spans of performance for different purposes.

Depth of performance

Whereas span of performance is a horizontal expansion of the results dimension, depth of performance is a vertical dimension. It includes a micro, a meso and a macro layer. Micro performance is at the level of an individual public sector organisation and its interface with citizens or other organisations. Meso performance is at the level of a consistent policy (this also may include public enterprises in specific policy fields (Wettenhall and O'Nuallain 1990) or the European level of government (Levy 2001)). Finally, macro performance is government wide, or even governance wide.

Micro public sector performance

From a systemic point of view Figure 1.2 provides an analytical framework to handle the complexity of micro public sector performance.

There are inputs (quantity and quality) which are processed into activities (quantity and quality), which result in outputs (quantity and quality). These outputs, services or products, leave the black box and enter society. This is the micro and organisational level with a direct transfer of an output to a user/customer/citizen. These outputs are sometimes directly consumable (permit, subsidy, information). In many cases outputs just concern the degree of availability (e.g. using a resurfaced highway), sometimes even for the next generation (e.g. water purified), or they are undividable public goods (e.g. a legal framework). The quantitative aspect may be expressed in financial or in physical terms (Hatry 1999), number of full-time equivalents or budgets approved, number of inspections or transactions processed, and number of services delivered.

Resources and activities also have a qualitative dimension (e.g. skills and competencies of civil servants, or internal waiting time or internal error rates). The focus on output quality has gained momentum as part of a citizen/customer-focused performance definition. Increasingly, quality is linked to managerial models used by organisations, for example, generic models such as the International Standard Organisation (ISO), balanced scorecard (BSC), the European Foundation for Quality Management (EFQM) model, or the European common assessment framework (CAF). Other quality models are country specific, such as the management accountability framework (MAF) in Canada which then became a guarantee, safeguard, and proof of qualitative output itself (Van Dooren *et al.* 2006). It is tempting to assume a direct, almost linear relationship between resources as inputs, activities as throughputs resulting in products and services as outputs, almost in a mechanistic, machine-based, routine-featured production function (Bouckaert and Halachmi 1996).

Increasingly control systems monitor quantity and quality as output features. But this is not sufficient. Citizens as customers receive and perceive these outputs with levels of expectations. Expectation levels differ as do perception levels. In Figure 1.2 there is a clustering of different perceptions (e.g. waiting time, error rates, timeliness of a service delivery) within levels of expectation. Obviously one could also have a clustering of different expectations within levels of perception. The confrontation of output quantity and quality, with individual perception levels and expectation levels, results in levels of satisfaction. This positive or negative satisfaction also influences (positively or negatively) perceptions and expectations, hence the reverse mechanism. There is a particular level of satisfaction because of an effect or outcome: a letter has arrived on time, the right allowance was received, the police prevented a crime, the bus transported a citizen to the right place in due time, the municipal sports centre was fit for use, the refuse collection team collected all the refuse, the roads were repaired, etc. There is an effect

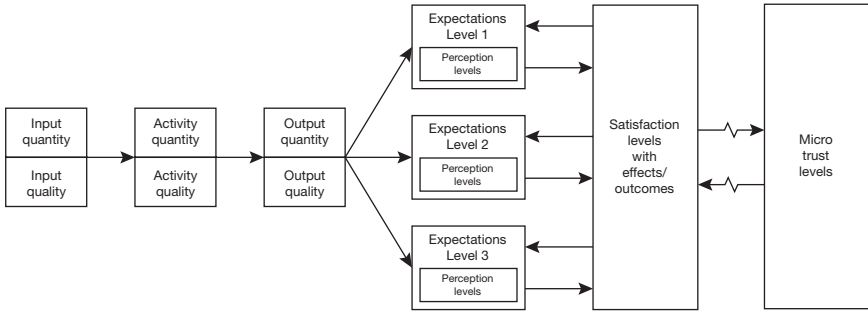


Figure 1.2 Depth of performance: the micro public sector performance framework

or outcome that needs to be measured, e.g. street level cleanliness or crime levels in city districts which could be as ‘objective’ as possible, and there is a subjective interpretation that is influenced by perceptions and expectations (e.g. a feeling of cleanliness or of security) and results in satisfaction. Research demonstrates that there is not always a good correlation between the ‘objective’ and the ‘subjective’ types of effects or outcomes or between the producer-defined increase in quality of a service and satisfaction change (Brown and Coulter 1983; Brudney and England 1982; Fitzgerald and Durant 1980; Parks 1984; Stipak 1979).

A crucial final part of the micro model is trust in the individual service-delivering organisation (including, e.g. its staff at the window). Trust levels have an impact on satisfaction (Bouckaert and Van de Walle 2005; Van de Walle 2004) and are in many cases crucial for a proper functioning of service delivery. The degree of trust of public sector organisations in their citizens (and vice versa) is a crucial societal mechanism to construct control systems. Missing or decreasing trust levels require complementary (repressive or monitoring-based) additional control systems. Sufficient and increasing trust levels allow the use of this social capital to upgrade, through satisfaction and legitimacy levels, support for service delivery. This contributes to its effectiveness. Trust levels may also have an impact on effects or outcomes. Teaching in schools, hospital therapies or police security may be more effective if parents and children trust their teachers, if patients trust their doctors, if citizens trust their security services. In the field of co-production, trust is crucial to upgrade the same output quantity and quality to higher levels of effectiveness. According to Yang and Holzer ‘the ambiguity of the performance-trust link does not suggest that performance is unimportant; rather, it implies there is much more to be learned about the business of government’ (Yang and Holzer 2006: 123).

There are three levels of implications arising from this micro performance model. First, trust is also an input for the public sector, not just an outcome

or effect. To the extent that trust is crucial for the legitimacy of an organisation and for support of its resource allocation, trust should also be labelled as an 'income' (connected to input), not just an outcome. Also, trust may have an impact on effect levels or satisfaction levels.

Second, scientifically, public sector management theories should increasingly include topics such as expectations management, perception management (which in a combined form is public sector marketing), and trust management. Underestimated models such as Parasuraman *et al.*'s (1985) gap analysis are crucial for bridging an internal and an external public sector management focus (Parasuraman *et al.* 1985). This gap analysis looks at real service delivery, intended and planned, and perceived and communicated levels of performance. To the extent that there are gaps between these categories, satisfaction and trust will be under pressure.

Third, from a practical point of view improving 'micro performance' requires the integration also of citizen groups, the use of focus groups, and active attention to the group of discontented (distrusting and dissatisfied) customers and citizens. To the extent that these efforts affect trust, this may increase the levels of effects or outcomes.

Meso public sector performance

Output is never an end in itself for the public sector. Output is not an end in itself if the subsequent intermediate and ultimate effects or outcomes are a central focus. Since effects or outcomes are realised by a range, a chain or a network of organisations, public sector performance measurement systems should not just be organised at the individual organisational (micro) level but also at the level of a policy field (e.g. education, health, environment, security), or a product/service chain (e.g. the food chain). This is the meso level. Outcomes and effects may be objective or subjective. Also, outcomes and effects are affected by the changing policy environment. This results in the construction of 'logic models' (Hatry 1999) that represent a sequence (beyond the organisational clusters in a black box) of outputs, intermediate outcomes and effects, and ultimate and final outcomes and effects, or impacts. These logic models are designed, in many cases, by sectoral policy specialists.

These models and sequences are not linear. There are disconnections. This results in a first Grand Canyon in the public sector measurement system between outputs on one side, and a disrupted and distant, almost unreachable, but visible sequence of intermediate and ultimate effects and outcomes on the other side.

The generalised absence of market mechanisms in the public sector, even if quasi-markets are being established, the politically based value assessment of (effect) priorities, the changing perceptions and expectations of the citizenry and civil society, and environmental contingencies, result in a disrupted link between outputs and (intermediate outcomes and) objective and subjective effects.

22 Concepts, approaches and explanations

From the end outcomes and effects to (meso) trust a second Grand Canyon emerges. Effective school, health or security policies and systems could lead to a level of trust in these policies and systems, and this trust could facilitate their effectiveness, but this is very conditional and cannot be taken for granted. There is also a reverse influence. Particular levels of trust may affect levels of effects or outcomes. Comparable levels of output quantity and quality, with similar levels of intermediate outcomes, may result in higher levels of ultimate outcomes because of higher trust levels. School outcomes may be higher if students and parents trust their schools and teachers. Hospital outcomes may be higher if patients trust their doctors and hospitals. Police outcomes may result in higher levels of safety if citizens trust their police.

The meso model (Figure 1.3) is illustrated using a study by the Dutch Social Cultural Planning Bureau (SCP 2007; see also SCP 2004) which links educational expenditure per country to the effects of this education, measured by a standardised OECD programme for international student assessment (PISA), educational effect test and to confidence in schools in these countries. In the field of education it is possible to have two summary graphs (SCP 2007) linking inputs (per cent of GDP) to effects (based on the OECD PISA tests), and linking effects and trust.

In Figure 1.4, Canada (CA) and Finland (FI) belong to the effective set of countries, and they are at a high level of effectiveness. Technically speaking, Ireland (IE) is also on the effective envelope, but at a lower level of effectiveness. Several countries are below a cut off level of effectiveness (e.g. score five). They reach these lower results even though spending more resources.

A horizontal reading of Figure 1.4 indicates that for an effects level of around five, the Czech Republic (CZ) needs significantly fewer resources than Germany (DE), Denmark (DK) or the United States (US). A vertical reading indicates that for the same amount of standardised resources, about 6 per cent of GDP, Finland (FI) has much higher effects compared to Belgium (BE) or the UK, Hungary (HU) or Portugal (PT).

It would be useful to repeat the study and map sub-national jurisdictions, e.g. German Länder or US states, instead of country averages.

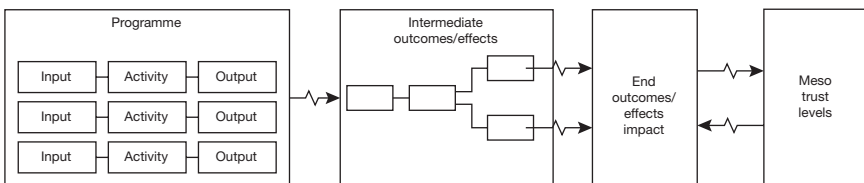


Figure 1.3 Depth of performance: the meso public sector performance framework

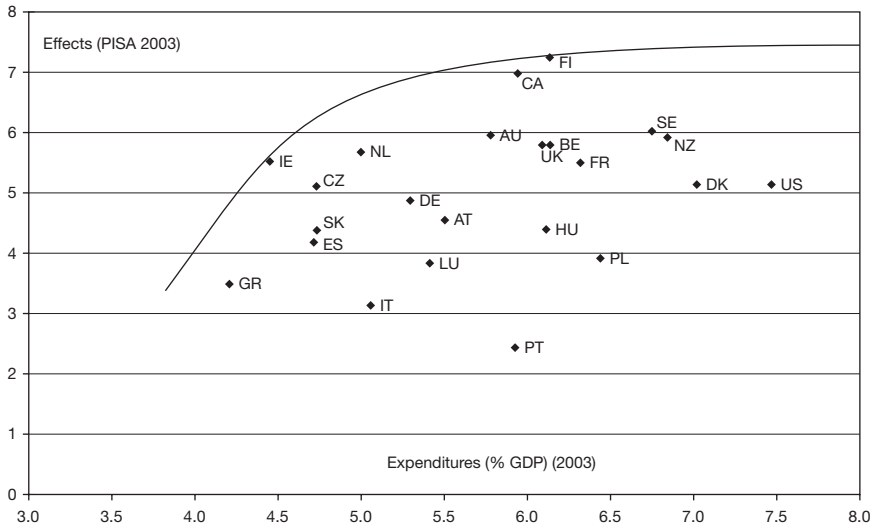


Figure 1.4 Cost (expenditure 2003, per cent of GDP) – effects/outcomes of education (link 4 in Figure 1.1)

Source: PISA (2003) (www.pisa.oecd.org); SCP 2007

The other countries below the effective envelope spend more money for the same level of effectiveness, or spend the same amount of money for a lower level of effectiveness, or have a combination of more money spent and a lesser degree of effectiveness compared to Ireland, Finland and Canada. These three countries are cost-effective because there is no other observation that spends less and has a higher level of effectiveness (which does not imply that they cannot further improve their position).

Figure 1.5 includes only European figures and links 2003 PISA effectiveness and trust (European Value Survey) in schools (as confidence), suggesting that higher levels of effectiveness correlate with higher levels of trust. Finland (FI) has the best position in this international benchmark. This correlation could be causality. More effectiveness could result in more trust, or more trust could trigger higher levels of effectiveness, especially in education.

The two figures demonstrate a comparative meso performance analysis. It is useful, possible and necessary to understand educational performance. Also they invite questions on the links between inputs, outputs, effects/outcomes and trust. Although there are many technical problems about obtaining comparable data, one could replicate these studies within countries at the micro performance level for schools, hospitals, police stations and municipalities. These tables may function as flashlights for policy and management. In structuring the debate according to an analytical scheme it

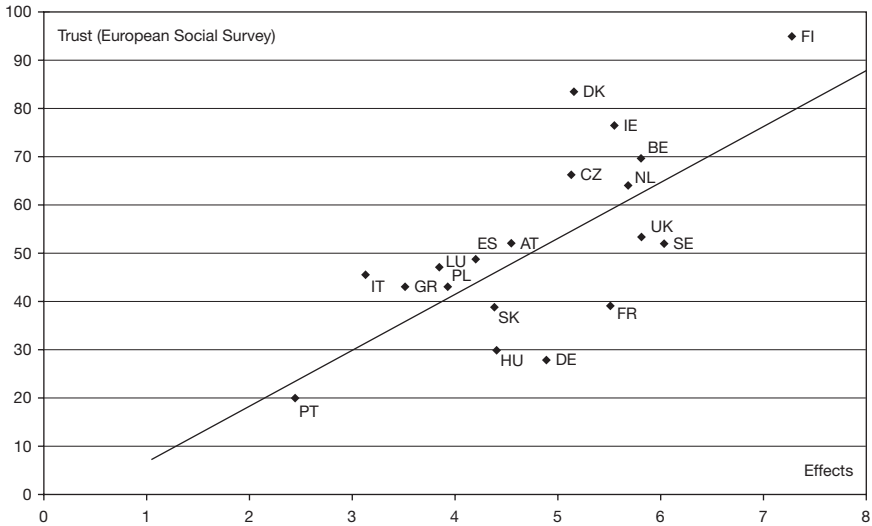


Figure 1.5 Effects – trust in education (link 5 in Figure 1.1)

Sources: 2003 (PISA) (www.pisa.oecd.org); European Value Survey (Inglehart *et al.* 2005); SCP 2007

becomes possible to talk about resource allocation, output priorities, price/quality and willingness to pay, effectiveness of service delivery and policies (also to specific target groups), and about the potential for trusting these specific institutions.

There are three levels of implications for this meso performance model. First, there is a need for new coordination mechanisms between projects of major policy programs, between organisations in a policy field, and between stages of a service chain, especially after the disastrous organisational fragmentation driven by the new public management ideology (Verhoest and Bouckaert 2005). This has produced efforts for re-integrating organisational strategic plans and developing cross-organisational policy designs. There is more implementation using a holding concept through consolidated budgets, or an integration of organisational (performance) audits and policy evaluations. These options should produce a better focus on ultimate outcomes.

Second, scientifically there is a need to connect public management to policy sciences. The linkages between what happens inside the ‘black box’ and the ‘logic models’ need to be developed. Micro performance should be connected to meso performance, and vice versa.

Third, from a practical point of view there is a need to integrate managerial and policy-related professional communities (e.g. auditors and evaluators) to connect different levels of performance.

Macro public sector performance

The macro level is government-wide or even countrywide. Increasingly synthetic indicators at a country level (e.g. World Competitiveness Yearbook or Growth Competitiveness Index) include public sector performance as an indicator (government efficiency) (Garelli 2007). According to the World Competitiveness Index government efficiency is estimated along five dimensions: public finance, fiscal policy, institutional framework (including survey data on government decisions, political parties, transparency, public service, bureaucracy, and bribing and corruption), business legislation, and societal framework (including survey data on justice, risk of political stability, social cohesion, discrimination and gender issues).

It could be said that even societal outcomes and effects are not ends in themselves in the public sector. The ultimate ambition is to guarantee a functional level of trust by the citizens of a state in all its institutions and organisations, but especially in its public institutions and organisations. Linking effects or outcomes to trust is trying to bridge the second Grand Canyon in the public sector. The assumption that effects/outcomes may positively influence trust is weak and has not been corroborated by theories nor empirical studies (Bouckaert *et al.* 2002; Bouckaert and Van de Walle 2003; Van de Walle and Bouckaert 2003). However, public sector reform has always, implicitly or explicitly, referred to this ambition to bridge this second Grand Canyon.

There are three levels of implications of this macro performance model. First, increasingly government-wide indicators are being used. A concrete government-wide Canadian example is shown in the Canadian file in the Appendices (see Figure V.xiii) and is discussed in Chapter 9. The need to show value added by the public sector for a country's competitiveness results in international benchmarks of quality of life indicators. It is therefore important to link the macro level to meso and micro, but also to consolidate the micro and meso levels into a macro level. Second, management science and policy science need to be connected and further linked to political science because of the priority setting between policy fields. Third, from a practical point of view, there is a need to bridge performance information, between the public sector, executive politicians, legislative politicians, and civil society. This is the governance performance perspective.

Consolidating micro, meso and macro public sector performance and its challenges

It is possible to apply the above described scheme at the three levels of an individual organisation (micro level), a policy field (meso level), and the consolidated government-wide level (macro level) (Figure 1.6).

Combining span and depth of performance is therefore about matching input, activities, outputs, effects/outcomes and trust at micro, meso and macro

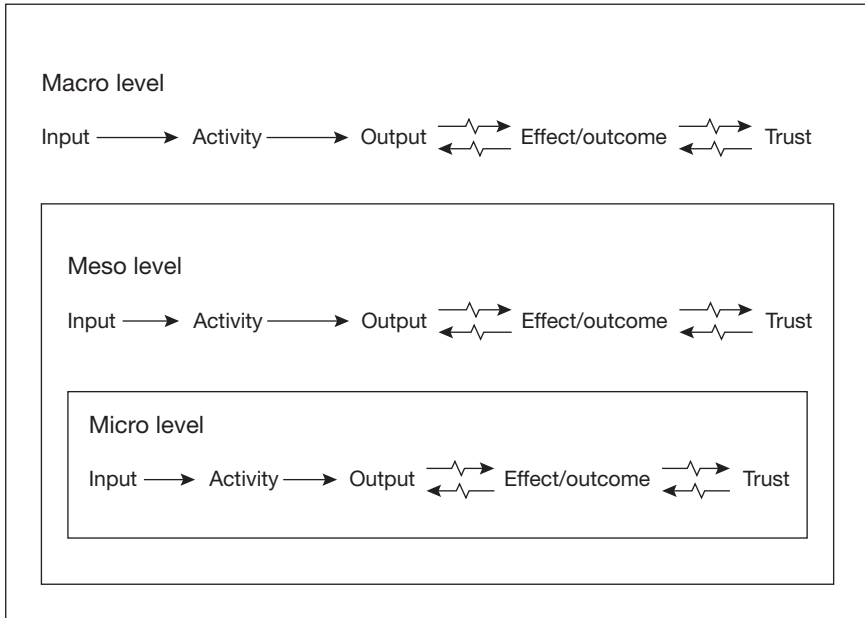


Figure 1.6 Integrating micro, meso and macro performance frameworks

levels of systems with strategic and operational objectives which are deduced from needs. These needs are derived from an environment that influences the effects/outcomes and trust levels. These effect and trust levels are indispensable to raise sufficient support to allocate resources. This results in a dynamic and variable span and depth of a performance platform for control.

Measuring and managing performance

Measuring performance is systematically collecting data by observing and registering performance related issues for some performance related purpose. The lowest level of measuring is the mere administration of collected data. From an analytical point of view a systematic (or unsystematic) focus on a particular span and depth of performance results in a span and depth of measuring this performance. This may depend on who is measuring and why performance measurement systems are designed. There could be a causal reason, e.g. there is a law or a regulation which requires an organisation to collect specific data. There could be a more teleological momentum, e.g. there is a need to use data for improvement.

Contents of performance may also differ. There seems to be a need for different performances for different purposes, which has an impact on measurement. Performance as an object with a specific span and depth requires

measurement which is matching a specifically or broadly defined performance. Results in managing performance or value for money derive from 'the regular generation, collection, analysis, reporting and utilisation of a range of data related to the operation of public organisations and public programs, including data on inputs, outputs and outcomes' (Thomas 2004: 1; Bates 1993).

There are different degrees of measurability, and a range of classifications of categories or measures (Bouckaert and Halachmi 1996; Hood 2006). All of this requires a performance measurement policy. Crucial elements in designing measurement systems for the public sector at micro, meso and macro level are perceived positive cost-benefit analyses of performance measurement at all levels.

A problematic issue is the asymmetrical cost benefit analysis of a performance measurement system. Costs of performance measurement systems (PMS) are unconditional, tangible and immediate. In contrast, their benefits are conditional, intangible and scheduled for the future. The benefits of a PMS depend on the transformation of data into information, and even more on the use of this information in policy and management cycles for the purpose of improved decision making, better (motivated) allocation of resources, strategies of results improvement, perceptions of evolution in real performance and improved accountability on results. Benefits are therefore conditional (depending on using information), intangible (how do you value knowledge on improvement, better decisions, better accountability?) and scheduled for the future (going through learning cycles takes time). Costs on the other hand are unconditional (one has to pay for collection, storage, processing of data, diffusion of information, evaluation and auditing), tangible (measurable) and immediate (almost real time).

At the same time, evidence-based policy and management, and risk assessments require responsible strategies to look into the future. Ashby's law of requisite variety implies that monitoring systems of complex institutions and policies should have a proportional complexity depending on the features of these institutions and policies, whether they are controllable or not.

Obviously the concept and the word 'performance' has a complexity which needs to be disentangled analytically to be useful scientifically in describing and explaining public management reform. It also needs to be refined to be useful from a practical point of view. Measuring performance is not a neutral exercise. It is a managerial activity which not only costs money and effort but also affects the behaviour of individuals and organisations. In some cases installing performance measurement systems, integrating these in documents and procedures, institutionalising this activity through performance audit institutions, and using it for decisions, allocations and accountability purposes, assumes a 'positive' effect on performance itself.

From that point of view 'performance' is not just the equivalent of 'results', it also becomes the equivalent of a 'presentation' and it includes, beyond better performance as better results, also better performance of the performance, or better presentations of (better) results. The legitimising capacity of

a good performance story implies that there is a need to be able to define standards of performance, and related levels of performance. There appears to be a cyclical reasoning in defining management, setting priorities of performance and measurement, providing performance information, generating effects with this information, supporting management legitimacy and again redefining a strengthened definition of what (performing) management is (Bouckaert 1995b; Gowler and Legge 1983).

Administering or managing or governing performance?

Once there is a defined span and depth of performance, and a matching measurement position, the question of how to handle performance emerges. Incorporating and using performance information should result in administering, managing or governing performance.

Incorporating is intentionally importing performance-related data in documents and procedures with the potential and purpose of using them. The purpose is to create the possibility of including performance-related information in the discourse and ultimately into the culture and the memory of the organisation. An inventory of tools and techniques used to generate and anchor data and information into procedures, documents and organisations gives an overview of the incorporation capacity, which makes it possible to use performance information functionally. Measuring performance data is necessary but not sufficient for incorporating performance information. The capacity of anchoring instruments to institutionalise performance information will create the conditions to use this. Demonstrations of these tools and techniques, could be in new financial, personnel or organisational legislation, and related handbooks for implementation. This results in looking at levels and degrees of incorporation.

Using incorporated performance information refers to debates and institutionalised procedures for stakeholders for the purpose of designing policies, for deciding, for allocating resources, competencies and responsibilities, for controlling and redirecting implementation, for (self) evaluating and assessing behaviour and results and for substantiating reporting and accountability mechanisms. Incorporating performance data is necessary but not sufficient for using performance information. There is a need for fit-for-purpose infrastructure (i.e. incorporation), and of an accommodating and motivating performance culture as supra structure. In such a way, performance is fully institutionalised. To the extent that information is available across organisations, benchmarking and bench learning could be used to upgrade systems to specific standards (single loop learning), to adjust standards (double loop learning), or even to adjust systems constantly as learning how to learn (meta learning). Using also suggests abusing and misusing and therefore there is a legitimate concern for increasing potential value added and for reducing possible dysfunctions (like new red tape or gaming), and to equilibrate costs and benefits. This results in looking at general and specific use (reporting,

learning, accountability), but also at costs (dysfunctions) and benefits (value added) of using incorporated performance information.

There are a range of approaches and attitudes toward managing performance. On the one hand there is a group of disbelievers or non-believers, which includes postmodern deconstructivists who reduce management reality to performance stories (Bevir 2003, 2006). Bovaird asks if performance measurement becomes 'a set of reinforcing rituals' (1996: 161). Or it may evolve into an ideology? 'In the absence of market forces, by linking what is being done to what is being achieved we are beginning to simulate the private sector results-oriented style of management' (Grant 1998: 104). For that purpose, 'it seems important, therefore, that stakeholders be made aware of the full political economy model on which any given set of PIs [performance indicators] has been constructed' (Bovaird 1996: 163). In this context Wilkinson (2005) asks whether performance measurement is a help or a hindrance, and to what extent performance indicators 'are pursued for the "pure" motive of improving standards of service delivery; or is the goal just to achieve them, at whatever cost, with the link towards better performance being somewhat tangential? Performance measurement should not be sacrosanct' (Wilkinson 2005: 24). For example, for professionals 'to measure or not to measure?' is the question (Harvey 1996).

On the other hand there are some economic neo-institutionalists who over-emphasise principal-agent asymmetries in performance information for management purposes (Bouckaert 1998). There is also a group of blind believers of the so-called new public management (Barzelay 2001) who contrast with a group of managerial sceptics focusing on dysfunctions of performance measurement (Bouckaert 1995a; De Bruijn 2004; Radin 2006). Finally there is a group of more equilibrated supporters who look at the circumstances, the context and the conditions for a functional performance measurement (Bouckaert 1996).

In any case, the 'performance movement has increased formalised planning, reporting and control across many governments' (Levy 2001; OECD 2005: 11). At the same time there is a qualification to this managerial statement: 'Governments should, however, be wary of overrating the potential of performance-oriented approaches to change behaviour and culture, and of underestimating the limitations of performance-based systems' (OECD 2005: 1).

An object that is measured needs to be governed, managed, or at least to be administrated. Depending on the defined and chosen span and depth of performance, its governance, management or administration should be proportionally broad and deep.

A span and depth of definition of performance may imply a related and matching span and depth of control of this performance. In the literature, the scope of managing performance seems to be determined more by an a priori definition of management rather than by the object that needs to be managed.

Our interpretation of why managing performance exists is grounded in one of the most durable debates about how to conceive of, and approach the functioning of public organisations. There is one conception based on subjective elements and another on objective elements. The first envisages values such as trust and integrity; the second rationality and controls based on compliance and performance measurement. The relative importance of one or the other has important implications for society. With rationality presently in the ascendancy there is evidence that trust has been dismantled and even atrophied within society, the vacuum filled by performance culture.

A rather narrow and linear conception of so-called ‘performance management’ – a practitioner’s conception – is: ‘a set of deliberate policies and practices designed to maintain or improve the performance of individual staff, and through them, work groups and organisations’ (People and Strategy 2001: 3). Another practitioner definition is: ‘performance management is about both the systems and culture that turn ambition into delivery’ (I&DeA and Audit Commission 2006). More helpful, is the National Performance Reviews ‘a process of assessing progress toward achieving predetermined goals’ (quoted in Blalock and Barnow 2001: 489).

According to an OECD definition, performance management more generally ‘covers corporate management, performance information, evaluation, performance monitoring, assessment and performance reporting’. A stricter definition is also provided to reflect the context of the current performance trend, as ‘a management cycle under which programme performance objectives and targets are determined, managers have flexibility to achieve them, actual performance is measured and reported, and this information feeds into decisions about programme funding, design, operations and rewards or penalties’ (Curristine 2005a: 131).

A not uncommon practice in the literature is the equation of performance management and performance measurement. This may involve the implicit equating of the two as in the use of the heading performance management but the discussion focuses on performance measurement without further clarification (Bovaird and Gregory 1996: 239). This definition is disconnected from the definition of performance as such, and it is an ultimate reduction of performance management to one of the managerial functions. A variation is a study of ‘managing performance’ that focuses on measurement (De Bruijn 2004). The National Performance Review at least provides a definition to link the two: ‘The use of performance measurement to help set agreed-upon performance goals, allocate and prioritise resources, inform managers to either confirm or change current policy or program directions to meet these goals, and report on the success in meeting these goals’ (National Performance Review 1993, quoted in Blalock and Barnow 2001: 489).

Performance management is also used ‘more variably and may sometimes be equated with performance appraisal, but on other occasions is used in the sense . . . to include both individual and organisational performance’ (Rogers 1990: 16).

Heinrich presents ‘an ideal performance management system’ that includes almost everything – the full range of information – from input and process through efficiency and outputs to outcomes and impacts (2003: 26). Here the definition is determined by the components of what is managed, by the definition of performance as such.

Another variation refers to ‘managing for results’, which is considered to be ‘shorthand for a conceptual framework that reflects a fundamental change in the management cultures of governments around the globe. In an ideal world, it is a culture that is fact based, results oriented, open, and accountable’ (Kamensky and Morales 2005: 3).

Within a single organisation factoring in *management* has become commonplace. One option is to view ‘managing performance’ as focusing on measurement (De Bruijn 2004); another is to adopt a narrow conception of performance management as equalling the management of people (Flynn and Strehl 1996: 14–17), whereas a broader conception would embrace individuals and organisations. The significance of the connection is registered through analysis of the role of management capacity in government performance (Ingraham *et al.* 2003). Performance Management is now commonly distinguished as one of several management processes alongside the familiar financial, human resource and strategic management (Halligan 2001a).

A second and broader managerial framework covers a network of organisations. A horizontal network could be a level of government. A vertical network could be a value added chain of activities running through levels of government, and across the public sector organisations. It implies that ‘public management is concerned with the effective functioning of whole systems of organisations’ (Metcalf and Richards 1990: 73).

If ‘we conceive public administration as the key output linkage of the state towards civil society’, the performance of that system is about ‘the interface between public administration and civil society. . . including public policy implementation as well as policy demands from private actors towards policy-makers’. The performance of this system scope is confronted with societal needs and depends on objective settings in a broad ‘two-way street’ (Pierre 1995: ix).

To the extent that ‘we talk about the *managerial* state because we want to locate managerialism as a cultural formation and a distinctive set of ideologies and practices which form one of the underpinnings of an emergent political settlement’ (Clark and Newman 1997: ix), managing performance also needs to include the suprastructure of value systems surrounding the infrastructure of resources, activities and service delivery. Defining quality, satisfaction and trust is related to hierarchies of values and ideologies within a cultural setting. According to this scope the performance of a system includes these values.

Finally, ‘public administration may be interpreted as a social system existing and functioning in accordance with its own order but, on the other hand, it also depends on environmental conditions in a complex and changing

society' (König 1996: 4). This is the broadest scope imaginable. Looking at the performance of the public sector cannot happen outside society:

In the light of the modern society's functional differentiation, state and market are notable for their own characteristic strategies to control the supply of goods. The type, scope, and distribution of private goods are decided on by harmonising the individual preferences within the market mechanisms; decisions on the production of public goods, on the other hand, result from a collective, i.e. politico-administrative, development of objectives.

(König 1996: 56)

Government-wide performance becomes part of societal performance (a question picked up in Chapter 9). Governing this performance requires all of the previous positions.

In seeking a definition of performance management we need to specify what it might encompass. Performance management can be represented as 'both about measurement and management, about information and action' (Bouckaert and Van Dooren 2002), involving 'taking/allocating responsibility for the performance of a system and being accountable for its results' (Pollitt and Bouckaert 2004). A standard meaning is: 'an integrated set of planning and review procedures which cascade down through the organisation to provide a link between each individual and the overall strategy of the organisation' (Rogers 1990: 16). A performance management framework uses 'interrelated strategies and activities to improve the performance of individuals, teams and organisations. Its purpose is to enhance the achievement of agency goals and outcomes for the government' (Management Advisory Committee 2001: 14).

In this book we take four positions on managing performance: Performance Administration, Managements of Performances, Performance Management and Performance Governance. Each is successively broader than the previous one in covering the span and depth of performance.

It is possible therefore to identify several elements that might be explicit or implicit in a definition: results and goals; means to achieving these ends such as integrated strategies; use of performance measurement; taking responsibility for performance and being held to account; and relationships between the elements (individual and organisational, etc.). In an ideal type of definition this may result in the financial function rotating from a horizontal to a vertical dimension and links to financial and other information; guidance and steering; from *ex ante* to *ex post*; new interactions between parts of the organisation and between the organisation and its environment; and cascading down of organisational objectives to an individual level.

Building upon Figure 1.1, Figure 1.7 gives a concluding summary of managing performance as a cycle of procedures and institutional activities.

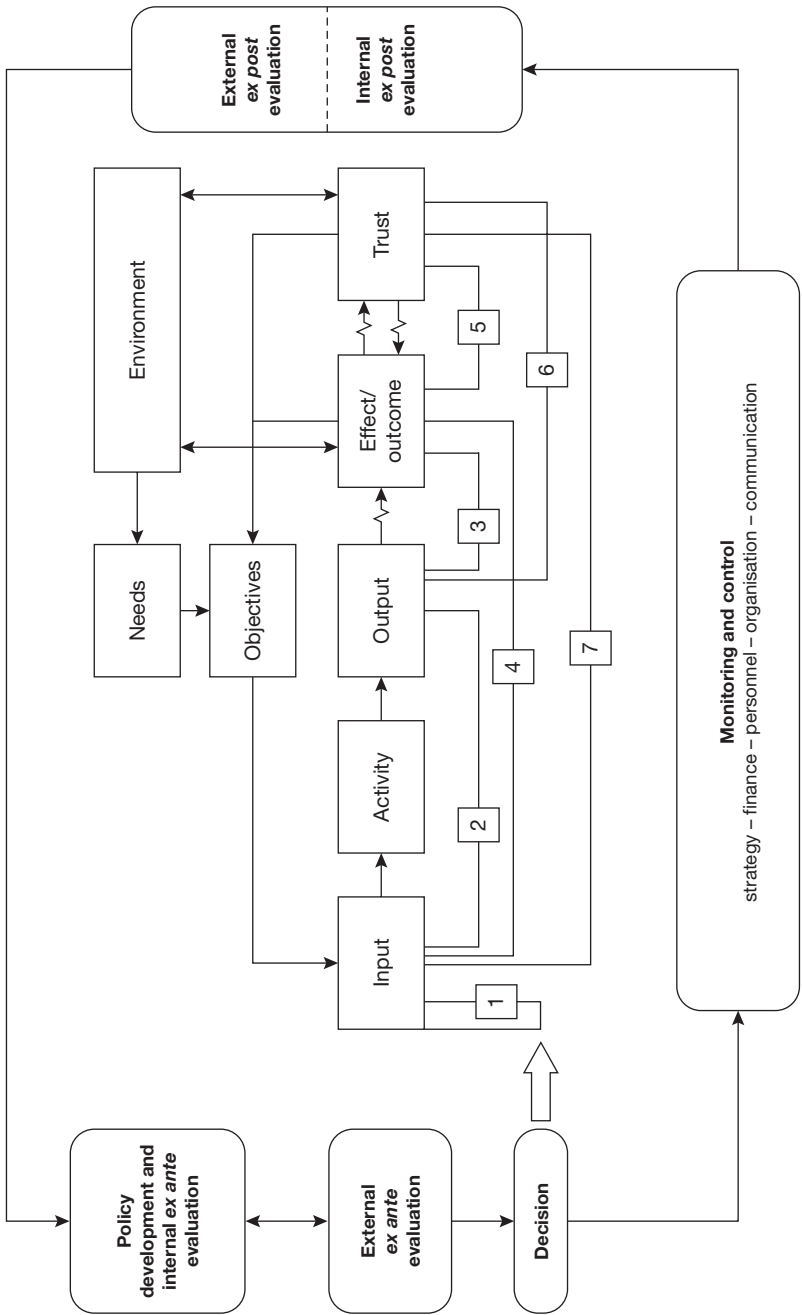


Figure 1.7 Managing performance as administering, managing or governing performance

What is crucial is that all parts of the cycle take the same view on performance: span and depth of performance. There is an *ex ante* stage with a contradictory debate between, e.g. a line department and finance (at the political and administrative level) resulting in a decision which is the budget allocation, or the contract. This authorises expenses (inputs), which are transformed into activities and outputs, resulting in effects and levels of trust. This is monitored and controlled, sometimes for the purpose of redirecting resources. In the last stage, there is an *ex post* audit and/or evaluation, with an internal and an external dimension. Ideally this feeds forward to the next cycle. For all stages there are actors, principals and agents, and there are procedures and documents within a matching cycle.

For our purposes, it is helpful to distinguish measurement, incorporation, and use of performance. This may result in four variations of managing performance. First, there is a simple form of Performance Administration. Second, there is a plurality of Managements of Performances within a single organisation. Third, there is Performance Management as a term that is best used where an effort has been made to systematise and give coherence to that activity. It results in a consolidated type of performance management as a generalised depiction of result-focused activities. Fourth, there is Performance Governance as an expanded position. Other terms can either be discarded as lacking conceptual significance, the exceptions being forms of budgeting or other specific activity that might be a component of different Managements of Performances.

Performance has a potentially broad stretch. Span of performance is from input up to trust. Depth of performance is from micro and meso, up to the macro level. Finally, there is a range of practices to measure, and to incorporate and use this measured performance. It varies from administering, to managing, and even governing this defined performance.

In Chapter 2 we link performance to models and approaches.

2 Performance and management

Approaches to analysis

Chapter 2 presents our approach to the analysis of managing performance. In the first part this approach is presented in an analytical way. Three separate but related elements comprise a framework in which performance is seen in terms of the pursuit of defined objectives: measuring, incorporating, and using performance. Four types of managing performance are identified, each with an increasing span and depth of performance, and improved levels of coherence, substance and consolidation. The analysis of managing performance takes the form of specifying the components and their relationships. The categories can be used to compare different country systems and to trace the evolution of performance management over time (see Appendices for descriptions of country models).

The second part locates performance management within a broader public management system and within modes of thinking about organisational life. Two administrative traditions are distinguished, each with its own public administration framework and different responses to managing performance.

A framework for comparative analysis of managing performance

Most books in the field of performance management fall into one of the following categories: general public management with some reference to performance as such (Christensen and Læg Reid 2001; Wollmann 2003); performance measurement narrowly defined (Hatry 1999); and specific public management functions with some reference to performance as a component or a driver of that function (e.g. budget cycle, human resources, evaluation, contracting) (Miller *et al.* 2001). Other studies are based on either a single country or are organised around several classical management chapters such as finance, personnel, organisation, strategy, communication, etc.

In contrast to the standard approach of focusing on specific management functions (integrating performance information by the traditional functions), a cross-cutting issues approach is favoured here. The analysis of managing performance takes two forms: specification of its components (measurement, incorporation and use), their relationships (in four ideal types),

and applications to six different countries (Australia, Canada, The Netherlands, Sweden, United Kingdom and United States) in terms of their country models.

In order to make meaning of the diverse applications and combinations of measurement, incorporation and use, a framework has been developed to construct four ideal types with these three components. Based on the logical sequence of, first, collecting and *processing* performance data into information; second, *integrating* it into documents, procedures and stakeholder discourses; and third, *using* it in a strategy of improving decision making, results and accountability, four 'pure' ideal types can be constructed (Table 2.1).

The four types distinguished are: Performance Administration, Management of Performances, Performance Management and Performance Governance. Each represents an ideal type, and the four can be applied to a certain extent to the historical development of performance and management, as a basis for analysing and comparing country orientations to performance and as a means for thinking analytically about performance management and its components. Obviously, reality is more complex than ideal types.

The starting position is termed traditional/pre-performance and essentially recognises that 'performance' objectives in a generic sense can be found in most systems of public administration, but that many of them might be regarded as pre-modern management. In these cases, the expectation is that 'performance' will be generalised and diffuse, with goals not defined in terms of performance such as occurs where measurement and management are present. Input driven and tax-collecting organisations, within law-based systems focusing on procedure and due process, may have a very implicit interest in performance. Data will be scarcely available, may not have an information value, will not be integrated, and will be hardly usable. A pre-Weberian bureaucracy covers this model quite well. There is an intuitive and subjective idea of performance, but ultimately there is an unawareness of what is functional because performance is not on the agenda.

With the first ideal type, Performance Administration, which is discussed in Chapter 4, a commitment to measurement and performance is expected, but the relationship may not be explicit or well developed, and the application is often ad hoc. The Performance Administration ideal type's focus on measurement is inclined to be technically oriented but its level of coherence may depend on which generation of measurement system is under discussion. This type is therefore relevant both to early experiments with measurement and performance and to successive phases of greater sophistication including focused applications in recent times. There is an intuitive and generalised concern for performance that is registered and administered. Measurement becomes another administrative procedure that may be part of an administrative and legal setting, not a managerial or policy context. Information generated from these administrative procedures is disconnected from performance improvement strategies. Sophisticated rules for registering and administering performance are not developed to generate information to affect

Table 2.1 Four ideal types of managing performance

	<i>Traditional/ Pre-Performance</i>	<i>Ideal type: Performance Administration</i>	<i>Ideal type: Managements of Performances</i>	<i>Ideal type: Performance Management</i>	<i>Ideal type: Performance Governance</i>
1 Measuring	Intuitive, subjective	Administrative data registration, objective, mostly input and process	Specialised performance measurement systems	Hierarchical performance measurement systems	Consolidated performance measurement system
2 Incorporating	None	Some	Within different systems for specific management functions	Systemically internal integration	Systemically internal and external integration
3 Using	None	Limited: reporting, internal, single loop	Disconnected	Coherent, comprehensive, consistent	Societal use
4 Limitations	Functional unawareness	Ad hoc, selective, rule based	Incoherence	Complex, perhaps not sustainable as a stable system	Uncontrollable, unmanageable

either managerial functions or elements of a policy cycle, but to improve registration of resources used and the way procedures have been implemented. This information is used for internal reporting purposes. Its only ambition is to reach the standards of the operating procedures. Therefore, single loop learning is of the essence. A classical rule-based Weberian bureaucracy fits this type.

The second ideal type, *Managements of Performances*, is discussed in Chapter 5, and is more complex. This category is intermediate between *Performance Administration* and *Performance Management* and arises where management and performance have been linked but the connections between them are underdeveloped since concurrent systems operate. Managing different and several performances includes performance measurement but goes beyond its administration. *Managements of Performances* implies different types of performances according to different and unconnected management functions. This results in a diverse range of managements of different performances in personnel management, financial management (budgets, accounting systems, audits), strategic and operational management, customer management and communication management.

A diverging set of performance measurement systems feed information into a disconnected set of management functions resulting in different performances for different purposes, which are not necessarily linked in a hierarchical and logical way. Asymmetrical development of these function-based measurement systems make them not very consistent, coherent, comprehensive or integrated between these functions. However, within some functions there may be a high level of sophistication and development, even up to driving an improvement and reform process in other functions. For example, performance-based financial cycles may drive contract cycles and personnel functions or vice versa.

Performance Management, which is treated in Chapter 6, is defined by the presence of distinctive features: coherence, integration, consistency, convergence and comprehensiveness. It includes a solid performance measurement system beyond administration and proliferation. It includes an integration of performance information, which goes beyond ad hoc connectedness, for the purpose of using it in a coherent management improvement strategy. *Performance Management* is conceived as a framework with system properties. It may also comprise several systems (a framework may require different performance measurement systems for different purposes: Bouckaert 2004: 462), but they must be hierarchically connected to satisfy the criteria of *Performance Management* as an ideal type. The *Performance Management* type also requires an explicit policy on measurement for managing the different functions and their performances. A crucial question is to what extent this complex ideal type is sustainable, especially in a dynamic and unstable environment.

It is possible to extrapolate towards a fourth ideal type, *Performance Governance*. In Chapter 9, the possibilities and potential of this type are

explored. This ideal type covers the broadest and deepest span and depth of performance. It also requires a matching set of instruments to cover this span and depth of control. Obviously this refers to government-wide and societal coverage.

One further question is about the relationship between performance and management. What differentiates more developed systems are the level of incorporation and the use of incorporated performance information, i.e. the application of management, but this is insufficient for fully fledged Performance Management as an ideal type. In Table 2.2 the types in the first column are narrowly conceived in terms of either limited conceptions of performance or measurement or both. Whereas, the two types in the second column are more comprehensive. The first line is more diffuse and less systematised; the types in the second line are more integrated within their sphere (either measurement or management system).

These categories are employed respectively as the basis for Chapters 4 (Performance Administration), 5 (Managements of Performances) and 6 (Performance Management). They are also used as a means of examining the evolution of performance management in Chapter 3, even if countries have concurrent types in practice.

The logic used to outline the ideal types will also be used to describe the official country models and the degree of implementation of these country models. The six countries, which are described and analysed using categories of measurement, incorporation and use of performance, have put legislation, handbooks or other vehicles expressing their model forward. Obviously, most of these models are programs of change rather than realities. However, these country models are guides to the changing realities in countries, with different degrees of implementation. Ultimately, there is a link between the ideal types on the one hand, and the official country models and their related reality on the other hand (see Figure 2.1, and also the Appendix). These interfaces are examined further in Chapter 7.

Two approaches to public organisations

To assess fully the emerging behaviour of administering and managing performance there is a need to put this into a context. Figure 2.2 gives the general

Table 2.2 Systemic and unsystemic ways of managing performance

<i>Focus</i>	<i>Pre and proto 'performance' (lack of management)</i>	<i>Managing performances</i>
Unsystemic	Traditional performance	Managements of Performances
Systemic	Performance Administration	Performance Management Performance Governance

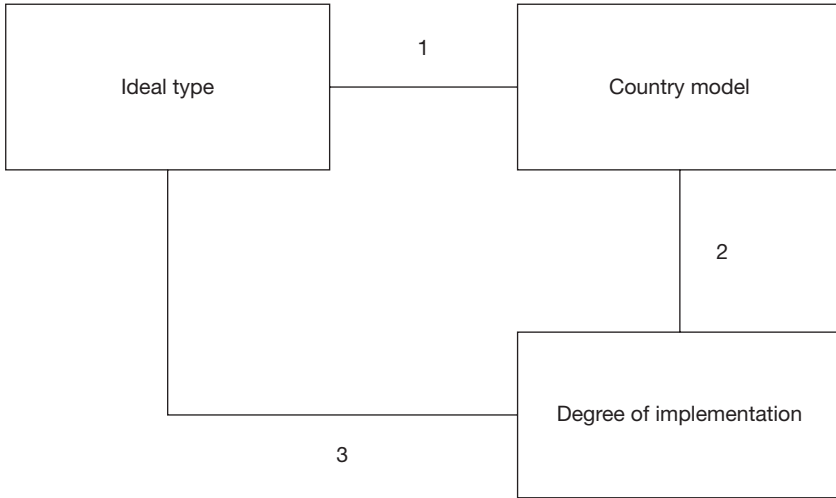


Figure 2.1 Three modes of ‘realities’ for analysing managing performance

framework of administering and managing performance as a relationship between a political environment, a public administration system and the phenomenon of administering and managing performance itself.

Administering or managing performance consists of three substantial activities: measuring, incorporating, and using performance information. This may happen in a so-called soft type of control mechanism, which is more trust-based and has a subjective connotation, or it may be more of a hard type control mechanism (objective and data-based). There is a related variation in accountability target groups (internal professionals versus external commissioners), mechanisms (informal versus formal), discretion (reporting by exception versus in an exhaustive and comprehensive way), and the relative emphasis on different forms.

These activities of administering and managing performance are subject to contingencies from their public administration framework and political environment. Even if there is a broad literature on typologies of frameworks and politico-administrative cultures and traditions, a public administration framework may essentially be Weberian or public management (Table 2.3), each with its own dynamics of development (see OECD 2005 on the importance of context).

Traditional administrations, mostly in continental Europe, are probably shifting from a Weberian to a neo-Weberian design, under the influence of a focus on performance and some internalised ‘market-type-mechanisms’. This is an emerging conviction, even if this is still a pending debate in Europe (Bogumil and Kuhlmann 2006), that a change of administrative systems is occurring from a Weberian State to a neo-Weberian State (NWS) under the

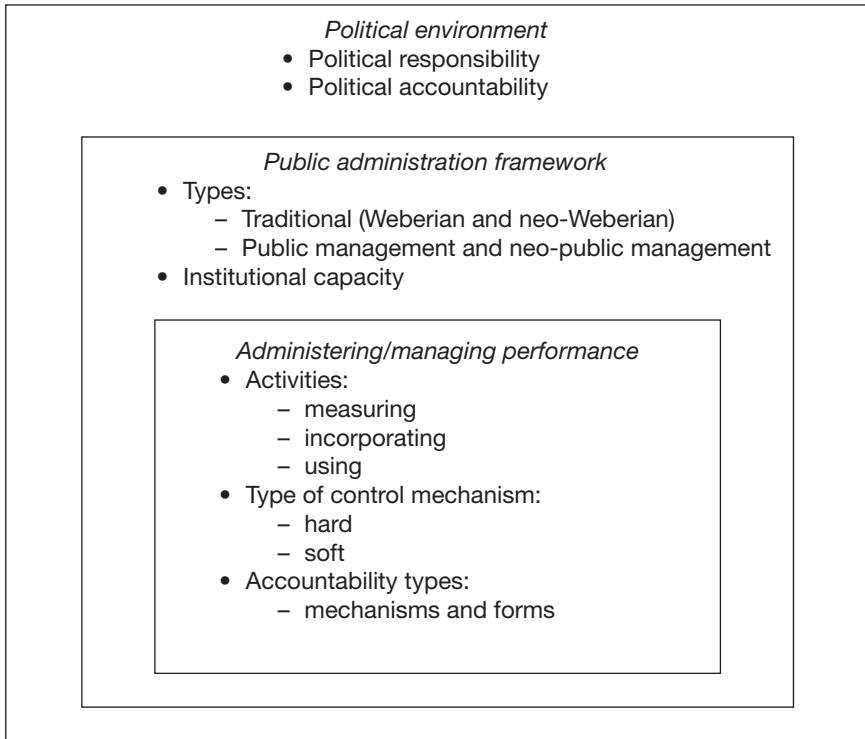


Figure 2.2 Relationship between political environment, public administration framework and managing performance

influence of a 'maintain/modernise'-based public management reform trajectory (Bouckaert 2004; Pollitt and Bouckaert 2004). This distinctive NWS model can be defined as follows (for a more complete statement see Pollitt and Bouckaert 2004):

- 1 The NWS remains a State of Law (Rechtsstaat), which is the main frame for society. Its civil servants, however, are not just bureaucrats and experts in law but also belong to the managerial profession with a focus on performance and customers.
- 2 Citizens have rights and duties in the context of this Rechtsstaat. But the customer role becomes part of the citizen role, accepting to some extent the game of offer and demand of services and the mechanisms influencing the production cycle.
- 3 Public law, which includes administrative law, is still the main instrument for the functioning of the Rechtsstaat and citizen-state relations. But private law becomes more and more a complementary instrument for public matters.

Table 2.3 Public administration framework and two approaches in mid-2000s

	<i>Public administration framework</i>	
	<i>Weberian</i> ↓ <i>Neo-Weberian</i>	<i>Public management</i> ↓ <i>Neo-public management</i>
Managing performance • measuring • incorporating • using	Performance Administration ↓ Managements of Performances Performance Management	Performance Administration Managements of Performances ↓ Performance Management
Kind/type	More subjective than objective	More objective than subjective
Control mechanism	More soft than hard	More hard than soft
Dominant Institutional capacity	<ul style="list-style-type: none"> • State • Public Law-based 	<ul style="list-style-type: none"> • Mixed – market and state • Private Law-based

- 4 The functioning and interaction of civil servants with citizens is not just guided by internal focus, equality before the law, and due process and procedure but also by an external focus on citizen-as-customer, more customer tailored measures, and results.
- 5 A major *ex ante* concern with process and procedure to guarantee the legality of decisions is amended with an *ex post* concern with results, which becomes also part of the procedure to guarantee economy, efficiency and effectiveness. Therefore, legitimacy is not just based on legality but also on the economy, efficiency and effectiveness of the functioning of the state and its policies.

It seems that there are two variants of this changed administrative NWS. A northern variant of the NWS emphasises more citizen-as-customer participation in a rights- and duties-based citizen’s state. It could imply a higher degree of participation and involvement of citizens (as customers) in co-designing services, co-deciding, co-producing and co-evaluating service delivery (Pollitt *et al.* 2006). A continental version emphasises more a professional state that is citizen-as-customer oriented. This appears to be a new profile in a comparative static analysis of public sector reform. Policy cycles and contract cycles are professionalised and modernised, taking external, customer information into account.

In the more Anglo-Saxon common law-based tradition the main type of public administration framework has been ‘public management’, which has now moved beyond new public management to various hybrid forms that

include a greater emphasis on governance (Bovaird and Löffler 2003; Christensen and Lægreid 2006). Neo-public management also covers a range of shifting practices, starting with the so-called new public management, which also has been evolving in second- and third- generation models (Kettl 1997; Osborne, 2006; Pollitt 2001).

An example is provided by the triumvirate of Australia, New Zealand and the United Kingdom, which are long-term reforming countries that have been identified particularly with NPM (Hood 1990; Pollitt and Bouckaert 2004). The products of two decades or more of activity have become clearer: the more stark manifestations of NPM now have less prominence in practice. Some interpretations recognise the complexities by distinguishing tiers of NPM or contending models based on traditional control and autonomy tensions (e.g. Richards and Smith 2006), and it is clear that coordinating and integrating have co-existed with disaggregation (Bogdanor 2005). What is apparent is that a set of distinctive trends has emerged with commonalities across these countries, which raises the question of how to interpret them.

Australia and New Zealand have moved towards integrated governance with a commitment to whole-of-government agendas; a rebalancing of centre and line; a reconfiguring of portfolios through a reduction of public bodies; and performance around outcomes and improved delivery. In both countries there has been a strengthening of the centre, new horizontal relationships, reform corrections and realignments of different components. The renewed interest in capacity and capability reflects in part the limits to extensive outsourcing during years of contraction and the need for leadership and direction. The commitment to integration and whole-of-government is designed to counter the reinforcement given to vertical, functionally constituted departments (Boston and Eichbaum 2007; Halligan 2007c). The resulting synthesis of elements suggests integrated governance has become the prevailing approach of the mid-2000s in Australia and New Zealand (Halligan 2007c).

The Australian and New Zealand experience has parallels in Britain where coordination and integration dimensions were apparent under Blair for a decade and 'reconstituted Westminster' was recognised (Bogdanor 2005; Richards and Smith 2006). The UK system has been complex because of the operation of an elaborate performance management apparatus for steering public management, integrating central government and controlling priorities and performance of regional and local government. Within a unitary system of government it has displayed several tendencies concurrently as it wrestled with different demands to deregulate and regulate, devolve and control. The model continues to combine top-down performance management; competition and contestability in providing public services; and citizen choice (Cabinet Office 2006).

There are issues with both public administration frameworks. There is considerable evidence that modernisation is influenced by context (OECD 2005). The Weberian approach operates under constraints in accommodating

managing performance, which at best can result in the co-existence of the rule of law and performance-based public management (e.g. Finland) and at the least can mean resistance to systematically incorporating and using performance. Countries that have proved to be reform resistant will readily display disconnections in managing performance. The Public Management approach has had to confront the issue of how to handle performance and management once developed systems are unleashed because they can operate on an open-ended basis. Public management countries experience distortions when government zeal in imposing performance management results in over-centralisation (United Kingdom) or excessive partisanship (United States).

One approach therefore has too many brakes on developing performance management systems, the other has too few. With the neo-Weberian there may be a need for flexibilities, while the Public Management may lack the capacity to be self-correcting.

How these different frameworks impact on performance types is examined in Chapter 7. The problems with rationality and trust and the limitations in practice are addressed in Chapter 8.

3 Managing performance

Contexts and explanations

Chapter 3 applies the framework developed in Chapter 2 to the history of performance and management, to the comparative analysis of models that approximate the four types, and puts managing performance in a theoretical context.

The historical treatment also provides the context for the explanations for the development of managing for performance. In the overall pattern of development four phases can be identified. Performance measurement movements and debates mainly originated in the United States. For the rest of the world this was really prehistory in that it did not directly participate in this development. The second phase addresses post-war experiments with performance, productivity and measurement. The third phase covers the emergence of managing performance internationally in the last quarter of the twentieth century. This involved a broadening and elaboration of the earlier focus on measurement, and contributions from several countries to produce a common frame of reference about managing performance. The current phase reflects trends in the modern reform era as performance, measurement and management come to permeate thinking about public management.

In order to explain the rise of performance management, several theoretical interpretations of change and growth are employed: performance-based theories; rational choice-based neo-institutional theories; sociological neo-institutionalism; historical institutionalism; and contingency-based theories.

Patterns of historical development

The framework provides a basis for analysing the development of performance measurement and its management. It requires the identification of the several elements and stages from concerns with performance measurement in the early decades of the twentieth century to fully developed performance management at the end of the century. This is examined with reference to two closely linked countries (Halligan 2003a; Pollitt and Bouckaert 2004): the United States, which pioneered the early experiments and significant developments for most of the twentieth century, and the United Kingdom,

which illustrates the evolution of a system of performance management over several decades.

Early measurement of government activities under Performance Administration

The early history of performance measurement is mainly centred on the United States,¹ and is complex because of variations in terminology, differences between actors and the levels of government involved. The initial decades of the twentieth century resulted in many institutions focusing mostly on municipal efficiency, but a Bureau of Efficiency (1912), and the Institute for Government Research (the predecessor of the Brookings Institution, 1916) were created at the national level. This best practice spread to other cities and created bureaus of efficiency (Bureau of Municipal Research 1912).

Gulick (1928: 44–5) observed:

The accomplishments of the Bureau of Municipal Research in the city and state of New York; the development of efficiency surveys and reorganisation programs; the organisation of other bureaus of government research in the United States, and Canada, and abroad, and the growing attention which has been directed to administrative reforms, the factual study of government and principals of administration are all a vindication of the unique experiment which was set in motion in New York City in 1906, when the Bureau of Municipal Research, was established. Governmental research is a powerful ally, if not an indispensable adjunct of efficient democracy.

First-generation performance measurement was concerned with measuring government activities that were eventually to be defined in terms of service delivery. According to Ridley and Simon (1938: 1) a ‘generation ago a municipal government was considered commendable if it was honest. Today we demand a great more of our public service. It must be not only honest but efficient as well’.

This was ‘the earliest identifiable sustained effort to engage in performance measurement and productivity improvement’ (Williams 2003). In the first part of the twentieth century the ‘Government by the Good’, changed into the ‘Government by the Efficient’: public administration and scientific management ‘proclaimed a new gospel to a new deity: efficiency’ (Mosher 1968: 71, *passim*). There was a focus on economy and efficiency in the context of a division between politics and administration. Politicians should not be involved in administration since it is scientific and value-free, and aims at economy and efficiency, a conviction strengthened by the view that the activity was purely technical. Although efficiency was generally defined as obtaining a result with a minimum of resources, there was discussion from the beginning about definitions of efficiency with terminology focusing on

inputs, activities, outputs and efficiency, but not much on results and outcomes. There was also an assumption that more efficiency results in more effectiveness, allowing administration to focus on the technical dimensions without having to get involved in effectiveness.

Broadening and elaboration of performance, measurement and productivity

A second generation of performance measurement activity emerged with post-Second World War experiments, led by the US central government's interest in performance (in budgeting), measurement (more generally) and productivity. This resulted in the development of tools and techniques such as planning, programming and budgeting system (PPBS), management by objectives (MBO) or zero-based budgeting (ZBB), all including performance information. The first Hoover Commission (1949) recommended performance-based budgets and the second Hoover Commission (1955) commented on budgets, costs and management reports. Economy and efficiency remained crucial, but a crucial driver for the innovations was not the search for a 'better government' but an explicit desire to reduce expenses. For that reason productivity was on the budget agenda. The Bureau of the Budget started a productivity project in 1962 and the eventual report concluded that productivity could be measured and that there should be annual reporting to the President and Congress (Kull 1978: 5). Presidents Nixon and Carter established a succession of national productivity commissions.

Although the interest in measuring productivity from an administrative technical point of view continued, savings and spending less tax money became the main issues in the 1980s. Under Reagan, the President's Private Sector Survey on Cost Control, the Grace Commission, estimated potential yearly savings of \$US3 billion. The Commission was primarily concerned with efficiency, expressed as cost savings and operated within an agenda that sought minimal government. This debate had a technical and an increasingly dominant ideological angle, which ultimately led to NPM in the 1990s (Bouckaert 1991).

For the UK, there were two decades (1960s and 1970s) of ad hoc experiments and dabbling in performance measurement during which programs were piloted but were eventually discontinued. The earliest cases of performance measurement have been traced to the 1960s and associated with cost benefit analysis, management by objectives and output budgeting, but only two cases remained significant in the 1970s. The two decades of discussing and piloting performance measurement yielded little that was convincing and durable (Bovaird and Gregory 1996: 239–40).

Advent of managements of different performances

Two decades of pursuing performance, measurement and increasingly management followed (1980s and 1990s). Performance measurement became

a growth industry in the UK following the launching of the Financial Management Initiative (FMI) in 1982, which was designed to focus on objectives and to measure outputs and performance. A significant component of the approach was the use of performance indicators (PIs), Prime Minister Thatcher proclaiming in the ‘manifesto of the revolution – that a thousand PIs should flourish’ (Carter *et al.* 1992: 2; Cave *et al.* 1990). By 1987, departments had 1,800 PIs (Pollitt 1993: 54).

The UK’s FMI was only partly successful yet it laid the foundation for the next stage. During the 1980s a fundamental shift occurred from public administration to public management with the new philosophy and style being more receptive to, and influenced by the private sector. Public management had already been identified in the US (Perry and Kraemer 1983), although the more fundamental basics of new public management did not register until the 1990s. This management focus had major implications for the efficiency agenda, and provided the basis for the active implementation of performance and measurement. The move to Managements of Performances was to emerge from this foundation with the management of individual and organisational performance becoming increasingly common. There were aspirations in both countries to manage individuals in the respective senior civil services through the use of performance-related pay (Pollitt 1993). Eventually it became possible for the Managements of Performances to assume a more integrated form as a construct of Performance Management. New public management has an interesting place in these developments and the progression towards Performance Management.

Public management trends produce fusing of performance and management

If the 1980s saw the flowering of performance measurement, the 1990s were years of performance expansion and management consolidation. Observers in the UK and US record the mushrooming of performance in the 1990s, agreeing that something exceptional was occurring (Radin 2000; Talbot 1999). For these developments to make a difference, it was necessary for performance to become embedded in management framed in comprehensive terms.

The Government Performance and Results Act (1993) provided the main US impetus, compliance eventually becoming mandatory for national agencies and this revolutionised the systemic implementation of outcome-related goals and performance measurement, planning and reporting. For the UK, the transition from Performance Administration to Managements of Performances occurred in the 1980s and made arguably the more complete move (of the two countries) to Performance Management in the 1990s.

This was already apparent by the early 1990s when the OECD *Public Management Development Survey* (1993) registered major changes over its

first such survey (1990): 'The clearest common denominators in evolving public management practice are towards a more performance-based culture, and towards more managerial flexibility by devolving responsibilities for human and financial resource management' (OECD 1993: 7). 'The penetration was even more significant by the mid-1990s as documented by the OECD in its survey of key performance management questions in ten countries, split equally between Anglo-American and European, but stronger in the former' (Bouckaert 1997; OECD 1997a).

A later second survey of nine of these countries provides some documentation of continuing consolidation of performance management (National Audit Office 2001; Talbot *et al.* 2001).

From the vantage point of the end of the decade, a range of international observers agreed that something special was happening around the world in the 1990s. A UK specialist noted that 'the 1980s and especially the 1990s saw the rise and rise of "performance" as an issue in public sector theory and practice' (Talbot 1999:15). Similarly in the US, Radin (2000: 168) observes that: 'documenting performance became a mantra of the 1990s'.

These trends continue into the 2000s, and there is no indication that they are abating. In the Netherlands, management techniques from industry have penetrated deep into public organisations during the last decade (De Bruijn 2004), and a Canadian comments that 'in recent years performance measurement and performance reporting have become even more important within most governments. "If you can't measure it, you can't manage it" has become a familiar refrain' (Thomas 2003: 1).

Bouckaert (1996, 2004) takes the characterisation further by analysing how measurement was, by the mid-1990s and again in the mid-2000s, continuing to be more extensive, more intensive and more external. This applies more generally to managing performance.

New public management has an interesting place in these developments. Originally derided by many OECD members (generally those who had not accepted its precepts), the take-up of NPM elements that involve performance (much less so market aspects) has spread almost universally across Europe. Although NPM has been partly superseded in first generation countries, performance management has been further institutionalised in countries such as Australia and the United Kingdom. The language of NPM has become more prevalent now in late reforming countries.

Application of types to country's managing of performance

A significant element is contextual analysis of different performance management systems to enable comparisons to be made across countries, while recognising the importance of their cultural and administrative traditions. Three country approaches can be identified: those that have made a high commitment to performance management, where the interest is in how they

frame their performance management systems to handle the limitations of this approach; countries that have sought to balance performance management with other features and how that plays out in practice; and countries that have sought to selectively draw on performance management techniques while operating within another type of system.

One purpose of the ideal types is to use them as a basis for examining variations in the orientation of public administration systems to performance management. Preliminary analysis indicates that Germany (at the national level) continues to operate without commitment to, and application of, performance, measurement and management principles, while France has made a major commitment to performance measurement although the relationship to management is tenuous (Table 3.1). Until recently, four countries in different ways approximated Managements of Performances: Canada, the Netherlands, Sweden and the US. This means that although performance management principles and practice may be fairly well developed they are inclined to be neither integrated nor systemic. For the Performance Management type two countries, Australia and the United Kingdom, have come closest to the stringent requirements, although there are weaknesses in both cases that make the fit less than optimal. Canada and the US as recent claimants can now also be added.

The criteria for Performance Management include an identifiable framework that must be sustained over time and formally supported by key actors (e.g. central agencies and cabinet); and the presence of attributes identified with Performance Management which must be comprehensive, integrated, coherent and consistently applied across agencies. This requires evidence of practice at the agency level of how the 'system' as a whole is operating, and of a capacity to review and absorb lessons. At the agency level, the prerequisites include a performance focus, measurement systems in place and a management approach and coverage that includes individual, organisational, financial, etc. There also needs to be evidence of the use of performance measurement; taking responsibility for performance and being held to account; and of relationships between the elements (cascades, individual, organisational, etc).

One case illustrates the features of the Performance Management type: Australia has been more committed to performance management than most

Table 3.1 Ideal types and OECD country systems

	<i>Pre/proto performance</i>	<i>Managing performances</i>
Unsystemic/diffuse	Traditional: Greece	Managements of Performances: The Netherlands, Sweden
Systemic/coherent	Performance Administration: France, Germany	Performance Management: Australia, Canada, UK, USA

OECD countries (see OECD 1997a). Two management frameworks have existed within which two generations of performance management can be distinguished (Halligan 2002; McKay 2003). The performance management framework encompasses most of the attributes referred to above, but there remain weaknesses in consistency of approach, reporting of information externally and meaningful applications of principles in practice (to be discussed in Chapter 7).

A strength has been central and external oversight with a series of inquiries reviewing the principles and their application, but these have revealed a persistent problem about the credibility of performance management systems (APSC 2004). The performance aspects of human resource management (HRM) have attracted sustained interest because of fundamental issues raised by the transformation of employment relations under a highly devolved system. A prominent issue has been the subjectivity of management assessment of performance, and public servant motivation where remuneration is based on performance (e.g. O'Donnell and O'Brien 2000).

Explaining the focus on performance, its measurement and management

Creating ideal frameworks to describe the realities of performance measurement and management from an analytical and historical point of view, and trying to detect trends is a crucial starting point to understand this reality. There are different theoretical frameworks and models that help understand the existence, the status and the directions of the focus on performance, which is given substance through how it is translated by measurement and management.

First, performance is scientifically covered by different disciplines. Second, there are performance-focused theories that directly connect the concept of performance to an improvement strategy. It is an instrumental and sometimes mechanistic rationale which assumes that integrating performance information in all management functions results in increasing pressure for a higher focus on performance.

Third, there are more specialised theories belonging to the neo-institutional family that indirectly but quite centrally refer to performance as a key concept. There are rational choice-based (economic) neo-institutional theories which assume that in order to avoid goal incongruency and asymmetrical information one needs to have performance measurement and management. There is sociological neo-institutionalism that considers performance to be a myth, or at least a rather intangible major institutional value that triggers isomorphic organisational tactics, mimetic managerial behaviour, and strategies of legitimisation. There is also a strong historical institutional perspective where performance is explained using path-dependent models.

Fourth, there are several causal models or theories explaining levels of performance. Finally, there are general systemic theories, which in their most generic version are contingency-based theories. Because of specific features, internally or externally there is a search for the best fit between organisational functioning and its internal and external environment. Because of specific features of service delivery, or characteristics of a policy field, or a level of government, there will be an adapted interest in performance. There also may be a time perspective involved, including cyclical arguments, partly explained by learning mechanisms.

Performance and disciplines

Meehan developed an analytical framework to assess governmental performance. This knowledge theory assumes some purposes of the knowledge on performance, which ultimately are about maintaining and/or improving the human conditions, or at a second order, are about the possibility of predicting, controlling and choosing. This results in empirical and normative requirements. This reasoning is very much at a meta-language level: 'To be useful in criticism and improvement of performance, the meta-language must identify the necessary and/or sufficient conditions for fulfilling specific purposes' (Meehan 1993: 21).

There has long been a fascination with trying to explain why systems are performing or not, and in trying to find the determining causal links. In economics there is an effort to correlate a range of variables to explain economic performance of countries (Moesen and Cherchye 1998). In applied economics there has been an almost ideological struggle to find out whether capital or labour are determining factors for profits. In politics, the performance of political systems or liberal democracies always has been on the intellectual agenda (Roller 2005). This is also the case for the public sector organisations, for public policies, and for the public sector in general. One of the disciplines to explain why our mind is focusing on 'performance' is psychology. Here the rationale is that the functioning of our mind, the type of intelligence that is dominant, explains why performance is a central issue, or rather a peripheral element (Meehan 1993). Anthropology may use culture and values as reasons to explain a focus, or lack thereof, on performance. In Hofstede's five dimensions of culture, mechanisms are triggered that encourage or discourage a performance focus (Hofstede 2001). Finally, utilitarianism as a particular social-philosophical approach to guide society results in a higher esteem for performance.

A special focus is needed on organisation theories, especially those on organisational effectiveness. Selectionist and adaptationist models of organisational change have always included performance. According to organisational ecologists, selectionist theories (Hannan and Freeman 1989) focus on environments to determine the strategic choices available to organisations. The logical result is that organisational performance or absence of this

performance is the outcome of a complex process of ‘natural selection’ with survivors on the one hand, and those dying or disappearing on the other hand. Survival because of high performance is the result of fortuitous circumstances, not of good management. Adaptation theories assume that well-performing organisations are adjusting to the environment in order to survive (Aldrich 1999). They do so by guaranteeing sufficient support (resources, stakeholders, coalitions). Failing to do so results in vanishing. In this context it is important to amend these theories with theories helping to model misfortune (e.g. heterogeneous populations, poverty, diseases, violence), which are a competing reasoning to explain success or failure in realising a performing organisation (Andrews *et al.* 2006). Boyne (2003) analysed the literature on organisational effectiveness and concluded that this empirical research has three major weaknesses vis-à-vis the public sector: it is on single organisations rather than sets of organisations; it is comparative static rather than dynamic; and it is focusing on organisations rather than on services (by e.g. networks of organisations).

Studies on organisational effectiveness in the public sector, and the related models generated by this research, suffer from these circumstances. Nevertheless, there are five useful models, each with their strengths and weaknesses, discussing organisational effectiveness (Boyne 2003) based on (sets of) goals, systems-resources (taking survival and pre-conditions into account), internal processes, competing values, and multiple constituencies. Each of these models has different sets of indicators. Boyne chooses or relies on and combines the goal model (for its content focus) and the multiple constituencies model (for its technical and political focus).

Performance-based theories and models

As a general assumption, performance-based theories and models state that the mere or conditional existence of a focus on performance is necessary to have a good performance. There may be a positive and a negative version of this assumption. The positive version is that integrating performance information in all management functions results in increasing the visibility of performance as a key objective. This results in an explicit or implicit pressure to have a higher focus on performance. This higher focus may result in a better performance itself. High levels of measurement are chosen because of their potential to enhance administrative capacity and focus on performance (result-orientedness).

The negative version assumes that specific levels, combinations and trajectories of measurement and performance management are chosen as key elements of public management reform strategies and as corrective mechanisms to reduce the previous dysfunctions of the system’s performance (e.g. Flynn and Strehl 1996; Lane 2000; Naschold 1996). Obviously, since the starting positions are different, governments use a requisite variety of control mechanisms (based on performance and on trust) to guarantee specific synergies and effectiveness.

Extensive research on performance-driven reform in recent years has been based on design, implementation gaps or evaluation of these performance-focused strategies (Barzelay 2001; Peters 1996; Pollitt and Bouckaert 2004; Thompson 2000; Wollmann 2003).

In general, there are three hypothetical basic mechanisms which could be presumed in the dynamics of increasing performance: first, increasing pressure improves performance (pressure assumption); second, increasing specialisation improves performance (re-structuring assumption); and third, increasing citizen involvement improves performance (citizen-as-customer assumption).

The pressure assumption

The first mechanism assumes that pressure is functional in increasing the level of performance. Increasing pressure may push to improve performance, and there are two variations of the pressure assumption.

Internal pressure is organised and institutionalised by reforming all relevant management functions according to the performance focus agenda. Finance is shifting to performance-based budgets, cost accounting systems and performance audits. Personnel management refers to performance-based individual contracts and performance conditions for influx, throughput and exit of personnel. Strategy implies multi year planning and yearly operational plans. Performance-based information systems are being installed. Applying all these reforms increases internal pressure, organises a performance commitment within a specific timeframe, and pushes towards a systematic focus on performance, although this may be sometimes disconnected and incoherent. This pressure can be very general and become part of the culture and the discourse. It also can be more instrumental and mechanistic. This mechanistic causality is based on a tools assumption which goes as follows: tools and instruments have a potentially positive impact on information and the behaviour of actors using these tools and instruments, and may facilitate decision making which takes performance into account (Bouckaert 2003a). Because of this broader cultural, or a more narrowly defined pressure there is an increased chance to focus better on performance.

Increasing internal pressure is considered to be insufficient for a performance driven reform. External pressure, through market type mechanisms (MTMs) such as competitive tendering, benchmarking, public/public competition and vouchers, will also be activated and combined with internal pressure (OECD 1993).

Increasing external pressure is also organised and institutionalised by implementing a range of market type mechanisms. These mechanisms may be customer-based by using voucher systems that allow users to select the 'best' provider, which results in a (quasi) market. Website-based external benchmarking, e.g. league tables for schools or hospitals are also part of this citizen/customer-based external pressure that is organised. Mechanisms may

also be producer-based (e.g. internal benchmarking, public/public or public/private competitive tendering for purposes of in- or outsourcing). This results in more open systems, which may contribute to more performance-driven matches of supply and demand based on performance information, which ‘empowers’ customers and ‘frees’ managers to realise a better performance.

A key question is what optimal and functional pressure is and what optimal combinations of instruments generate pressure that is possible, acceptable and desirable. The choice, the intensity, the sequence of internal vs external pressure will depend on reform policies and ideological positions which may change over time depending on political or economic circumstances.

In this comparatively static analytical description of performance pressure (Figure 3.1), three stages are suggested.

Position 1 is a traditional ‘Weberian’ situation in which there is a classical bureaucracy with administrative procedures that focus on process and that are distant from internal and external pressure. This was the status in most OECD countries around 1980, the pre-public management reform stage.

The shift to position 2 happened during the next fifteen years, between 1980 and 1995, in most countries, be it with different timings and different trajectories (maintain, modernise, marketise and minimise) (Pollitt and Bouckaert 2004). It is clear that New Zealand was the most extreme, and that France focused more on internal strategies. The UK also looked strongly

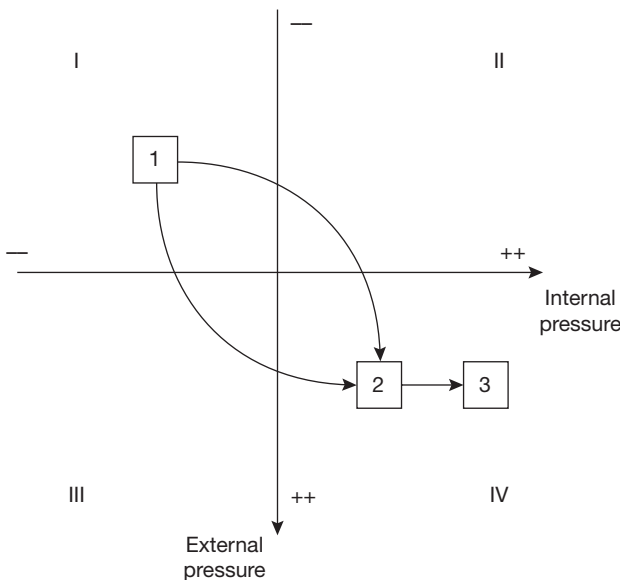


Figure 3.1 Shifts in internal and external performance pressure in some OECD countries since 1980 (pressure assumption)

at the external pressure side based on MTMs but also on citizen empowerment. Entering the fourth quadrant could be from the second or the third zone depending on the dominance of the internal vs the external focus of pressure (OECD 1997a). This means that tools were installed to create a functional link between performance and finance. Of course, shifting from an input- to an output-based budget has happened during the last fifty years. The difference with all previous efforts is its scale and its span and depth (Joyce 2005). There seems to be a conviction that allocating resources in a performance-focused budget (cycle), but also monitoring expenses and costs, and auditing performance (financial and operational) is better for performance itself. Also, it is assumed that creating functional links between performance and personnel (performance-related pay), performance and organisations (contracts), performance and control (monitoring systems), and performance and choices (strategic and operational plans) enhances performance.

Position 3: Market dependency, economic limits and ideological shifts seem to have pushed more in the direction of increased internal pressure than to external pressure during the last years (1995 to at least 2005), although further liberalisation of public goods for the purpose of improving performance is still on the agenda. More intensive, extensive and external use of performance indicators resulted in further and more systematic and systemic increases of internal pressure (Bouckaert and Peters 2002).

All countries have combined the two types of pressure. Key questions to improve results and to change administrative systems still are:

- What is the optimal level of pressure?
- What is the optimal combination of types of pressure?
- What is an optimal dynamic of pressure change?
- When is pressure becoming dysfunctional?
- Under what circumstances is pressure functional?

Christensen and Lægreid argue that ‘administrative reforms are transformed by a complex mixture of environmental pressure, polity features and historical and institutional contexts and that this transformation implies substantial divergence and organisational variety and heterogeneity’ (Christensen and Lægreid 2001: ix). In discussing the question of whether NPM resulted in less political control and less good governance they conclude that ‘a rigid and comprehensive system of performance indicators with strong efforts to monitor and evaluate output might strengthen superior administrative control’ (Christensen and Lægreid 2001: 119). This may have an impact on the relationships between politicians (executive and legislative) and top civil servants, but also between the top of the administration, the ‘managers’ and the subordinates. This will depend on the starting positions and the politico-administrative system. The French case with the elite position of the members of the ‘grandes écoles’ will be different from, for example, the Dutch case, with more equilibrated access.

It could be assumed that as a consequence of the measures taken under the pressure assumption, administrative systems have changed. Hierarchy type mechanisms (HTMs) and market type mechanisms (MTMs) have shifted the nature of administrative systems from quadrant I (Figure 3.1), a Weberian type of administrative system with classical hierarchies based on classical administrative functions, to quadrant IV, with a new and renewed hierarchy (HTMs: strategic and operational plans, performance-based budgets, accounts and audits, etc.) based on managerial functions, and MTMs (vouchers, benchmarks, competitive tendering, public/public competition, etc.). The implications for the level of performance, however, are unclear.

Restructuring assumption

The second performance-driven mechanism implies that continuing specialisation results in better performance. The restructuring assumption makes a direct link between the levels of autonomy and responsibility of agencies and of stages in the policy cycle on the one hand and better performance on the other hand (Verhoest and Bouckaert 2005). This mechanism also has two variants, an organisational one and a policy cycle-based one.

Big organisations are divided into smaller, autonomous, responsible and performance-based parts, sometimes called agencies. In many countries these so-called agencies are shaped according to task homogeneity, target groups, geographical areas or stages in the production cycle. This happens within and also between different layers of government.

A second variant is to divide the policy cycle into its constituent parts. The most extreme version would be to decouple the organisation of policy design, its implementation and evaluation. This decoupling should be matched by contracts and market mechanisms.

A relevant question is what optimal specialisation means in terms of proliferation of organisations, decoupled policy cycles, and disconnected layers of government. Many countries have experienced that specialisation only creates value added when and if there are sufficient mechanisms of coordination.

This second assumption implies that an increase in specialisation resulting in restructuring organisations and policies ultimately (and conditionally) results in increased performance and changes the administrative system.

Creating autonomous organisations with smaller fields of competencies, up to single purpose agencies or task homogeneous bodies provides specialisation-based results. Derived mechanisms of organisational specialisation (based on geography, on customer groups, on stages of the process or on products and services) result in ZBOs (agencies in The Netherlands), Centres de responsabilité (France), Next step agencies (UK), etc. Also, mechanisms of decentralisation (political, administrative, competitive) and devolution result in new generations of organisations. Ultimately big, monolithic

organisations are proliferating into many smaller and sometimes dispersed, fragmented and ‘unbundled’ new organisations (Pollitt and Bouckaert 2004).

This mechanism is also applied to the policy cycle. A solid policy cycle is being fragmented into its parts. In its extreme, policy design seems to happen in a better way in e.g. ministries, implementation is allocated to an independent body (market or public sector) and evaluation is taken care of by still another body. The rationale is again that specialisation of the parts of the policy cycle (decoupling the major components of design, implementation and evaluation) ultimately results in an efficiency gain and in an improved administrative system.

In this comparatively static analytical description of activities three stages are suggested in Figure 3.2 (Bouckaert *et al.* forthcoming). In position 1, the pre-1980s monolithic ‘Weberian’ grand ministries tried to include all aspects of a policy cycle and remained in quadrant I. Shifting to position 2, there is a combined evolution of organisational proliferation based on the creation of autonomous or quasi-autonomous agencies, devolution and decentralisation on the one hand, and separating stages of the policy cycle on the other hand. This happened between 1980 and 1995 (and beyond). Again New Zealand took the most extreme position but many countries moved to the fourth quadrant. The Netherlands experienced a boom in ZBOs and agencies and Scandinavian countries redefined their longtime agencies. The UK developed a vast list of next step agencies. These obviously needed a

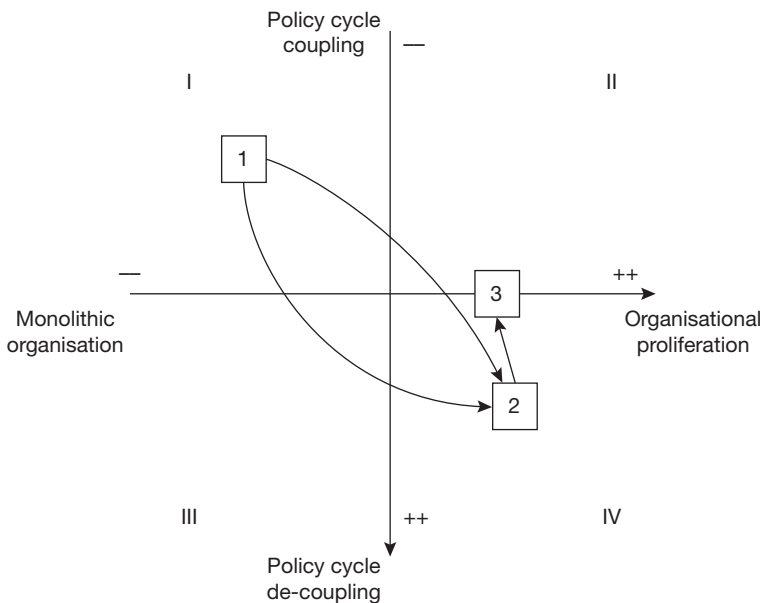


Figure 3.2 Shifts in specialisation of organisations and policy cycles: trends in OECD countries (restructuring assumption)

matching steering and control mechanism, which was not always in place. Framework documents (UK), memorandums of understanding (New Zealand), performance plans (US), regleringsbrevs (Sweden), and agency contracts (The Netherlands) were documents that aimed at defining autonomy and responsibility for the agency-based activities. At the same time there was a growing awareness at the central level of loosening control, also from a pure macro-economic budgetary point of view, but mostly on performance and setting objectives. Accountability was not well equilibrated and a horizontal view was increasingly missing.

As for position 3, from 1995 until at least 2005, many countries became aware that organisational positions based on specialisation and autonomy only could yield some value added if there was sufficient coordination. It appears that the main focus of NPM was single organisational and neither meta, extra organisational, nor horizontal. This resulted in an awareness of the sub optimal positions taken: the value added could only be guaranteed if there was a matching level of coordinating capacity. As a result different reconsolidating mechanisms were triggered based on HTMs (Ministerial 'holdings' or Australian mega departments), MTMs and networks (network type mechanisms: NTMs). NTMs refer for example to informational reconsolidation such as New Zealand's strategic result areas (SRAs), or financial coordination vehicles such as consolidated budgets and accounts as in Canada. The whole problem of coordination, and the choice of an optimal level of autonomy are crucial. Most countries wrestle with the agenda of adequate mechanisms of coordination. Although the level of increased autonomy seems to be generally accepted, the focus is now on re-coordinating organisations without using the most traditional technique of centralisation. Some countries, for example Australia and the US, have reduced the autonomy of agencies (mostly in security issues). Even with these drastic re-shuffles of organisational settings it is unclear to what extent they were beneficial to the level of performance.

Citizen assumption

The third performance-driven theory assumes that getting citizens as customers (including companies) involved in the process of delivery of services improves performance (Bouckaert 1995b; Pollitt and Bouckaert 1995).

The rationale of this mechanism is that involvement and commitment in the stage of design, implementation or evaluation have a positive impact on perceived quality and expectations, and therefore on satisfaction. A key question, whether or not this also has a positive influence on trust in government, is pending and results in mixed theoretical and empirical conclusions.

Obviously this also has an impact on renewing mechanisms of accountability. Getting citizens as customers or as volunteers on board helps to influence perceptions and expectations that are crucial for the level of

satisfaction. Also, creating open systems of delivery results in a grounded ownership of public services that enhances their legitimacy.

Citizens can be taken on board to reduce costs of service delivery. This is a minimal point of view where voluntary-based co-production occurs predominantly to avoid expensive professionals. Here performance is increasing in a reactive way by reducing costs.

Citizens and customers can also be taken on board to provide useful information. Surveying their perceptions of the quality of service delivery, their expectations and levels of satisfaction and trust, is becoming widespread. Taking this information into account for the purpose of improving performance is increasingly taken for granted. Performance is increasing if the information has an impact on the way the public sector is offering its services.

A third strategy is to take citizens as customers actively on board at all stages of the policy cycle, and in the service delivery cycle, up to even giving them a say in the budget process. This results in a co-design, co-decision, co-production and co-evaluation (Pollitt *et al.* 2006).

A crucial and related question is what kind of politicians, civil servants and citizens are needed to guarantee that process is followed. Dissident behaviour of citizens (e.g. extreme and volatile voting patterns, hooliganism, migration and even terrorism) is not uncommon. Public sector reform therefore has a broader societal and political focus.

Neo-institutional theories

A third set of theories, models and assumption belongs to the neo-institutional family, with economic, sociological and historical variants.

Rational choice-based neo-institutional theories and models

Rational choice-based models and theories seem to have an immediate conceptual closeness since individuals, driven by individual self-interest, and organisations, driven by their organisational self-interest, could have a shared performance focus. It is possible to have a compatible performance-based individual and organisational self-interest. However, the content of the performance basis may differ between individuals and their organisations. Goal incongruity between principals and agents, whoever these principals or agents are (internal or external, central or peripheral, political or administrative) and asymmetrical information between different stakeholders on the level and standards of performance creates the immediate need to have explicit and pronounced performance measurement and management.

Within this general framework, more focused models and theories have been developed, more specifically transaction costs theory (e.g. Williamson 1985) and agency theory.

This leads to a hypothesis that levels of transaction costs, determined by uncertainty, asset specificity, and frequency of transactions, are different at different levels of government. This may affect the choice of intensity and

mixes of performance management models at these different levels of government in several countries. Local government has more tangible, repeatable and visible services and is 'closer' to immediate customers. Central government has a greater distance to its customers, but provides less tangible services (law production, money transfers, monitoring of procedures), and is more diffuse. This makes central government less fit for a direct performance focus. Intermediate government has a fair mix of both features. As a consequence the dynamics required to spread performance measurement and management may be higher the lower the level of government, and also higher within a level of government, the more peripheral and autonomous an agency is.

Another hypothesis is that high levels of trust reduce transaction costs, triggering an evolution from measurement to trust, and vice versa. Agency theory (e.g. Jensen and Meckling 1976) could easily cover the hypothesis that the choice of (different) levels and mixes of measurement and trust for specific organisations is strongly dependent on the (differences in) the level of information-asymmetry and goal incongruity between the specific organisations and the government. Higher information asymmetry and goal incongruity will lead to an increased use of market-like and hierarchical control mechanisms (performance-based), rather than network-like mechanisms (trust). On the other hand, if there is more goal congruity and information symmetry, then the need to develop performance measurement will decrease. Depending on the level of goal congruity and information symmetry there will be a matching need for more or less performance-based measurement and management, and less or more trust as the basis for a control design.

Sociological neo-institutionalism

In the public sector, values and cultures remain important, and have an institutionalising capacity, shaping behaviour of individual and organisational actors. This results in strategies to emphasise performance as a myth or an intangible value which legitimises reform decisions. Since the values are shared across borderlines and are supposed to have a generic scope, diagnosis or problem definitions and solution batteries are easily recognised, and therefore are being copied without too much critical reflection. This results in so-called isomorphic mimetic behaviour.

The thesis of institutional isomorphism (DiMaggio and Powell 1983) results in a hypothesis that forms and trajectories of performance measurement and management are chosen because of isomorphic behaviour of governments. There is a whole range of isomorphic patterns of behaviour, such as coercive and normative isomorphism by pressure and propaganda of supra- and international organisations (the European Union or OECD towards Central and Eastern European countries, or by the World Bank, the Asian Development Bank towards developing countries). The mimetic isomorphism of NPM became a copying strategy for legitimisation.

Following Pollitt's question on the converging trajectory in issues of public management reform, he explicitly refers to the institutional isomorphic model:

we can see that convergence, in the sense of replication of rhetoric, forms and practices across the world, may have more to do with government fashions, symbolism and the propagation of norms than with the grim dictates of the global economy or the functional necessity for increased efficiency.

(Pollitt 2001: 934)

The thesis of the 'rational myth' (Meyer and Rowan 1977) is a clarifying variation in this cluster. Although organisations may have similar levels of performance management in a formal-legal perspective (e.g. according to financial legislation), levels may differ in practice because the organisations deliberately decouple their processes from the formal-legal 'myth' in order to deal more effectively with performance-based process and task demands and requirements.

Historical institutionalistic perspective

Next to hardware (transactions, organisational design, goals and information) and software (values) there is also the background of history. According to historical institutionalism the past always matters for the present and the future. The operational model includes the notion of path-dependency.

The hypothesis here is that the choice of patterns and trajectories is limited and constrained by past decisions, inertia, customs and practices. This means that for a particular public organisation and its relations with ministers and/or departments, a mere shift to purely *ex post* output-oriented market type control with high autonomy will be hard to achieve in a control relationship which formerly was strictly *ex ante* input-oriented with low autonomy. Hybrid systems will be observed in such a case (Steinmo *et al.* 1992).

Causal theories explaining levels of performance

These theories are statistically based causal models that look for significant variables in the modelling of parameters that explain (the level of) performance (Boyne and Walker 2005). The variables selected are dependent on the data sets which are available and which are selected to test hypotheses.

As an example, some of these clusters of causal relationships may be mentioned. First there is a cluster of studies that focuses on the importance of planning, objectives and standards of performance to positively influence performance.

A pure rational approach assumes that objectives should be quantified, clearly defined and unambiguous. However, it is also possible that objectives

are vague with a functionality of these ambiguous goals (Chun and Rainey 2005). There should be a match between objectives and measures because:

the *nature* of change must be consistent with the key goals and objectives expressing required/desired outcomes. There is a significant danger of distortion of focus and action if the key measures and targets in performance measurement systems do not capture the 'essence' of primary values and objectives.

(Sanderson 2001: 309)

In studying the development, use and impact of mission statements, objectives, targets and performance measures, Hyndman and Eden conclude that progress and improvement are possible and that 'although significant gaps exist, the planning documents of executive agencies appear to be more coordinated in terms of their use of objectives and targets' than previously seemed the case (Hyndman and Eden 2001: 594).

However, planning 'is neither a necessary nor a sufficient condition for high performance . . . The lesson may be that it is appropriate to encourage public organisations to consider the potential benefits of planning, but inappropriate to impose rational processes of policy formulation upon them' (Boyne 2001: 85). This planning may be performance planning. An analysis in the UK of best value performance plans demonstrated that they:

do not provide the performance information that is pre-requisite of effective accountability to internal and external stakeholders. If the necessary data are not available then accountability cannot work . . . We need to look beyond the mere production of plans and assess their content . . . Even if public organisations improve the range and quality of performance information, this will mean little unless it is drawn upon by individuals and groups.

(Boyne *et al.* 2002: 707–8)

Their evidence suggests these documents make little contribution to the accountability of public organisations because of the lack of data and the limited staff expertise.

In this cluster, standard setting is also a key element that may contribute to performance. In the US local government context the 1994 service efforts and accomplishment (SEA) reporting is an accepted model which is supported by the Government Accounting Standard Board. 'Traditionally, standard setters have contributed to the coordination of reporting practices by building consensus that is reflected in a standard. The standard then defines the boundaries of acceptable reporting practices' (Harris 1995: 30). However:

despite the apparent value of standards as planning, guides and evaluation benchmarks and despite the logic supporting professional associations

as appropriate promulgators of standards due to expertise and access to relevant data, standards endorsed by associations have often proved vulnerable to charges of improper development, misinterpretation, inappropriate rigidity, and misapplications by consumers.

(Ammons 1996: 205)

A second cluster of significant variables explaining performance is about managerial capacity, leadership and motivated personnel. A more classical operationalisation of public management capacity is its organisational structure and managerial behaviour. Ingraham *et al.* (2000) have already demonstrated the causal link with government performance. But it seems to be more comprehensive. 'State management capacity denotes states possessing the wherewithal (financial, human, capital and informational) and foresight (a focus on achieving results) to perform at high levels.' In other words 'a full and accurate portrayal of government policy outcomes must account for the influence of management capacity. In short, the black box matters' (Coggburn and Schneider 2003: 211).

According to Ingraham *et al.* management matters at the US State level especially in four circumstances:

- (1) where the government or agency has clear purpose and mission;
- (2) when the government or agency has flexibility to pursue that purpose;
- (3) where predictable action is valued for linking to results and performance; and
- (4) where new leadership requires institutional strength and support for effective change.

(Ingraham *et al.* 2003: 123)

This is confirmed for local government: 'local authorities need to develop the *capacity* to achieve change and improvement based upon evidence of performance produced by evaluative systems.' Four types of capacity seem to be required: 'capacity for critical reflection and questioning and challenging existing practices, beliefs and values . . . capacity for effective dialogue, collaboration and communication . . . capacity for research and analysis . . . confusing position of . . . capacity for action planning and effective implementation' (Sanderson 2001: 309). Logically related personnel capacity refers to the importance and the conditions of motivation (OECD 1997b; Perry *et al.* 2006), leadership (Moynihan and Pandey 2006), and the need for professionalism (Caiden 1998).

A third cluster of variables is about representativeness of personnel and the quality of human interfaces with the environment. The degree of representativeness of a civil service (Rhys *et al.* 2005) and the quality of grass roots civil servant, or frontline supervisors (Brewer 2005) appear to be key elements in explaining organisational performance.

A fourth cluster is about the quality of indicators and their integration in the financial cycles. The quality of good performance measures (Nicholson-

Crotty *et al.* 2006) is essential to guarantee a solid incorporation and a sound use of performance information. One of the management tools where the quality of performance measures is essential is the performance budget:

performance measurement use supports improved communication among budget actors, increases awareness about the results of government activities, improves quality of service, and facilitates changing strategies to reach certain results. Such substantive use suggests entrenchment and learning within the organisation that no doubt will contribute to the advancement of program results in the future. Then again, the use of performance information is not found as effective, often not at all, for cost or program cutting, or for changing spending levels, certainly not immediately.

(Willoughby 2004: 38–9)

Critical success factors to strengthen the functions of performance budgets are quality of indicators, analytical competencies and political support (De Graan and Volmer 1998; Wang 2000).

Generic theories explaining performance, its measurement and management

Contingency-based theories

A fourth cluster of theories describes and explains performance management with features of service delivery or level of government itself. This implies that performance measurement and management and the choice of patterns and trajectories is dependent on and contingent to certain variables such as size of the public sector organisation, budgetary size, political salience, complexity of its environment, level of government (local versus central), proportion of tangible (and therefore measurable) services, and constrained and enhanced resource availability. In a context of budgetary scarcity the control capacity within government will be determined by an *ex ante* input-oriented control system using hierarchical methods to keep the wider span of performance focus subject to the input focus.

Lüder's 'contingency model' tests and explains how environmental features as independent variables result ultimately in an impact on the introduction (or not) of a more informative public sector accounting system, as a dependent variable (Lüder 1994: 18). The independent variables are clustered in stimuli (e.g. financial pressure, accounting standards), users of information and producers of information. The dependent variable is the degree of performance information in the financial system in general, and in accounting systems in particular. Lüder's model has been tested for several countries and has proved to be helpful in explaining something of these shifts (Buschor 1994).

This resource variable may be useful to describe and explain performance focus cycles. Although contingency-based theories seem to dilute the learning capacity of organisations, the learning cycles may be organised and trigger change.

Praxeologies for performance improvement

Many of these theories are translated into praxeologies to improve performance. There is a range of handbooks or guides to improving performance. Performance is defined in an analytical way, and used in tactics of operational performance management. This may result in a 'performance management process' with logical sequences of steps such as diagnosis, evaluation, feedback, dealing with feedback, and resulting in future performance improvement (Cardy 2004).

Part II

Performance types

4 Performance Administration

Chapters 4, 5 and 6 describe three stages of an intellectual evolution from a dispersed and ad hoc pattern of performance-related activities to a fully fledged and integrated model of Performance Management (Chapter 6), and perhaps even beyond Performance Management to Performance Governance (Chapter 9). To facilitate the analysis we have created four 'ideal types' in the Weberian meaning of the word (see Introduction to Appendices, pp. 211–219), as pure types of modelled stages (Bouckaert and Halligan 2006). In reality they do not exist as such, but it is useful to have these pure types to classify realities which consist of mixed, hybrid and blended versions of these pure modelled stages.

Three main and related activities in the development of models of performance are to measure performance, to incorporate performance-related data and information in documents and procedural cycles, and ultimately to use this performance-based and institutionalised information in discourses and cultures for allocating resources and responsibilities and organising accountability.

To understand a measurement system involves three key elements: first, to know what type of assumptions for framing and functioning are being used (e.g. mechanistic or dynamic) including the actors involved; second, to know the general criteria for defining the scope of the content of the performance measurement system (span and depth of performance); and third, the key features of the measurement design itself, i.e. how the activity of measuring is organised. This includes the process and the focus of measuring, which determines the measuring frames chosen, the criteria used for selecting the indicators, a possible concern with potential dysfunctions, and the available and related quality or audit checks.

This results in looking at measurement from several angles: types, designs, span and depth, criteria for indicators used, specific issues such as quality, and concerns for potential measurement dysfunctions.

In traditional or pre-bureaucratic types of administrations the knowledge of performance was not required to be in control. Other mechanisms to build and construct authority were available and active. Obviously there was an intuitive and subjective awareness of how a system was performing, but

Table 4.1 Shifting from pre-performance to Performance Administration ideal type

	<i>Traditional/ pre-performance</i>	<i>Ideal type 1: Performance Administration</i>
1 Measuring	Intuitive, subjective	Administrative data registration, objective, mostly input and process
2 Incorporating	None	Some
3 Using	None	Limited: reporting, internal, single loop
4 Limitations	Functional unawareness	Ad hoc, selective, law-related

there was no bureaucratic mechanism to systematically incorporate or to use this information.

Shifting to Performance Administration changes several elements. According to Weber ‘Bureaucratic administration means fundamentally the exercise of control on the basis of knowledge. This is the feature of it which makes it specifically rational’ (Weber 1947: 339). Rationality becomes a key feature of the system based on knowledge and rules. As Kane and Patapan state: ‘Bureaucratic virtue consisted of always acting in conformity with specified rules that were rationally ordered on the basis of technical knowledge so as to maximise efficiency’ (2006: 714).

In this chapter, the first ideal type, Performance Administration is explored. As Table 4.1 shows, measuring has shifted from being intuitive and subjective in a traditional and pre-performance regime, to the systematic administration of a particular definition of performance. There is systematic administration of registered data, mostly on input and process issues. There is a limited level of incorporation that is formal and procedural, but which is not necessarily at the core of decision making of the system. The formal and procedural mechanisms, or the due administrative processes, are the core itself of the system, and hence of its performance. Due process is itself the performance of the system. Measuring and incorporating performance does not happen because organisations need it for policy making or managing but because there are laws and regulations requiring it. Submitting a form, according to the requirements, and following the format become more important than its content. As a consequence its potential and intended use is limited. Obviously there is a shift from a functional unawareness – or ungrounded intuition of performance in a traditional system – to a concern for due process, which becomes the essence of the performance of this system. As a consequence there is a systematic and law-based selective perception that is more input- and process-oriented than output- and effect-focused.

Administering organisations is based on the importance of rules, regulations and laws, mostly within a legal framework. It results in organisations defined as administrations and is predominantly rule-based within the budget-based public sector. All required knowledge is oriented to guaranteeing the

capacity of a hierarchical authority to respect due processes, which become the essence of this system's performance. Weber's theory on bureaucracies is a classical administrative theory. These theories have evolved from single bureaucratic organisational theories to interacting levels of government, and ultimately to governance theories covering sets of organisations. In the course of the twentieth century these theories have also been influenced and broadened by theories on policies and politics.

Measuring performance in Performance Administration

From the beginning of the twentieth century, performance measurement was predominantly operationalised as productivity measurement. This relevant concern has always been present (Holzer and Lee 2004), not only in periods of savings. The usual reason for measuring labour productivity is to ensure that personnel inputs will not increase faster than the outputs they generate. This problem is expressed as Baumol's productivity disease, especially in the public sector. It assumes that the productivity increase in the market economy allows for increases in personnel costs. If payments in the public sector follow the market trend, even to an extent, public sector productivity has to decline because its output never can increase even proportionally. Productivity calculations therefore also depend on the assumption that input causes almost mechanical output. Productivity measurement must rely on the likelihood that a positive increment in output – whether patient days or classroom hours – can be linked to a positive increment in the level of budgeting input, and vice versa. A Performance Administration ideal type-based organisation has a scientific management identity with a causal, mechanistic and closed chain of command and a linear input/output-based type of measurement system. Its main focus is on productivity or technical efficiency.

According to Ridley and Simon (1938: 5–6) there were three good reasons to look at productivity or efficiency. First, public finance, which is about receipts and expenses, deficits and surpluses that have an impact on the allocation of resources and influence input/output relations. A second reason is the transfer from an industrial meaning of efficiency to the public sector in the context of scientific management. Third, citizen interests resulted in a variety of leagues and research bureaus that investigated whether tax money had been spent honestly and efficiently. From the beginning two major approaches have been covered by the generic 'efficiency' or 'productivity' thinking, i.e. a 'results'-oriented and a more operational 'input/output'-oriented one. These two tracks were supported by a belief in the scientific potential for measuring rationally (Bouckaert 1991). As Buck (1924: 155) put it:

the physician simply places his thermometer under the patient's tongue, and not only is the fact that the patient has fever recorded but the exact amount of the fever is shown to a fraction of a degree. It may sound like

a dream to some of us, but that is exactly what we want to bring about in the case of governments. We want to devise methods and standards by which we can measure the results of government so the information we get will be accurate and conclusive.

Although this belief and the practice were operationally focused on input/output measures resulting in single organisational productivity data, the ambition was also to put this in a broader 'results'-oriented vision on performance, as Burks concluded:

The definition and formulation of municipal standards have hitherto been concerned with the technical and business aspects of city government. This is not because those who are interested in the promotion of government efficiency consider technical and business methods as anything more than a means toward the chief end. It is rather because definite business standards are seen to be the first essential in the accomplishment of the higher purposes of the cities. The program of municipal efficiency is fundamentally a program of community welfare; the purpose being to equip city government not only to do most advantageously the work already committed to it, but to extend its responsibilities to public needs not yet met by public service.

(1912: 371)

In developing standards for the fire service, police, public works and health, Ridley intended to support citizens 'by furnishing them a substitute or at least an antidote for political propaganda' (Ridley 1927: 7). Ridley takes an extreme position in defining organisational results. In principle, he is not interested in how this result is obtained. Therefore he focuses on effectiveness, which he distinguishes from efficiency. But even Ridley thinks this theoretical position is not sustainable: 'it seems unfair to score cities on results alone and to ignore entirely the cost of such result' (Ridley 1927: 2). Whereas the depth of performance is micro-based, i.e. organisation focused, the span of performance suggests a broader but also a pragmatically more narrow focus.

From a technical requirements point of view the validity and reliability of indicators is in line with the criteria that are derived from a scientific management approach. This allows criteria to be determined by the administrators, quite separately from politics. Indicators are quantitative since there is no separate quality focus at all. If there is a systematic focus it still is determined by a selective perception, and therefore partly ad hoc, with clear service-based measures and standard models for administration.

Ridley differentiates a performance measurement policy in a pragmatic way: 'Fire, police and health departments may be appraised by the effectiveness of the protection afforded by citizens. The activities of a public works department, on the other hand, can best be appraised by the economy

of administering those functions' (Ridley 1927: 39). Nevertheless, he ultimately opted for 'results' and not for 'outputs', performance as he calls it: 'The measurement must be based on results and not on methods or performance . . . The results are measurable' (Ridley 1927: 47). This position was consistently repeated by Ridley and Simon:

In this way random instances of good or bad administration will be replaced by systematic observations of efficiency of operation . . . A measurement of the result of an effort or performance indicates the effect of that effort or performance in accomplishing its objectives. . . . The efficiency of administration is measured by the ratio of the effects actually obtained with the available resources to the maximum effects possible with the available resources.

(1938: 1, 2, 3)

The principle is to aim for results:

Results and expenditures are compared from year to year, and from city to city in order to find relative efficiencies. But it is obvious that differences of circumstances beyond administrative control will invalidate such comparisons unless proper allowance is made for them.

(Ridley and Simon 1938: 3)

In practice, however, e.g. for public works, the real focus is on input/output relationships:

the principal measurement technique to be considered is that of cost accounting . . . When the ratio of performance to the cost involved is taken, unit costs are obtained. These unit costs give some indication of the efficiency with which the work is performed.

(Ridley and Simon 1938: 21)

Incorporating and using performance information

A systematic administrator-driven Performance Administration is at the level of a single organisation. Its purpose is to improve efficiency and productivity and it is only partly incorporated and used for improvement purposes. Also, at least in the US local government at the beginning of the twentieth century, there was no solid legal framework to enforce this focus. The whole movement was voluntary-based and referred to the civic behaviour of citizens and administrators as professionals who were trusted.

Of all management functions, the financial one seemed to be the most appropriate to incorporate and use performance information. According to Upson this performance information approach should even influence the way

budget figures are formatted. Budgets should be designed linking resources to be allocated to services delivered, work to be done and materials purchased. This would require information on actual and estimated unit cost, and the size of the working program, i.e. on quantities and qualities, and costs, 'that should go a long way towards stimulating a degree of efficiency in public business at present unknown'. Unfortunately, 'scarcely a penny is spent for auditing operations, in checking the effectiveness of these honest expenditures, in indicating the amount of work produced, and in assuring the public that their servants have been efficient as well as honest' (Upson 1923: 122).

The essence of the measurement type is static and based on a single loop process of learning. This is compatible with a causal and mechanistic way of perceiving the production cycle, which is sufficiently corroborated by the scientific management movement, which is the dominant intellectual paradigm of the first half of the twentieth century. As a logical consequence the only possible learning cycle has a single loop shape. A 'best' static practice that can be defined scientifically will result in 'standards'. The learning cycle consists of reaching these (either efficiency or productivity) standards.

Efficiency standards therefore have always been on the agenda, especially at the municipal level. According to Burks:

the primary purpose of a municipality is not to furnish occasional opportunities for casting ballots, revising charters, or recalling officials, but to promote the health, education, safety, convenience, and happiness of its citizens; . . . efficiency standards must therefore be stated in terms of community service rather than in terms of ballot laws or charter powers.
(1912: 366)

Obviously, this has a flavour of separating politics and administration, and of pushing the public sector to become more efficient, as well as a strategy of improving democracy. Therefore, Burks states that:

standards of work done, results accomplished, and cost incurred applicable 365 days of each year between elections and intelligible to citizens, taxpayers and officials alike, constitute a factor more essential to municipal efficiency than a ballot of standard brevity of a commission of standard personnel.
(1912: 365)

Hence, historically, efficiency in the beginning of the twentieth century has a slightly broader meaning than in a Performance Administration ideal type. The purpose of using this information is 'to find units of measurement and standards of practice that shall make possible a definite appraisal of municipal efficiency in terms of community service rendered, community results obtained, community cost incurred' (Burks 1912: 366).

Concluding on and shifting beyond Performance Administration

Williams (2003) established that the focus at the beginning of the twentieth century, at least in some US local governments, covered a range from work records, over outputs and outcomes, to social indicators and needs assessment. The context in which this performance information was produced and used was clearly a combination of a dichotomy of politics and administration, and scientific management. The politics/administration dichotomy resulted in a need to inform and educate critical citizens on politics, and to strengthen and protect administrators against their politicians. Scientific management emphasised reliable records on costs (accounts), volumes (work records on time and volumes, and output records), and outcomes for citizens (surveys, also on needs). Record keeping, an activity par excellence of Performance Administration, was crucial, not just for accounts, but also for work volumes, outputs, outcomes, social indicators and needs. These records were then used for reporting in order to strengthen the position of citizens, and for budgets and productivity improvement in order to strengthen the position of administrators.

Although there are no such equally detailed descriptions for the European history of public sector performance as in the US, the legal orientation of administrative behaviour and the reduced concern for service delivery to citizens indicates an emphasis on an internal focus and administering due processes (Bouckaert 1991).

Based on these and other historical descriptions, and following Weber's definition of an ideal type (see the Introduction of the Appendices, pp. 211–219), it is possible to 'highlight' some major elements and mechanisms in reality and turn them into a Performance Administration ideal type. The features of this type are described in Table 4.2.

In analysing current data on the US States, Moynihan (2006) has distinguished between a low/high focus on results and a low/high managerial authority or capacity. The Performance Administration ideal type is rather low on a results focus (as effects and outcomes). It assumes a strong administrative authority, which could include a low managerial authority. He describes his type as having the following features: 'bureaucratic system, high focus on inputs, and little incentive or authority to increase technical efficiency' (Moynihan 2006: 84). Moynihan's ideal type is close to the Performance Administration ideal type. This demonstrates that Performance Administration as an ideal type still exists and is recognisable in the present public sector.

A Performance Administration measurement system is a static and micro organisational-based type. It is a causal, scientifically grounded, mechanistic and a linear input/output-based type of measurement system that has an interest in effects as results which are not fully pursued because of a pragmatically recognised measurement problem. As a consequence the main focus is on productivity or technical efficiency. This performance information is

Table 4.2 The Performance Administration ideal type

<i>Ideal type features</i>	<i>Performance Administration</i>
Measurement	
Type of measurement	Mechanistic and closed
Design of measurement system	Ad hoc schemes by internals
Span of measurement	Limited and selective: efficiency and productivity
Depth of measurement	Micro: single organisations
Criteria of indicators	Technical (valid and reliable)
Specific dimension of measurement	Quantitative; quality is considered as constant
Dys-functionalities of measuring	No awareness of pathologies
Incorporation	
Level of incorporation	Static
Degree of incorporation	Disconnected, isolated and ad hoc
Use	
General use	Limited and technical
Main reporting focus	Internal hierarchy
Learning by using (standards)	Single loop learning
Accountability for performance	Administrative
Potential value added of performance	Limited
Potential dysfunctions of performance	Unawareness of major dysfunctions

incorporated in a static way which is coherent with its mechanistic nature. Since its use is limited and rather technical, there is a reduced improvement capacity. There is a single loop version of a learning cycle which means that, given the separation of administration and politics, the best contribution of professional administrators to democracy is to obtain the (static and) scientifically determined standards of performance. This fits the disconnectedness of politics and administration, even if the ultimate purpose of improved productivity and efficiency are the citizens.

Administering the registration of the absence or presence of civil servants, of files that have entered or left the office, of advice that was asked and was provided, supports the proper functioning of a Weberian bureaucracy. Obviously there is an increasing concern for results, but there is also a conviction that monitoring and controlling resources and activities are necessary for a well functioning public sector, as perceived by citizens and professional administrators. A law-based system that relies on objective control systems needs to administer performance as part of due processing within the public administration framework itself.

Evolving from the Performance Administration type to another ideal type implies shifting to a neo-Weberian model. Shifting administrative systems in post-communist Central and Eastern Europe countries requires first of all to move to a Weberian system before going beyond it (Jenei *et al.* 2002). This includes first the move to administering performance properly.

5 Managements of Performances

A second ideal type assumes a quantum leap on the three dimensions of measuring, incorporating and using performance, resulting in a new type: Managements of Performances. There are serious efforts to link upgraded performance information to several management functions with their own dynamics, such as production of goods and services, finance, personnel, organisation, communication and strategy.

A Managements of Performances ideal type consists of a plurality of loosely connected, or even unconnected management fields. This pure type is qualitatively different from the previous one because the content of the modules and the interaction of the modules are significantly different. A variety of performance measurement practices is part of several different managerial improvement strategies. Feeding these different management functions with a varied span of performance information results in different ways of incorporating this information. This difference in incorporation strategies fits different ways of using this information. As a result, there is a focus on different spans of performance connected to different managements of these performances. Assessing impacts of these performance-based improvement strategies remains at the sub-optimal level of the different management functions, but also it becomes sub-optimal for the organisation as such.

Table 5.1 shows the shift from the previous Performance Administration ideal type to the Managements of Performances ideal type, which consists of a variety of management functions-based specialised measurement systems. This information is incorporated in these specific management functions such as production, finance, personnel, organisation, strategy and communication. As a consequence there is an incorporated disconnectedness in using this information. In the most optimistic case this disconnectedness results in some incoherence, not necessarily in contradictions.

Whereas administering organisations, resulting in a Performance Administration ideal type, is based on the importance of rules, regulations and laws, mostly within a legal framework, managing organisations is based on the importance of structures and functions. It focuses on several structural and functional mechanisms mostly within the market-based private sector,

Table 5.1 Shifting from Performance Administration to Managements of Performances ideal type

	<i>Performance Administration</i>	<i>Managements of Performances</i>
1 Measuring	Administrative data registration, objective, mostly input and process	Specialised performance measurement systems
2 Incorporating	Some	Within different systems for specific management functions
3 Using	Limited: reporting, internal, single loop	Disconnected management cycles
4 Limitations	Ad hoc, selective, law-related	Incoherent and sub-optimal

resulting in organising management functions. It results in sets of ““useful knowledge” that enables man for the first time to render productive people of different skills and knowledge working together in an “organisation”” (Drucker 1985: 28). Sometimes management theories would consider administrative theories as too rule-based, therefore as too bureaucratic, and therefore as a-managerial. Management theories have evolved from impersonal and mechanistic control-based theories, over human relations schools, to ultimately complex multi-faceted systems management (Ferlie *et al.* 2005). This multi-facetedness is visible in the different management functions of an organisation and influences the different functional needs for managing performance. This is also true in the public sector.

Measuring performance in Managements of Performances

Measuring performance goes beyond the simple registration and administration of performance data. Because of the focus on managing structures and functions, there is an internally interactive measurement process within each management function. For that reason there is a sense of closeness, even if the designs are developed in an internally interactive way, with possible support by consultants. Its span of measurement is clearly organisational, and therefore focusing on resources, activities, and products/services delivered. However, there is also an awareness of managerial effectiveness within the organisation, and therefore outcomes, or effects are also taken into account. This means that next to a micro focus, depth of performance also includes a meso focus.

Obviously there is a concern for technically sound measures, defined as validity and reliability. Because of an emphasis on the functionality of an organisation and its activities, measurement needs to match that criterion too. One of the features of this ideal type is a focus on quality, however this has its own, separate dynamics within the organisation. As a consequence, there is a concern with dysfunctions within the organisation in general, and with measurement of performance in particular.

Measurement and its contingencies

There is an increasing awareness that there is no single and static method, measure or technique to assess performance. Circumstances such as task ambiguity or technology should be taken into account.

Whereas the Performance Administration ideal type defined and assumed a scientifically defensible optimum (as in a black box keeping all variables stable, including quality as a constant variable), this type looks at internal and external contingencies that affect the activity of performance measurement. In this context Sink *et al.* (1984: 266) use the term 'situational assessment of performance'. Two examples of key situational elements are the degree of task routine versus ambiguity and of information and communication technological variables affecting the practice of measuring performance itself.

There are several reasons why a focus on the type of tasks, activities and processes is important for the measurement of performance. In an industrial context it is possible to stock goods. This is not possible for services where production and consumption are adjacent and overlapping stages that are not separated by a 'stock' of services. Shifting from 'consumed' outputs to produced outputs as activities is therefore natural. A second reason is that an ultimate purpose of measurement, i.e. improvement, includes everything in between inputs and outputs. The chain of tasks, activities, processes, the coherence of men/machine/organisation systems all have to do with a conversion of resources. This knowledge is indispensable for improving an input/output relation (Allen and Rosenberg 1978; Klein 1982). Obviously ICT is crucial in this.

Initially Turner and Lawrence (1965) developed the routine/ambiguity rationale in an industrial context. Jobs were ranked according to their degree of ambiguity or routine along the assumption that these jobs needed different measures. Clustered sets of jobs using ambiguity/routine as a criterion had then to match specific types of performance measures. Balk transformed this approach because 'the Harvard researchers restricted their activity to non management jobs' (Balk 1967: 76). His research on measurement systems tried to apply this rationale to service production in general, and to the public sector in particular: 'More and more we were faced with the problem of categorizing operations to decide what types of measurements and controls best apply to what types of jobs' (Balk 1973: 119).

Whereas the first ideal type was implicitly based on scientific management thinking and relied upon the rationale as developed by Taylor and by Gilbreth and Gilbreth, the second stage leaves the mechanistic paradigm and takes ambiguity on board. Further research modelled this with several public sector organisations (Balk 1975a; Balk 1975b) including public works, library, fire service and social service (Bouckaert 1990). Variations in task ambiguity, job autonomy, levels of interaction, degrees of knowledge and skills required, and levels of responsibility must have an impact on the level of job routine/

ambiguity, and therefore on the types of measures related to different routine/ambiguity levels.

Highly routine jobs are measured basically by individual time-based indicators, such as quantities per time unit. It is dysfunctional but tempting to measure all jobs by using time-based criteria, even those that have high degrees of ambiguity, e.g. the job of a judge, because of high varieties in activities, interaction, sequence of tasks, etc. (Hornbruch 1977; Halevi 1980). Punching keyboards or data entry for research may be measured by this type of measure. It probably has a low job variation, low autonomy, and limited interaction with other agents, short learning cycle, and rather limited responsibility.

At the other end of the line, writing a research report or advice for a minister, probably has a low level of routine or high level of ambiguity. These jobs should be assessed by project progression indicators. Research reporting is varied, implies a lot of autonomy, may have a lot or not a lot of interaction, and has a reasonable level of responsibility. Obviously there is an in-between category with an average level of routine/ambiguity. These jobs are best measured by group-based outputs (Frantz 1988; Stein 1979). Groups responsible for case handling could be an example of this.

ICT is another reality that requires a variation of types of measures. By 1983 there was already a US Government Accounting Office report stating:

due to concentration on computer output or per-hour approaches, federal executives have taken a too narrow view of productivity. This resulted in ad hoc programs without top-level commitment nor cohesion; there was no integration of productivity in management processes in the federal agencies, as is the case in the private sector; in order to maintain the high productivity priority, to promote a fundamental awareness of the productivity need and to integrate, a specific organisational focus is needed.

(quoted in Dineen 1985: 10)

OMB's purposes at that time were:

(1) a 20% increase in productivity by 1992 in targeted government functions, and a short-term improvement needed for immediate deficit reduction, and (2) a long-term focus on continuing productivity gains through an institutionalised program which will change the behavior of managers and the efficiency with which government functions.

(OMB quoted in Usilaner 1985: 57)

Choosing internal performance measures is decided after a clear analysis of processes, activities, and tasks. Balk correlated his ambiguity index and a performance measure index which was decreasingly tangible when ambiguity increased. He concluded that there is evidence for the common-sense notion that: 'there is a strong inverse relationship between task

ambiguity and the reliability of productivity measurement' (Balk 1973: 123). As a consequence a differentiated personnel management policy could be developed (Greiner *et al.* 1981). It is clear that HRM needs a policy of measures that matches levels of routine, especially if rewards are linked to performance. Also it is crucial to be aware what parts of the organisation have a measurement surplus (more tangible and more routine results in more measurement of the same), and a measurement deficit (less tangible and more ambiguous results in less or even no monitoring). An equilibrated HRM requires an equilibrated measurement policy. Finally, job technology influences improvement strategies, therefore job performance measurement is influenced by its ICT potential.

New information technologies emerge in different ways in the public sector (Snellen *et al.* 1998). There has been a shift from pure data processing supporting the operational level to management information systems supporting management decision making. Information technology affects behaviour and organisational dynamics. Since IT affects the variety and autonomy of jobs, the nature of interactions, the levels of knowledge and skills, and maybe the type of responsibility, it is likely to have an influence on the level of routine and ambiguity, and therefore on the choice of the measures (Bouckaert and Balk 1991).

Measurement as interaction

Whereas the Performance Administration ideal type considered a performance measurement system as a 'thermometer' (Buck 1924), this model assumes that measurement systems influence the behaviour of those being measured, individually and organisationally. One could assume, e.g. a limited or even 'empty' measurement system that is perceived as fully developed and operational, and therefore functions as if it is present. This measurement system starts functioning as a placebo, just as bodies and minds react to placebos in medicine. This means that psychological mechanisms are at stake and influence behaviour because individuals and organisations think there is a measurement system and that they are being measured. It results in a measurement action and an individual or collective behavioural reaction.

On the other hand a well known, recognised and developed measurement system may be pushing individuals, teams and the whole organisation in a particular direction. This means that individuals, teams and organisations are (totally or partly) 'climatised' or conditioned by the measurement system and behave accordingly, just as the body takes the temperature of its (measurement) environment in a sauna.

Measurement becomes interactive, between agents, between agents and principals, or between systems. This model assumes a shift from a single thermometer function to a 'placebo' or even a 'sauna' function where organisations are 'steamed' towards performance using the measurement system. Measurement then becomes a motivational and intentional process for the

purposes of change. The most important conditions and requirements then are its motivational and legitimising capacity. Obviously dysfunctional effects start emerging too (Bouckaert 1993; Bouckaert 1995b; Hirschmann 2002).

In this context, in order to make a measurement system functional, i.e. to increase the effects of measurement on behaviour, it is useful to involve major stakeholders in the design of indicators. Sink discusses three techniques to do so (Sink *et al.* 1984; Sink 1985). There is the 'normative productivity measurement methodology' (NPM), which uses the 'nominal group technique' and the 'Delphi technique' to reach a consensus on the indicators. There is the 'multifactor productivity measurement model', which relies on civil servants and is more of a macroscopic measure which structures the input with immediately related output measures. These measures are more technically based and imposed. A third method is the 'multi criteria performance/Productivity measurement technique', which is more an aggregated index of productivity and other performance measures. In this ideal type developing a measurement system implies interactive participation from internal stakeholders, which turns it into a certain closeness of operation. This brings us to the criteria of measures and measurement.

Three sets of criteria: validity, functionality and quality

Whereas in the first ideal type there are only technical requirements for a good performance measurement system, the second type respects technical features and focuses also on functionality. Quality emerges as a key concern. In this stage, the technical requirements are significantly refined and are made explicit. Functionality also becomes an explicit standard for the system. Quality becomes an additional and explicit feature in the span of performance.

The nature of measurement in the Managements of Performances ideal type implies that measures are not just technically valid, but also functional for performance itself. The technical dimensions are developed and become more pronounced. At the same time, an increased use of measures in different management functions creates an awareness that functionality is essential. There is a related concern with pathologies as early warnings for perverse and therefore dysfunctional measurement systems. Finally, there is an emerging separate strategy for quality.

Under this ideal type, systems are evolving technically. Traditionally (i.e. in Performance Administration), only technical issues were dominant (validity but also reliability). Since performance measures are used more extensively, and more levels of government and policy fields are covered by performance measurement, coverage rates are expanded and developed for that purpose. At the same time there has been a broadening of the types of services that use performance measurement. There has been an evolution from the measurement of the more tangible forms of government production and service delivery to measurement of more intangibles. Tangible services like

refuse collection, public works or libraries have always been subject to performance measurement. Services of this kind have been easily measurable because their output is 'easily' countable. The next step was to measure services where human beings are 'processed', for example in education, medical treatment, child care, care for the disabled and for elderly persons. For this category the production cycle of input, activity, output, and effect or outcome is much more difficult to operationalise and consequently more difficult to assess. The span of performance has widened but this is still work in process. A third area of activities, services that involve processing 'ideas', is the most challenging for accurate and functional performance measurement. The performance levels of think tanks, policy staffs, representation services, whose job is to counsel and influence decisions of politicians and administrators, are difficult to assess. The same holds for people who prepare legal work, handle judgements or write legal reports. But these types of activities are also subject to a widening span of performance focus.

Technical validity and reliability in all these cases remain a crucial concern in developing measures. This results in about four major technical shifts in performance measurement under this ideal type regime compared to the previous one.

First, there is a technical shift from the so-called zero hypothesis to the non-zero one. Government practices have evolved from consuming to producing entities. As a consequence, the focus of performance measurement shifted from a purely input-oriented focus to additional concerns for outputs and effects or outcomes. Hence, a major indicator for judging the performance of an inclusive system is to compare output and input trends. If government activities are viewed as consisting entirely of consumption, it is acceptable to consider input as a measure and indicator for its output. A purely consuming government cannot change its productivity because input and output are the same, by definition. This is the zero-assumption of productivity change of traditional, non-producing governments. This assumption is accepted as valid in a conventional GDP context and their global, national or institutional efficiency measures. But this view had to change as governments became important producers of goods and services. In this model, input can no longer be considered as an output indicator. Thus there is a need to measure output as such, and not to use input as an operational substitute (Atkinson *et al.* 2005; Van Dooren *et al.* 2006). This shift has resulted in a search for ways to incorporate output quantity, and to consider quality. The non-zero assumption affects statistical interpretations since output is never equal to input and since output and input trends are dynamic. Linking inputs and outputs of governments creates more valid measures of productivity and efficiency than under the zero-assumption. The challenge of this shift for this ideal type is to consider all relevant outputs of government, and not to use input as a replacement and substitute indicator. The major difficulty derives from the variety of outputs and their qualities (Hjerppe and Luoma 1997; Swedish Ministry of Finance 1997).

The second technical shift is from 'production' functions to best practice frontiers at the micro production level. The radical techniques of statistical regressions and econometrical production require more than considerable amounts of data. They are also based on numerous assumptions such as the technological state of the art, the availability of resources, economies of scale and the size of the operations. Techniques based on methods of operational research sometimes have the advantage of being tailor-made and management oriented. This is the case for Data Envelopment Analysis (DEA) and Free Disposal Hull (FDH) (Pestiau and Tulkens 1990), which were developed from the late 1970s, and increasingly implemented in the 1980s. One managerial advantage of using these techniques is that an observation belonging to an inefficient cluster is related to a (more) efficient and real observation of comparable size, the so-called best practice which is dominating other decision-making units. This information opens the possibility of comparing two situations and also of taking modelled differences into account. It may also trigger and promote an improvement strategy based on that identified, and comparable dominant best practice. In this analysis the objective is a cluster at the frontier of dominant decision-making units or best practices defined as a set for which there are no observations that produce the same with less resources, or for a level of resources that is producing more outputs, or a combination of both conditions. This cluster may serve as points of reference to which one can move in an improvement strategy. Technically speaking, the use of an efficiency indicator as a distance between the observation under scrutiny and its related dominant best practice on the frontier is more valid than a productivity indicator as an output/input ratio based on a production function.

A third technical shift is from indicators to measures. The shift in focus from inputs and activities to what is logically and sequentially following in the span of performance, i.e. outputs, and outcomes/effects, creates some additional problems. It is often quite difficult to operationalise the concepts of output and effect/outcome. Beyond the level of concepts, various operationalisations matching the complexity of a production are crucial. The next step is to look for data to fill these *modi operandi*. This is especially true in the service sector where production cannot always be analytically distinguished from consumption, since there is no tangible stock of products between service production and service consumption. In practice the continuum of activities as intermediate outputs, and outputs, or outputs and intermediate outcomes, or intermediate outcomes and ultimate outcomes, is problematic to separate in an operational way. Production and consumption overlap and are not separated by stock. This creates a problem for measuring the performance of such a process. One way to solve this is to use indicators as substitutes for concrete measures, to use indirect measures pragmatically instead of direct measures. Indicators indicate indirectly what cannot be measured directly. Input or activity measures become indicators for outputs, and outputs become indicators for effects/outcomes. For example, the volume

of refuse collected provides less information about street cleanliness than the volume that is not collected and remains in the streets. The only motivation for such choices is pragmatism. It consists of choosing to use an indicator when there is no valid or reliable measure, and of choosing a weak measure rather than no measure at all. The usual price is a loss of validity. Therefore, increasing the level of validity consists of moving from indicators to measures, and from weak measures to strong measures.

The fourth technical shift is from performance data availability as a driver to measure to performance information desirability as a criterion to select new measures or indicators. One way to move from indicators to measures and from weak to stronger measures is to improve data collection, data processing and information systems. One of the dominant reasons for using a certain indicator or measure is the very practical reason of data availability. Traditionally, the incentive to develop a particular measure is the existence and availability of historical data. This results in a shift towards a more appropriate criterion, that is, the desirability of a certain measure. The consequence is the necessity to set up new procedures for data collection, new techniques for data processing and renewed patterns of using information. Relying on information that is based on measure desirability rather than on data availability provides a more valid performance measurement system.

Different authors (Hatry 1980; Hurst 1980; Usilaner and Soniat 1980) use different checklists to define the technical soundness of measures such as: mutually exclusive/uniqueness, process definable, countable, uniform over time, mission oriented, quality identifiable, data readily available, directness of measure, accuracy, understandability/unequivocal, timeliness, data collection cost, comprehensiveness, congruent, reproducible, objective, choosable, tangible, and homogeneous. Obviously, not many indicators would survive if all these criteria had to be respected. In practice many pragmatic lists are made. It should be observed that there are also some conflicting tensions between these technical requirements.

Need for functional measures

Simultaneously, the increased use of these measures in the different management functions has increased awareness of the need for functional measurement systems. Measures are not intended purely and simply to observe, but to cause reaction, sometimes to reward or to punish. Good measures result in improved processes and systems. Performance measures can be used for guidance (design and decision, also in budgetary terms), control (monitoring implementation, also in accounting terms) and evaluation (also in audit terms). This ideal type includes these three types of measures which mirror a fifth shift compared to the previous ideal type, i.e. from a naive belief in a thermometer type of neutrality to an awareness of the need for functional measurement and of the danger of dysfunctions in the process of measurement. A first family of measures and measuring activities is and should be neutral.

Technicians may look for this type. It is a mirror or thermometer type of measure. A hidden and invisible speeding camera is registering and not interfering with the behaviour of car drivers. These types of measure are not intended to affect behaviour, attitudes or practices of performance as such. If they do, they should be excluded (Grizzle 1982). Measures belonging to the Performance Administration ideal type consist only and entirely of this type. They belong to a mechanistic and scientific management approach, not to a human relations/resources or to an interactive and internal systems approach. Their use is objective and technical. The design discussion consists of finding the most accurate, definitive and reliable measure. The main criterion is technical validity and reliability.

The Managements of Performances ideal type, also has this family of measures, but adds the 'placebo' and 'functional' types to the measurement clusters. The 'placebo' type implies that there is a 'fake' measure, but that the fact of measuring itself may affect individual or organisational attitudes and behaviour, and it may guarantee an improvement (Poister *et al.* 1985). A disconnected but visible and easily seen speeding camera may reduce the speed of cars. Intrinsic motivation is probably a weak assumption in government (Downey and Balk 1976; Greiner *et al.* 1981). But if it applies, it means that the timing of measurement and information proliferation becomes important. Their use is intentional and purposeful. The design discussion consists of finding accurate, definitive and reliable, but also motivating measures. The third cluster includes measures that are functional, and excludes dysfunctional ones. A connected and visible speeding camera measures and interferes. Measures themselves affect action and become proactive, i.e. the number of speeding cars drops. It is recognised in the design that this type of measure directly affects individual and organisational behaviour. Obviously the dark side is that perverse effects of measures define their dysfunctionality (Bouckaert 1995b).

Need for an additional strategy on quality

The focus on the need to have a functional performance measurement system that contributes to the objectives of an organisation, also resulted in an awareness of dysfunctional measurement mechanisms. One of these is that too much focus on financial or quantitative measures may harm quality in the public sector. As a result the sixth technical shift is from mere quantity to quantity combined with quality.

According to Hyde 'there is every reason to believe that quality management (and reengineering when linked to quality) can be and will be a viable approach for improving productivity and performance in the public sector' (Hyde 1995: 172).

Measurement systems have traditionally focused on the quantitative aspects of reality rather than on qualitative aspects. The probable reason is that quantifiable elements are more available. Qualitative elements by definition

cannot be quantified in a direct way. One has to use scales, at times based upon opinions and perceptions. One of the solutions to this problem has been to omit quality measures. Deleting quality measures from the analysis, as in the Performance Administration ideal type, has been justified by assuming that quality was stable and constant, and equal in all cases and did not really change over time. In giving the quality measure a constant and fixed value, real changes and variations over time are not taken into account. This position has become more and more difficult to accept. Quality differs between institutions and also changes over time. Measures or indicators that do not take quality into account lose their validity. Thus, a major requirement is to combine qualitative and quantitative measures or indicators. The more quality is taken into account, the more valid the performance measurement system will be. The focus on quality as a genuine element was developed initially as a macro-economic issue where the zero-quality-change-assumption was amended and changed by referring to quality as a differentiating parameter. This has resulted in a focus on quality as a micro-economic, or organisational output feature, affecting also the macro-economic picture.

Several American studies at local (Schmandt and Stephens 1960) and at county level (Shapiro 1961) looked for the link between activities and outputs and key contextual variables such as population and expenditure. One of the conclusions was that focusing only on outputs as such 'gives only a crude quantitative measure of output without telling how well or efficiently the activities are being performed' (Schmandt and Stephens 1960: 371), although they established very detailed lists of activities in order to include elements of quality. Another central concern is the Baumol hypothesis. The public sector is not capable of offsetting the externally generated increase in labour costs by internal innovations. This results in structurally and increasingly lower levels of efficiency. Bradford *et al.* wanted to know how costs and outputs are linked and concluded:

local governments have not been able to offset rising costs of inputs, notably manpower, by cutting back on the use of these inputs through significant cost-saving advances in techniques of production. Improvement in quality of output have certainly occurred, but they seem if anything to have stimulated rather than reduced levels of public spending.
(1969: 188–9)

Although the Baumol hypothesis was not rejected, linking these conclusions to a quality agenda resulted in the more refined conclusion that: 'in many instances improvements in technology while leading to superior services have not been of a cost-reducing form . . . These advances have not in general allowed local governments to offset the rising prices of inputs through utilizing fewer units' (Bradford *et al.* 1969: 201–2).

This resulted in a discussion on how to operationalise and explicitly measure quality in the public sector as a separate measure, or as a correcting measure

for efficiency and productivity. Hatry *et al.* (1979), Rosen (1981) and Ross and Burkhead (1974) suggested several ways of handling this problem. One could assume quality as constant, which allows for allocating the performance differences entirely to an efficiency increase. Since this is not acceptable, a quality estimate is made and subtracted from the efficiency gains.

Others have developed measures which take into account satisfaction, needs of communities, and employer satisfaction, sometimes combined with amounts of output or their related cost measures (Adam *et al.* 1981; Fukuhara 1977; Hayes 1977). The disadvantage of this position is that ratios obscure the single quantitative dimensions of cost, output or quality (Grizzle 1981).

The end of the 1970s seems to be a pivotal decade since 'quality' joined 'management' in the debate. Initially they were separate concepts, but later they were combined in terms of improvement policies. Three elements are important. First, the focus on quality measurement was more systematically directed to quality improvement. Second, quality started to become a distinct issue and generated an independent agenda. Third, administrative and political management were major drivers in developing these agendas.

In the US, the National Commission on Productivity was created (1970), which changed into the National Commission on Productivity and Work Quality (1974), then into the National Center for Productivity and Quality of Working Life (1975), then split in 1978 into the Center for Productive Public Management (public sector) and Work in America (private sector). Nevertheless, there was a general feeling at the US federal level that these initiatives were too dispersed and too unconnected to quality. As Downs and Larkey stated: 'Given the support they have received, the aggregate impact of these recent productivity improvement efforts has not been great' (1986: 65). In the early 1970s, quality starts to emerge as a separate topic of interest that ultimately gets its own momentum and management focus. To the extent that it remains disconnected from the main management focus, it is weaker in ultimately determining the agenda, which under resource constraints remains a (financial and) quantitative business. In 1971, the Washington DC-based Urban Institute stated: 'productivity should not be estimated in such a way as to ignore the "quality" of the product of service, particularly in relation to the effects or impacts on the citizen and the community' (Hatry and Fisk 1971: 1). From a measurement point of view this implies that: 'workload based measures by themselves are usually inadequate and potentially misleading as measures of productivity for they tend to focus on intermediate products and ignore quality problems' (Hatry and Fisk 1971: 27).

This evolves into the increased visibility of quality measures themselves. Performance in general and efficiency in particular:

can not truly be measured without considering the quality (for example, the effectiveness, or the level-of-service) with which a service is delivered. . . . Lower cost-per-unit-of-physical-output achieved at the expense of quality, or effectiveness, or level-of-service is not a true efficiency

improvement. . . . We assume that efficiency measurement must consider not only the number of physical units of output but also the quality (the effectiveness and the level of service) that is provided

(Hatry *et al.* 1979: 7)

The most visible quality focus was in quality-related citizen or customer charters such as the UK's Citizen's Charter (1991), Belgium's Charte de l'Utilisateur des Services Publics (1992), Canada's Service Standards Initiative (1992), France's Charte des Services Publics (1992), Spain's The Quality Observatory (1992), Portugal's Charte de la Qualité des Services Publics (1993), the USA's Putting the Customer First (1994) and Australia's Putting Service First (1997).

The quality focus in this ideal type is present, could be either pro-active or reactive, and is separate, perhaps even disconnected, from a general management improvement strategy, as shown in Table 5.2.

In France, the 'Centres de responsabilités' based on the Rocard Prime Ministerial Circular (1989) focused on a policy of reception and service to customers. The concept of quality emerged explicitly in 1992 in 'La Charte des Services Publics'. The ambition was to link the traditional values in the French public sector (equality, neutrality and continuity) to new principles of transparency, participation and simplification. It helped to redefine user rights in public services. It also generated a Circular Letter on developing service-specific quality charters and service delivery commitments. In 1995, service contracts were a further development of the original centres of responsibility. All these initiatives resulted in the 1998 Pluri-annual Programmes of Administration Modernisation, which included quality as one of five dimensions. All these initiatives remain rather disconnected and seemed ad hoc. Also, the disconnectedness from the Ministry of Finance, and the support from the ministry of 'Fonction Publique' gave an impression of initiatives reacting to strict financial controls which were input oriented and which ultimately pushed the quality agenda aside.

In the UK, initially quality was linked to competitiveness (Competing for Quality, 1991) and was followed by the Citizen's Charter (1991) and the Charter Mark (1992). The charter programme was updated in the service first initiative and the people's panel (1997). All these initiatives remained rather separate and exclusive instruments. However, there was a genuine drive and momentum which pushed for integration of other initiatives rather than being absorbed or pushed away from other initiatives. From 1999 on there has been a major shift to systemic integration of these quality initiatives.

Table 5.2 Mapping country quality strategies

	<i>Re-active strategy</i>	<i>Pro-active strategy</i>
Separate/exclusive	France, USA	UK (until 1999)

Source: Bouckaert and Thijs, 2003: 294

Designing measurement systems

In the designing strategy of measurement systems three elements are emerging. There is an effort to systematically construct methodologies to design and implement measurement systems. Second, there is a movement to develop typologies of outputs. Third, there is a shift to applying frameworks, such as total quality management (TQM) or ISO, which are focused on procedures and internal activities.

Whereas in a Performance Administration type simple listings of measures were offered, the Managements of Performances ideal type constructs systematic methodologies for designing and implementing measurement systems. Influential publications by the Urban Institute and the International City Management Association on *How Effective Are Your Community Services?* (Hatry et al. 1977), or the *Public Productivity Handbook* (Holzer 1992; Holzer and Lee 2004), and also the Dutch Ministry of Finance's manuals for key performance indicators, are examples of a more systematically organised approach to measuring performance. Pollitt refers to a ten-step model that links measurement to improvement and which includes the logical and rational steps of: decide and make explicit the purposes of measurement, conceptualise and define measures, operationalise these measures, collect the data, process the data, interpret and evaluate the indicator data, determine the consequences of the evaluation, select action, give public account, and restart the cycle (Pollitt 1995).

There is a second shift between the two pure types in designing measurement systems. Instead of having simple listings of outputs, this ideal type focuses on typologies or classes of outputs. Some countries, for example New Zealand, create comprehensive lists of outputs which should cover the whole of government. According to the New Zealand Treasury, classes are groupings of outputs that are similar in nature or that can be logically grouped together for appropriation purposes. They may include customer-oriented performance, transactions, management performance, research, behaviour-focused performance, protection, interventions and emergency, and military competencies.

A third element is the use of pre-designed frameworks such as TQM or ISO to guide the development of measurement systems. For a long time, ISO standards were very procedural and consisted of monitoring systems for handling internal activities. Increasingly, public sector organisations with tangible outputs relied on this framework to shape measurement systems. These frameworks are also very much linked to incorporating performance.

Incorporating performance

Although this ideal type still focuses on individual organisations, there is also an interest in a coherent broader set of organisations at the meso level, belonging to the same policy field. Key approaches to incorporate the performance information are ISO and TQM within an improvement context.

This incorporation is comparatively static between the different management functions, and sometimes even within a management function, e.g. the financial one.

Two major methodologies that have facilitated the incorporation of qualitative and quantitative performance data in the managerial functions are ISO and especially TQM. Although both ISO and TQM originate from the industrial world, their philosophies have been transferred to the public sector, both shape monitoring systems, both use a concern for quality to cover a broader span of performance, and both are incorporated in a broader managerial improvement strategy.

As a general philosophy TQM had the ambition of ‘focusing on customers and getting customer feedback, setting annual improvement goals through process metrics, enhancing participative management through teams and self-directed work groups, and developing partnerships with contractors and suppliers’ (Hyde 1995: 3). Explicit identification and measurement of requirements of performance result in ‘the use of quantitative methods to continuously improve an organisation’s processes’ (Milakovich 1992: 580). In summary, TQM:

is a general philosophy and set of ideas which has paradigm wholeness – an entity of related concepts, beliefs and working practices that have come together from different authors and cultural directions over a period of some thirty-five years. This paradigm rests on a set of common assumptions about how to achieve quality of performance for products or services within and between organisations.

(Morgan and Murgatroyd 1994: 3)

Obviously, the public sector is different from the private sector. In government TQM is also:

stressing inputs and processes that represent short-term business as usual, and therefore focusing on governmental processes is likely to lead to goal displacement. In the public sector, a move towards stressing outputs is in fact usually a move toward the desired long-range vision.

(Swiss 1992: 359)

Consequently, TQM is not just adopting customer feedback and worker participation, but also performance monitoring as such.

Standard setting is also not happening ad hoc but systematically. This fits with the ISO approach that focuses on standards to improve performance. ISO defines standards as ‘documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit to their purpose’ (www.iso.ch/infoe/faq). The recent ISO-9000 series is an expansion to (single) organisation specific types.

Depending on the wide range of performance uses in a range of management functions, function-specific needs are significant. Function-specific needs – e.g. to allocate resources, to evaluate personnel, to determine a time line for reaching a strategic goal and to communicate to stakeholders – determine function-specific contents and the way of presenting this information.

In the financial cycle, performance budgets have had a key focus. However, accounting and auditing are also crucial pillars and are indispensable to incorporate a focus on performance. In the financial management function (Buschor 1994; Bouckaert 2005), for example, the incorporation of performance information in the budget may first be ad hoc performance additions. In a second stage the contents may be reformatted, even adding and referring to volume or quality information. In the third part of this trajectory, procedures, including timing, could be adjusted (Pollitt and Bouckaert 2004). One of the problems is to integrate the fit-for-purpose indicators in the budget. For the French finance legislation a critical assessment was made and only six in thirty measures survived a screening. In discussing the OMB-driven PART Scores in the US, Gilmour and Lewis (2006) asked themselves: ‘Does performance budgeting work?’.

In the UK, central departments have negotiated public service agreements (PSAs) with Treasury in conjunction with budget settlements. This was reinforced by the Prime Minister’s Delivery Unit, which emphasised targets in key policy fields. This combination of ‘quasi market’ approach with close monitoring resulted in an anchoring and focusing on performance (Kelman 2006). However, the lack of consistency of the performance indicators and standards used in the Charters, the instructions from the Treasury, or the framework documents are a proof of a disconnected system. Accounting systems may follow their own chronology of shifting to accruals in different degrees up to double book keeping with full accrual cost calculations. A separate trajectory may be followed toward performance audit. Traditional audits may be enriched with some elements of performance and evaluation. An ultimate stage in the trajectory may be an institutionalised financial, compliance and performance audit.

There may be disconnected trajectories within the financial cycle. The shift in the US was from a planning, programming and budgeting system in the mid-1960s, to management by objectives in the early 1970s, to zero-based budgeting at the end of the 1970s. PPBS included a hierarchy of programs with missions, subprograms with objectives, and elements with specific goods and services. MBO worked with ‘presidential objectives’. ZBB evaluated the efficiency and effectiveness of operations and ultimately looked ‘to incorporate better analysis into budget decision-making’ (GAO 1997: 46). Just like PPBS, MBO and ZBB also spread to different countries.

But even more, between different trajectories linked to different management functions there may be separated trajectories. One could consider this as comparatively static in its functioning.

Using performance

Incorporated performance information is used for different but separate management functions such as personnel, finance, strategy, organisation and communication. This results in partial trajectories for each management function of public sector modernisation.

Within the financial function performance inclusion is used for reasons of monitoring stability, to allocate resources, to improve performance and for accountability reasons. For purposes of guidance, budgets should answer questions about what are scheduled as decisions and authorised implementations for the following year. For purposes of control, accounting systems help tell what is happening, e.g. in the field of cost and expenses. For purposes of evaluation (value for money), audits should provide information about what happened and to what extent this happened in an economic, efficient and effective way, assuming a normal financial and compliance audit. Incorporated performance becomes a common denominator in budgets, accounts and audits. Legislation on financial systems is reformatted to incorporate performance information. This allows for the provision of performance-based answers to key questions.

Budgets should answer the question – what will happen in the next cycle? Line item budgets, or input budgets, only have the capacity to say what items money will be expended on (personnel, operating expenses, transfers, loans). Performance-based budgets have the capacity to say what amount of money will be spent to provide a particular level of services. Budget changes are not incremental but grounded in a Zero-Based practice and budget reductions will be linked to degrees of output reduction.

Accounting systems should provide the degree of implementation. Whereas a cash-based accounting system will only provide amounts of cash coming in and going out, cost accounting provides evolutions of costs, of service volumes, and of cost/quality of service (Buschor 1994). Finally, whereas traditional audits look backward from a financial and compliance point of view, performance audits also look at past performance from an economic, efficient and effective point of view.

According to a 2005 survey by Curristine:

the trends indicate that a majority of countries have taken a realistic and sensible approach. They do use performance information at the MOF [Ministry of Finance] level . . . to inform, but not to determine, budget allocations . . . The main explanation for non-use of performance information is the lack of a process to integrate it into the budget process.
(2005b: 124–5)

Budgets have many functions. There is a macro-economic function, an allocation and attribution function, and a management function. But even within the managerial role of budgets there are several functions such as planning, implementing and controlling. It is not obvious that all these

functions are necessarily compatible, in fact there is an assumption that they are not so compatible, perhaps even conflicting (Rubin 1988). This applies even more to performance-based budgets, and may explain the reason for ‘the eternal question: If it’s such a great idea, why isn’t everybody doing it?’ (Gianakis 1996: 127).

A rather naive belief in the potential for using performance budgeting rationally for resources allocation is present in many US publications. Gilmour and Lewis state that the most significant problem with performance budgeting is ‘the impossibility of devising an automatic or impartial means of translating performance information directly into budgeting allocations’ (Gilmour and Lewis 2006: 750).

An implication of using performance information is the need for a management of measurement. The technicalities of measuring performance (design, criteria, typologies, etc.), also called ‘Performance Measurement Technology’, should be complemented by ‘Performance Measurement Politics’ according to Zedlewski (1986).

Shaping performance measurement policy, content wise and organisationally, has been discussed by many scholars (Felix and Riggs 1983; Grizzle 1986; Kull 1983; Sink 1985; Wagner 1986). Rosen shares this idea when she describes the ‘politics of measurement’:

There is a technical side to productivity measurement . . . But productivity measurement also has a political side, insofar as it imposes a new unit and new procedures upon the life of an organisation, and especially insofar as it generates ‘authoritative’ statistics, which endow power and can be used to the advantage and disadvantage of interested actors – individuals and groups both within and outside the organisation. These two parameters must guide decisions about whether to measure, who will measure, what will be measured, and how it will be measured.

(1984: 39–40)

A management cycle (see Figure 5.1) could consist of an initial design stage with policy development and an internal *ex ante* evaluation (e.g. agency and functional ministry), which starts a contradictory debate with an external *ex ante* evaluation (e.g. by a ministry of finance). This results in an agreement or a budget decision. Implementation is monitored and controlled and relies on the different management functions. Accounting systems are one part of these activities. Looking backward results in an internal (e.g. the functional ministry) and external *ex post* evaluation (e.g. the supreme audit institution (SAI)). Finally, this information is fed forward to the next cycle. There are many kinds of disconnectedness within this type of management. First, the conceptual framework, including the span of performance, may not be shared consistently across the whole cycle. Second, there may be inconsistencies between the different stages of the cycle, hence the dotted lines in Figure 5.1. Even within one management function there may be disconnectedness.

Finally, within the financial management function, even within a very coherently conceived PPBS, resource allocation was not well linked to planning, since different needs and different time frames were served.

The degree of incorporation and use of 'performance' in audit and in management has an implication for the interface of audit and management (Pollitt 1999). Performance management will require a logical upgraded chain and control cycle of internal control, internal audit and external audit. Supreme audit institutions will have to adjust accordingly. On the other hand, performance audit will become a driver to push performance management. This results in a logical but incomplete and disconnected cycle as in Figure 5.1.

A comparative static approach

Whereas Performance Administration is about single-loop learning, Managements of Performances may be featured as double-loop learning within the separate management functions. Organisational behaviour is not just about conforming to a 'standard' of performance, even if this happens (e.g. using ISO) systematically. In this type it is about generating standards of performance and managing to realise this performance. This requires a performance measurement policy, which feeds into the several managements, including the management of performance measurement itself. Arvidsson developed a three step approach: performance description, performance analysis and follow-up of performance (1986: 634). A description of performance includes the discussion of the pros and cons of quantitative and qualitative measures. Analysis implies that the measures are linked to one another, to standards and to objectives. Follow-up means that factual results are used to discuss impacts on budgets and other frames for the purposes of decision making, including adjusting the standards themselves.

This type implies an integration of a single and double loop, but in a comparative static way: one static status is compared to the next static status, or there is a static comparison between management functions. Lemonias and Usilaner (1984) and Sink (1985) call this 'productivity management', which consists of: (1) measuring and evaluating productivity; (2) planning for control and improvement of productivity based on information provided by the measurement and evaluation process; (3) making control and improvement interventions; and (4) measuring and evaluating the impact of these interventions' (Sink 1985: 23).

As observed by Yang and Holzer, 'in a highly fragmented system, however, performance measurement tends to generate only single-loop learning. What is easier to measure gets measured, without reflection on policy assumptions or institutional designs' (2006: 123).

Incorporating performance information under this type is checklist based and has a comparative static nature. In the Appendices some of these checklists are discussed.

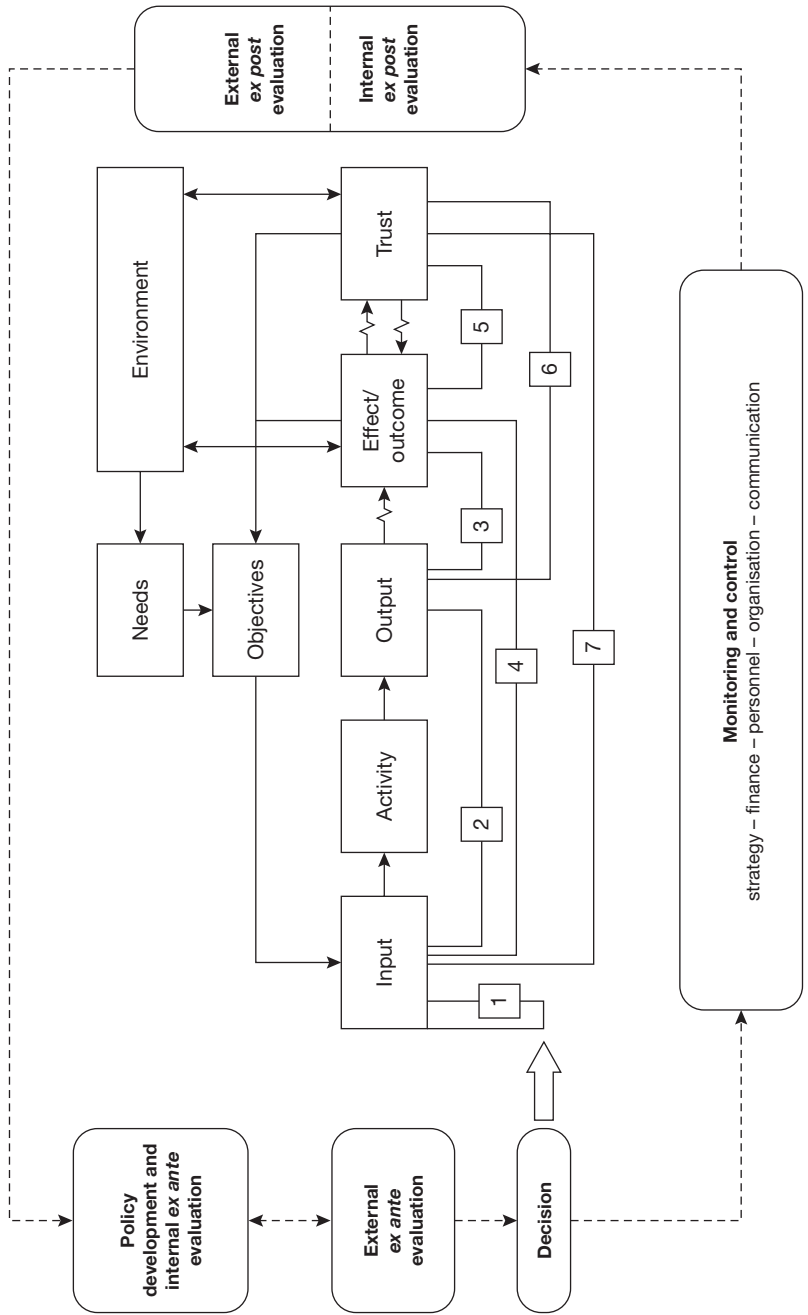


Figure 5.1 Disconnected performance measurement in Managements of Performances

Perversions of performance may occur at each stage, measurement, incorporation and use. Use of performance information may immediately call for abuse of it. It seems to be clear that:

PART scores influenced budget allocations for programs housed in Democratic departments but not other programs. This last finding underscores the difficulty of using performance information in an impartial way. It appears to be easier to implement performance budgeting with programs that one does not support.

(Gilmour and Lewis 2006: 751)

Use of performance information is not always the standard. Even if there is measurement, there may be no incorporation. Even if there is incorporation, there may be no use, 'even when performance measures, and especially outcome measures, have been developed, they often remain unused by public agencies' (de Lancer 2006: 224).

Concluding and shifting beyond Managements of Performances

Table 5.3 provides a summary of the Managements of Performances ideal type. Measurement is more systematic, has a broader span and deeper depth, pays attention to quality, monitors the quality of the measurement system by emphasising the need for technically sound and functional systems and starts being aware of dysfunctionalities. Incorporation is organised through the financial management function, but also through some quality models such as TQM and ISO. Finally, the use of performance information is limited and suboptimal because of the disconnected dynamics of the different management functions. This limits the learning cycle, even if there is a double-loop potential. However, some of the management functions may be strongly developed and drive the dynamics in other functions, e.g. the financial function may drive the contract cycles or the personnel functions.

Linking, or even reconciling financial management and performance is possible, necessary and useful (François 2004). However, even within management functions it is apparently not obvious to have an integrated approach. Emery and Gonin propose an integrated approach for human resources management, using quality standards (Emery and Gonin 1999).

According to Behn there are some eight different purposes that require about eight different ways to measure: evaluate, control, budget, motivate, promote, celebrate, learn, and improve (Behn 2003). Since he is neither stating how these should be linked nor how these eight measurement systems differ, this results in eight Managements of Performances.

The problem of context, and the need to differentiate performance data to make it useful requires adjusted performance measures 'in which a "raw" performance measure is statistically adjusted to account for the uncontrollable

Table 5.3 The Managements of Performances ideal type

<i>Ideal type features</i>	<i>Managements of Performances</i>
Measuring	
Type of measurement	Internally interactive and closed
Design of measurement system	Organised by management function: standard schemes developed by staff and consultants
Span of measurement	Organisationally determined: economy, efficiency and effectiveness: input-activity-output-effect/outcome
Depth of measurement	Micro and meso
Criteria of indicators	Technical and functional
Specific dimension of measurement	Quality requires separate focus
Dysfunctionalities of measuring	Starting concern for pathologies
Incorporating	
Level of incorporation	Comparative static
Degree of incorporation	Connected per management function, not consolidated
Using	
General use	Disconnected policy and management cycles
Main reporting focus	Internal managerial functions
Learning by using (standards)	Single loops and separate double loops
Accountability for performance	Managerial
Potential value added of performance	Single management function improvement
Potential dysfunctions of performance	Suboptimal and incoherent use of information

factors that affect the organisation's performance'. The purpose is to control 'for factors "uncontrollables" that are deemed to be beyond the control of the organisation and its managers in an effort to identify that part of the output that represents actual performance' (Rubenstein *et al.* 2003: 608). The Dutch government, e.g., has included in its country model (see RPE 2006 in Staatscourant 2006) the same distinction between raw and net performance data to have better information on outcomes.

It is tempting to emphasise one of the three elements of managing performance in this ideal type. Measuring is very visible and an obvious first step, but incorporating and using should be of the same dimension. In Managements of Performances there is also an incongruency between these three steps: the management of measurement, of incorporation, and of using. Henrich has observed that the knowledge available should be used more to 'develop into more effective policy tools for guiding program management and organisational functioning, *with less emphasis on the objective of precisely measuring government performance*' (Heinrich 2002: 722, emphasis original).

In The Netherlands, Noordegraaf and Abma (2003) describe the ‘management by measurement movement’ (MBM) which gave rise to a variety of (disconnected) dynamics within public sector reforms, such as financial reforms (Van Beleidsbegroting tot Beleidsverantwoording (VBTB)), budget-driven organisational reform (agencies), new human resources management, benchmarking, and ‘evidence-based’ policies (in medicine). Although these strong dynamics were inspired by the same MBM, realities were quite varied and sometimes diverging.

If one considered the fragmented and disconnected focus of management as a lower degree of managerial authority in combination with a high focus on results, then according to Moynihan’s description there is ‘pressure for performance, but managers have limited power to engineer change’. The dispersed ‘authority undermines the scope of performance improvement and potential for results-based accountability’ (Moynihan 2006: 84).

All this leads to the conclusion that a further logical ideal type goes beyond a partial way of managing performance to consolidated trajectories (Bouckaert 2005).

6 Performance Management

The third ideal type is called Performance Management, which establishes a full programme of managing performance where performance information is systematically and coherently generated, integrated and used. This modelled ideal type stage is coherent, comprehensive and consistent, but also aware of contingencies, conditionalities and ambiguities within the performance-based control systems. There is a functional and optimal equilibrium between trust-based and performance-based control systems, even if there are tensions. The ultimate challenge is the sustainability of a complex performance management system within a governance context. As Table 6.1 shows, in comparison to the previous ideal type, there is a functional and hierarchical integration of measurement, incorporation and use of performance. Measuring is elevated to a higher level since indicators and measurement systems are not just technically sound and functional, but also legitimate. The process of incorporation of performance information relies on quality models, and takes into account the need to match supply and demand. Using performance information includes a systematic comparison of results, a coherent vision of learning to improve, and a strategy of change that is externally oriented.

Measuring performance in Performance Management

Gowler and Legge make an interesting distinction between the meaning of management and the management of meaning to relate politics and management in the public sector. Management is seen as:

that segment of the semantic order (subculture) of contemporary English-speaking societies [*sic*] which is characterised by the language of efficiency and control. . . . Such verbal activity frequently involves the use of rhetoric, that is, the use of a 'form of word-delivery' which is lavish in symbolism and, as such, involves several layers of textures of meaning.

(1983: 197–8)

Measures and measurement become elements of a managerial control system that is related to technocratic speech:

Table 6.1 Shifting from Managements of Performances to Performance
Management ideal type

	<i>Managements of Performances</i>	<i>Performance Management</i>
1 Measuring	Specialised performance measurement systems	Hierarchical performance measurement system
2 Incorporating	Within different systems for specific management functions	Systemically integrated
3 Using	Disconnected	Coherent, comprehensive, consistent
4 Limitations	Incoherence	Sustaining complex system

The rhetoric of bureaucratic control conflates management as a moral order with management as a technical-scientific order, whilst submerging the former. . . . Through the management of meaning, the rhetoric of bureaucratic control contributes to management as a political activity concerned with the creation, maintenance, and manipulation of power and exchange of relations in formal work organisations.

(Gowler and Legge 1983: 198)

The management of meaning becomes indispensable for accountability, since it provides a basis for the right to manage. The management of meaning legitimises the right to manage. As a consequence, legitimacy of a performance measurement system will become the third dimension, complementing technicality and functionality, to guarantee an effective information system that makes it meaningful to manage.

Management may be seen as hierarchy (taking decisions), as accountability (being accountable for things one is responsible for) and as achievement (showing performance). To support these functions, information is needed and meanings have to be developed. These meanings become intertwined with management itself since they are used in a political context of formal institutions and processes, informal channels, democratic control and public accountability. Management is not a purely technical process of choosing among alternative ways of achieving given objectives on grounds of efficiency. If the meaning of management is considered to be about remedying a lack of efficiency, the management of meaning is concerned with the legitimacy of public management itself. More specifically, it is concerned with how performance standards are set and whether the way they are set leads to commitment within the management process.

According to Metcalfe and Richards:

the management of meaning is concerned with the impact of political culture and institutions of accountability on administrative performance. Their impact is mediated in two ways. First, a general image of good governance and good administration embodies values which prescribe

how public power should be used and what role civil servants should play in exercising it. Second, accountability processes establish boundaries, constraints, and sanctions that regulate the use of public power. Together, these prescriptions and prohibitions establish the context of public management. The issue for the management of meaning is whether they provide the right kind of context.

(1984: 450)

Defining the meaning of management determines what kind of information is needed. This will influence and determine the measurement policy and thus the meanings derived from these measures. These meanings will be used, abused, misused. This use will legitimise management itself. Being able to legitimise management, results in having the power to define the meaning of management. The meaning of management and the management of meaning interact. This means that there is an interaction and inter-relatedness of management and politics, of technocratic language and rhetoric. This interaction becomes the context of the choice of measures, since this choice will determine the information released from the system, which is the raw material for the management of meaning. The choice of measures therefore is also a choice for the functions and dysfunctions of measures, a choice for the meaning of measures, and a choice for the use of the meaning of measures, as shown in Figure 6.1

For public services, developing measures, targets, and indices and publishing them should be beneficial. The benefits also result from the use of the information in the process of legitimisation. But this may be a dangerous undertaking:

In the absence of other bases for discussion of performance, there will always be pressure for accounting data and analogous indices to become ends in themselves. Internally, in providing further legitimacy for an accounting function. . . . Externally, this is exacerbated if indices become

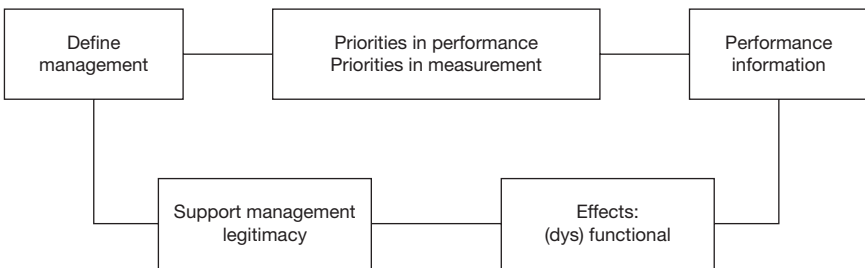


Figure 6.1 Interaction of the ‘meaning of management’ and the ‘management of meaning’ of measures in a context of supporting management’s legitimacy

a focus of public debate. Simplistic use of indices for control and for pressure can easily subvert one of their supposed purposes – for informing managers and enhancing performance.

(Woodward 1986: 310)

Political use of information may result in a general impression of restricted or selected use or misuse of meanings. As Gray *et al.* put it:

The development of management information systems will result in a great deal of new data becoming available but we would expect to find political limits placed on the role which such information can play. In some cases it will be used to justify particular courses of action (or inaction) and will lead politicians to focus on certain sorts of indicators rather than others, i.e. those that ‘prove’ their case. In other instances information will be an instrument for informing choices but this may generally be found in politically less sensitive areas. So information will not be the neutral element so often prescribed for management decision-making but will be contested as a result of the tension between political and management demands in the system.

(1988: 6–7)

This may also result in the search for specific measures that prove a case, whatever the functional or dysfunctional effects may be. We should nevertheless be aware not to consider the management of meaning in a ‘superficial sense of public relations and political window-dressing, but in a deeper sense of generating new commitments to wider social values and public purposes’ (Metcalf and Richards 1987: 44–5).

It is also true that ‘disagreement over outputs and consequences, as well as multiple goals and conflicting objectives, has led to considerable confusion in the measurement and interpretation of government productivity’ (Fisk 1984: 242). Grizzle agrees:

It is not the task of performance measurement (or of designers of performance measurement systems) to resolve these conflicts. Such conflict resolution is a function of the political process. Performance measurement can best serve that process by identifying multiple outcomes of public-sector programs and leaving the assessment of their relative importance to those people who will use performance information.

(1982: 134–5)

This illustrates how the design of a measurement system is linked to the use of the system via the management of meaning. This is also related to the difficulties in developing measures. It is easier to develop measures of quantity than of quality, of input than of output, of output than of effects or outcomes, impacts or objectives, of targets than of value added for the

community, of individuals and groups than of entities, of countable than of uncountable things, of tangible than of intangible, of products than of services, of efficiency and productivity than of effectiveness (Gray *et al.* 1988; Grizzle 1982; Woodward 1986).

In this stage, performance is also put into a broader value-chain context. Of course, this was also the case in the past. Gulick stated:

We are in the end compelled to mitigate the pure concept of efficiency in the light of the value scale of politics and the social order. There are, for example, highly inefficient arrangements like citizen boards and small local governments which *may* be necessary in a democracy as educational devices.

(1937: 192)

This was ultimately also suggested by the Grace Commission, although its competency was limited to administration, and it was not supposed to make statements on ‘the substance or legislative intent of Federal programs’ (PPSS 1984: sec. II, p. 1), it appeared impossible not to make recommendations that were political. About 73 per cent of its recommendations needed Congress approval. According to Bingman the Commission concluded:

that there is no clear separation between *how* one manages, and *what* one manages. Many of their recommendations deal with issues of public program design . . . which, in their collective judgement, appear to create excessive or unwarranted public cost in proportion to the public value which these programs produce.

(1985: 36)

Bingman’s conclusion is that ‘these issues have become, over time, *political* issues and not just what accountants do’ (Bingman 1985: 36). The Grace Commission concluded that: ‘major obstacles to improving the efficiency and effectiveness of the Government is the Federal structure itself’ (PPSS 1984: sec. III, p. 4). This conclusion implies that the main problem for improved government and public sector performance is at the level of government and the public sector itself.

This results in two bifurcated trajectories: abolish, minimise or marketise the public sector, or focus on public sector performance management. Although NPM rejected the implication of abolishing the public sector, it still was totally disconnected from political rationality, and it opted for the logical consequence of a minimal and marketised public sector as the core of an improvement strategy.

On the other hand, the Performance Management ideal type takes the possibility of improved public sector performance for granted, and ultimately equilibrates performance as an important value with other values in a complex and political system. As a result performance measurement systems become

dynamic since they are developed interactively and sometimes even by negotiation, taking trade-offs and paradoxes into account, which is typical for an open system.

Dynamics of three dimensions: adding legitimacy to technicality and functionality

Information produced by performance measurement systems becomes part of a process of management and ultimately of governance. Performance management may be defined as taking responsibility, and being accountable for the performance of a system (see also Metcalfe and Richards 1990). Since this information is being used as a major element in the mechanism of accountability for (internal and external) administrative or political hierarchies, the legitimacy of the system becomes an additional criterion for evaluation and use. The executive branch uses this information for its accountability to the legislative branch. Also individual and organisational contracts are evaluated with subsequent implications. Finally, customers, citizens and pressure groups are using this kind of information in an interactive and transparent way as partners in a policy cycle.

Auditing a performance measurement system is one way to produce and maintain legitimacy between the executive and legislative branch. Another way is to create ownership by administrative stakeholders by having them co-design their performance measurement systems. Finally, citizen involvement in an operational performance measurement system is another way to corroborate the legitimacy of performance information (Ho and Coates 2004).

This interplay of performance measures and accountability (political), evaluation (administrative), and partnership (civic society) implies that measures will have to be acceptable to a range of stakeholders. This acceptability will depend on the capacity to influence results that are measured, and on the possibility of co-designing or at least approving measures. These measures may suffer from a lack of legitimacy, especially if used only for purposes of judging, evaluating or ultimately for discharging responsibilities for the performance of a system. Therefore, the challenge will be to develop measures that are not just technically sound and functional, but that are also legitimate.

Shifting from a closed to an open measurement system and from top-down to top-down and bottom-up

If performance measurement were just an internal information system for matters of follow-up, design could remain predominantly internal. From the moment it goes beyond this goal, however, it becomes necessary for the system to open itself, internally and externally. This involves internal openness, which means that there is interaction between a top-down and a bottom-up approach

to develop measures. It also means an external openness that has to do with sharing information with citizens, customers and interest groups. When such openness occurs, citizens and press may be more interested, customer groups will organise themselves and interfere, volunteers will participate in all stages of a measuring cycle. All these stakeholders will look more closely at the performance of the public sector. The extent to which the public sector is considered as economic, efficient and effective is important in determining its legitimacy. Since the public sector will have to prove its economic, efficient and effective functioning in producing and delivering goods and services, performance measurement systems should not only have an undisputable status, but should also contribute to the legitimacy of the public sector itself. For these reasons independent institutions auditing performance information, but also guaranteeing reliable statistics, are crucial.

Traditionally, performance measurement systems have been developed at the top, or by experts outside the organisation, and subsequently have been implemented internally. The development and implementation of such systems was considered to be a technical issue. Rank and file of an organisation were ignored and even dismissed for a perceived lack of technical know-how. From a rational point of view, a technically sound system which is valid and reliable cannot but be accepted by an organisation, wherever it comes from. However, once a performance measurement system is considered not only to be a technical system, but also needs to be functional and legitimate to be really effective, the implication is that those concerned must become involved in the development and its use. The more the bottom and middle management is involved in the creation of the measures and the measurement system, the more they will be committed to it. Thus the measurement of performance in the organisation becomes a top-down and bottom-up interaction. Using a performance measurement system for assessing performance, to get performance-related pay, or to account for results, will require a degree of acceptance by a majority of those involved. Brainstorming, consultation, hearings, cooperation, and co-production mechanisms on the one hand, and auditing and quality control on the other hand, are necessary to create this legitimacy. For reasons of legitimacy performance measurement becomes more subject to independent controls (audit and statistical institutions), more bottom-up (from middle management and rank-and-file) and more external (citizens, user groups and other stakeholders).

In Figure 6.2, next to technicality and functionality, legitimacy is added as a criterion for a performance measurement system (Bouckaert 1995b). It results in four additional corner positions. Position 3 is a symbolic measurement system. There are no merits from a technical point of view. Most measures are invalid and not reliable, and are even dysfunctional in contradicting goals and objectives of the organisation. Measures are pushing the organisation in the wrong direction. However, the measurement system is accepted by the stakeholders. The system has a symbolic function because it may lessen tensions within the organisation and with the outside world.

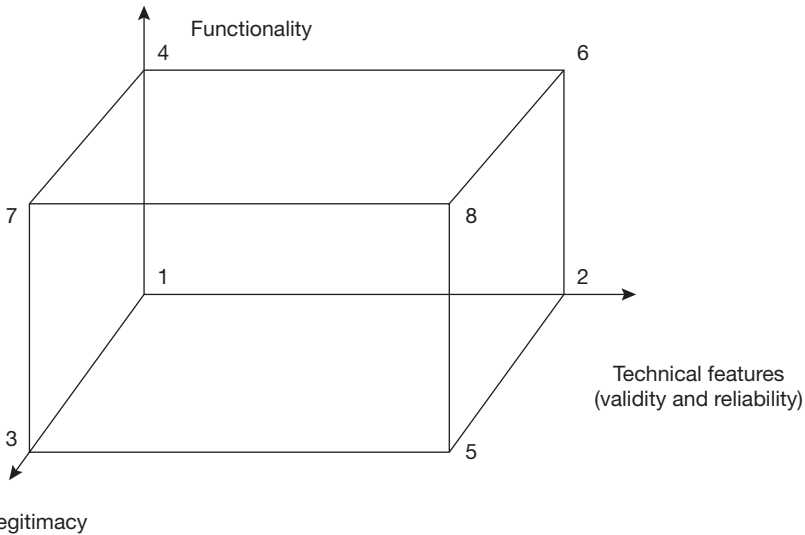


Figure 6.2 Three criteria for a performance management ideal type-based performance measurement system

Source: Bouckaert 1995b

Position 5 is a combination of a technical and rhetorical system. It is technically valid and reliable measures are 'owned' by those who are involved. However, their use seems not to be functional, perhaps even dysfunctional. Even with stakeholders involved the measurement system is harming the organisation and will not be sustainable. Position 7 is rhetorical and pragmatic. The degree of legitimacy and functionality of the measurement system seems not to be affected by the lack of validity and reliability. It is a very pragmatic situation, perhaps inspired by a lack of available data and time pressure that does not allow for new measures. There is a kind of voluntaristic momentum among all stakeholders to strengthen the organisation even if technicalities are weak. Position 8 is obviously an optimal position within this ideal type. However, tensions between these criteria result in pragmatic trade-offs.

Shifting the focus to individual indicators within their performance measurement system context

Discussing measurement systems implies several questions such as, e.g. the relations between indicators, the way measures are developed, who is involved in this development, how it will be possible to conduct performance audits, how it will be possible to communicate performance information, and for what purposes. This results in three sets of criteria: technical proof, legitimacy and functional. Several of these criteria seem to interact with one

another, 'suggesting that one cannot always get away with focussing on some of the features in a performance measurement system at the expense of other features' (Taylor 2006: 334). Noordegraaf and Abma (2003) produce four categories of measurement metrics based on the one hand on 'strong classifications' with more reality than interpretation versus 'weak classifications' (with a lot of ambiguity and uncertainty), and on the other hand, 'shared standards' versus 'contested standards'. This results in four logics: canonical measurement (with quantitative, a-contextual data), practice-in-transition (with qualitative and contextual data; but also with a negotiated dialogue), and non-canonical measurement (with reflexive dialogues).

As a result there is a need for a measurement policy that includes individual measures and their link with the measurement system. This implies three elements: a focus on coverage and stability of indicators; installing a quality control system to check the implementation of the measurement policy at the level of indicators and its system; and a permanent concern for pathologies of the measuring activities.

Coverage and stability in time of indicators

The general observation that measurement becomes more extensive, more intensive and more external (Bouckaert 1995a) requires some evidence.

A common practice is to develop 'coverage rates' linked to budgets. Most of these coverage rates have time series to demonstrate 'progress' in implementing a policy of increased coverage. There are different policies on the issue of 'coverage'. First, some countries, such as Australia or New Zealand, have almost assumed that a 100 per cent coverage was possible through a 'p times q' principle of multiplying a price and a quantity, even for policy advice. Other countries, such as the Netherlands, first define what is measurable or what is the domain of meaningful measurement, and then try to increase the coverage of this field. There is a variation of pragmatism and willingness to pay for information as a function of its potential use. Within this framework a trajectory can be developed in increasing coverage. Here the shift could be from more to less measurable (e.g. from tangible to intangible), or from less powerful to more powerful (e.g. from agencies to ministries, or from periphery to central), or from availability to managerial or political need.

A second issue is an optimal coverage rate. One could assume a kind of Pareto-principle, or 80/20 rule, where the efforts for the last 20 per cent of the budget are disproportionately large.

A third issue is to organise social pressure by publishing the coverage rates. In the Netherlands, the Court of Audit publishes the coverage rates per ministry. This results in almost a blaming policy for those ministries with a low coverage percentage. One of the first coverage rates was developed in the early 1970s, under President Carter. The increases in number of services and output indicators were visible in the percentages of man-years covered:

from 54 per cent (1971), to 60 per cent (1972), to 66 per cent (1976) (NCPQWL 1977: 73). According to the Dutch Ministry of Finance it should be possible to cover about 72 per cent of total expenses using proxy indicators, and 39 per cent using efficiency indicators (Algemene Rekenkamer, 1997: 10–11). In their most recent assessments the coverage rates in the Netherlands have been monitored for budgets and reporting, especially since the rule of ‘provide or explain (absence)’ applies. This rule resulted in some decrease in the coverage for reporting.

A fourth issue concerns the stability of indicators. To the extent that indicators change over the years, it becomes more difficult to compare performance information across these years. According to Tyrone and Guthrie who studied the accrual and output-based budgets in the Australian state of Victoria (Table 6.2), some departments have no initial indicators left compared to their budget three years earlier. Except for Treasury and Finance, all the indicators have changed significantly making comparisons a major challenge.

Quality Control

According to Balk ‘one of our most persistent problems today is that we have too much unorganised, almost random data polluting our decision channels’ (Balk 1975: 131). For that reason quality checklists of indicators and of measurement systems are developed on the one hand, and audits, internal and external, on the other hand.

The Australian Department of Finance and Administration (1998) developed seven criteria for its measurement framework: measurable; important and useful to decision making; balance and coverage; context and comparison; reliable and accurate data; continuity; and an honest and effective presentation. In auditing the quality of existing data the Australian National Audit Office was rather critical of the capacity of the executive to respect these criteria. Other countries, such as the US, and its GAO, have made lists

Table 6.2 Survival rates in output groups between the 1998 and 2001 Victoria budget

<i>Survival rates in output groups</i>	<i>1998/9 Victoria budget (%)</i>	<i>2001/2 Victoria budget (%)</i>
Education	100	33
Human services	100	63
Infrastructure	100	0
Justice	100	0
Natural resources and environment	100	33
Premier and cabinet	100	18
State development	100	33
Treasury and finance	100	100

Source: Carlin and Guthrie 2003: 156

which are explicitly not exhaustive and which include validity, completeness, accuracy, consistency, timeliness and ease of use. In the UK, the National Audit Office, as well as the Audit Commission developed seven general principles (clarity of purpose, focus, balance, ownership, scrutiny, on-going learning, and continuous improvement), and three specific criteria (purposeful measures, clearly defined measures, and easy-to-interpret) (see these countries' profiles in the Appendices).

Auditing and evaluation are necessary complements of quality-driven performance checklists. The content of audits may vary from assessing the quality of performance data, to certifying performance information, to judging the usefulness and the use of this information (Put 2006). Few countries have conducted systematic and exhaustive audits or evaluations of their performance measurement systems. The Australian National Audit Office concluded that there was 'limited inclusion and use of performance indicators, targets and milestones and program evaluation, as a management tool', and 'room for improvement in measuring and reporting on performance against efficiency, effectiveness, quality and access and equity indicators in all agencies' (ANAO 1998: 12). In the UK, a NAO (2000: 12) study partially evaluated executive agency and non-departmental body performance measurement systems with the aim of assisting 'agencies to further improve their performance reports by promoting the wider spread of good practices we have identified during our previous studies covering agency performance measurement'.

Managing pathologies

To the extent that management techniques in general, and performance measurement in particular, create more problems than they solve, Gabris pleads for 'strategies for controlling management technique dysfunctions' (Gabris 1999: 113). The literature on dysfunctionalities, or even worse, perversities and pathologies of measuring has expanded. According to Radin (2006) Europeans are more focused on these dysfunctions than Americans. Obviously, the sceptical group has always emphasised these 'diseases' and 'games' (Bevan and Hood, 2006). There are diseases that assume that measuring itself is a harmful activity. Others are about how indicators influence individual, team or even organisational behaviour (Bouckaert 1995b). It is important that there is an *ex ante* evaluation of indicators which anticipates dysfunctionalities. Performance measurement systems are a work-in-progress rather than finalised, optimal and perfect systems (Kravchuk and Schack 1996; Taylor 2006; Wholey and Hatry 1992).

Incorporating in Performance Management

For a Performance Management ideal type, incorporating performance information in different management systems is subject to two major

mechanisms, first the use of managerial quality models, and second, matching supply and demand of performance information. In order to incorporate beyond the several and different management functions, standardised management quality models are used which connect a range of activities. Connecting leadership, policy and strategy, people, processes, partnerships and resources should guarantee results at different levels, and innovation and learning. A second mechanism looks at variable contingencies of supply and demand of performance information that requires a variation of types of incorporation, also depending on the features of services.

Quality models as a mechanism for incorporation

Whereas quality models such as ISO initially were focused on the quality of single tasks or activities, the newer generation of quality models consider quality at a systemic level and emphasise its integrating capacity as a driver for improvement and performance. Standardised models have been prominent across different countries, levels of government, policy fields and even the private or public sectors.

According to Kaplan and Norton, who developed the BSC, the measures drive performance: 'Much more than a measurement exercise, the BSC is a management system that can motivate breakthrough improvements in such critical areas as product, process, customer and market development' (Kaplan and Norton 1993: 134). For that reason BSC 'complements the financial measures with operational measures on customer satisfaction, internal processes, and the organisation's innovation and improvement activities, operational measures that are the drivers of future financial performance' (Kaplan and Norton 1992: 71). BSC has increasingly been used in the public sector for its potential to drive management and performance. Its strategic and integrating character is expressed in integrating the vision, communicating and linking management functions, developing business planning, and feeding back and learning (Kaplan and Norton 1996). One of the first examples was the applications in the Irish civil service (Boyle 1996). It is not a coincidence that a particular monitoring system, i.e. the balanced scorecard, is labelled as 'balanced'. An equilibrated approach implies elements and opportunities for integration and consolidation. Other scorecards also have this ambition, for example, the Atlanta Dashboard (Edwards and Thomas 2005).

The EFQM model was developed in 1991 and upgraded in 1999, and includes five management dimensions and four result areas. Again, a comprehensive (self-) assessment drives managerial enablers towards improved results or performance. The purpose of the related and specifically public sector-oriented CAF is 'to provide a fairly simple, free and easy to use framework which is suitable for the self-assessment of public sector organisations across Europe and which would also allow for the sharing of good practices and benchmarking activities' (Engel 2002: 35). Next to these

general quality models, there are also country models like the MAF in Canada as developed by the Treasury Board Secretariat. The management accountability framework is intended to translate the vision of modern public service management, as established in *Results for Canadians*, into a set of management expectations. The framework focuses on management results rather than required capabilities and reflects a converging and consolidating range of management-focused initiatives. It consists of ten essential elements of sound management, followed by a series of indicators and associated measures. It recognises that the role of public service employees is to translate the direction provided by government into results for citizens. Again, MAF as a management quality model is a driver for performance based on an integrated managerial framework that relies on performance indicators.

All these models define quality as an integrating improvement policy based on measures and indicators focusing on results. Ultimately this results in 'performance-based organisations' where several management functions are connected, linked and coordinated. This is expressed in several ways. Contracts are integrated or linked to budgets: 'If government is to be held to high standards through performance budgeting, then certainly contracts should also be held responsible. Contracts represent the epitome of results-oriented budgeting' (Rubin 2006: 12). 'Contract budgeting thus represents a fusion of output-based budgeting schemas with the newer enthusiasm for placing the public sector on a 'market' footing.' However, the "contractual" framework which contract budgeting seeks to superimpose upon output budgeting is based upon the simplest type of competitive arm's-length market transaction' (Robinson 2000: 75, 88). An integrated financial system where budgets turn into performance budgets, accounting systems shift to cost accounting systems, and audits transform to performance audits, in a coherent and systematic way, contributes to a sustainable and functional incorporation. It also stimulates integration and consolidation of performance information. Buschor (1994: xv) refers to 'performance accounting as an instrument for integrated delegation management', going beyond the fragmented or deconsolidated previous ideal type. Research findings of Melkers and Willoughby also indicate 'the consistent, active integration of measures throughout the budget process is important in determining real budget and communication effects in local governments' (Melkers and Willoughby 2005: 180). But there may be conditions in integrating e.g. budget and personnel. Swiss stated that an exclusive emphasis on budgetary incentives could be strengthened by emphasising personnel-system rewards. In this context to be 'successful, results-specific incentives must be tailored to fit four program characteristics: timeliness, political environment, clarity of the cause-and-effect chain, and tightness of focus' (Swiss 2005: 592). In any case, in the personnel function an integrated approach is recommended (Emery and Gonin 1999). And, effective performance reporting also requires integration: 'Mere adoption of performance reporting is not effective. Broad

involvement across all government levels is important. Communication and integration with strategic planning and agency management are essential' (Cunningham and Harris 2005: 15).

Matching supply and demand for performance information as a mechanism for incorporation

Next to an acceptance of different models for different purposes (requisite variety) matching a dynamic supply and demand for performance information is a second incorporation mechanism. In this third ideal type it is recognised that performance information fits different, sometimes even conflicting purposes.

Analytically, spoken incorporation could be driven by the need to match a demand for performance information by a supply of performance information (see Figure 6.3). Obviously supply and demand are dynamic processes inspired by several and different actors for different purposes in different stages of a management and policy cycle (Van Dooren 2006). There could be zones of total neglect and disinterest where there is neither supply nor demand (A). There are two zones of 'frustration' where a mismatch is observed since there is a supply without demand, or a significant under use of performance information (C), or a demand without supply (B). Finally there could be zone of tensions where supply and demand meet, but where intensities, substance, timeliness, accuracy or other features are missing, or where there is misuse of information. This will be part of an improvement strategy of enhancing the incorporation of improved performance indicators (shifting within D).

It is clear from Figure 6.3 that (non-)incorporation also fits into a strategy of keeping of asymmetries of performance information. It is obvious that:

those who are held accountable try to retain control over the circumstances and terms by which they are called to account, thus promoting

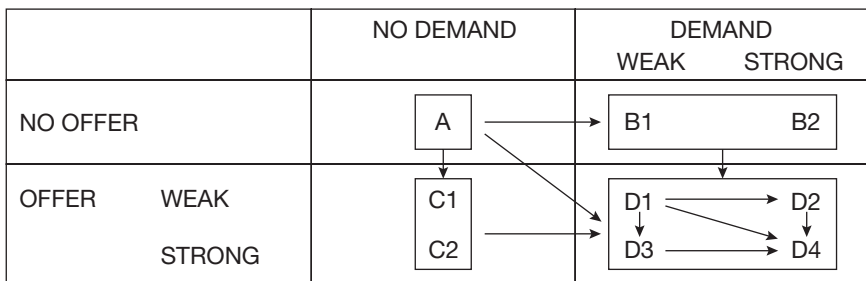


Figure 6.3 Supply and demand of performance information: a potential (mis-)match

ambiguity and uncertainty rather than efficiency and effectiveness . . . This may not be as pessimistic a conclusion as it sounds. After all, it is not the function of productivity measurement in particular and accountable management in general to usurp the decision-making function. Yet the drive to develop highly sensitive performance indicators and other information systems has that feel about it.

(Gray *et al.* 1988: 16)

This is where the management of meaning comes into the story of measurement design: reality and rhetoric are intermingled. The English word 'performance' has a double meaning. It means not only the ability to perform – in other words, economy, efficiency and effectiveness – but also a public presentation of results. The presentation of results becomes the performance of the performance. It entails a mixture of rhetorical and technical language and behaviour. The rhetorical language refers to the management of meaning of measures of performance. The use of performance measures may have both functional and dysfunctional effects. The technical language refers to the meaning of management – that is, assuming responsibility for the performance of a system.

From this point of view, it becomes necessary to focus on the measurement of performance as well as on the performance of measurement. It is indispensable to measure the results of activities and inputs. This is the technical part of the performance measurement system. It also becomes indispensable to look at the performance of this measurement. The rhetorical context turns into a functional or dysfunctional use of measures (Bouckaert 1993). Ultimately, the meaning of management interacts with the management of meaning, just as the measurement of performance interacts with the performance of measurement, and just as reality interacts with rhetoric.

The supply of performance information is also determined by the features of services. This determines the choice of financial management systems. According to Mol (1988), services should be clustered according to the characteristics of outputs and production activities. These features will determine how performance information is incorporated in financial systems and what budgeting and accounting systems should be used. Performance measurement characteristics may determine monitoring and management control systems which vary for each group of services. Key dimensions are the degree of homogeneity of activities, and how readily outputs are identifiable. There are four clear positions. First, a group of services will have to use performance budgeting (homogeneous activities and identifiable outputs); second, there is a process budgeting group (homogeneous activities and non identifiable outputs); third, there is a task budgeting group (heterogeneous activities and identifiable outputs); fourth, there is an input budgeting group (heterogeneous activities and non identifiable outputs). Budget typologies (such as an input, activity based, output, or outcome-based budget) are determined by the features of a production function, which is

more inclined to resources spent, processes and procedures conducted, outputs delivered, or outcomes realised.

Hofstede (2001) suggests several questions to help ensure that performance information is incorporated in appropriate management control systems that give a prominent place to the issue of performance measurement: are the activities' goals unambiguous? are activities repetitive? are outputs measurable? and are effects of management known? In situations where it is possible to determine a standard for efficiency and effectiveness, to measure production (output, and its link to input) and to compare standards and production in a useful way, a cybernetic managerial control system is needed. Otherwise a homeostatic way of organising production is required. Intuitive, judgemental and political controls are mentioned here. The challenge is to select a managerial control system that matches the features of the organisation. Again, the features of performance are decisive for the choice of the type of management control system.

This follows also the line of reasoning of Wilson (1989) based on a neo-institutional principal-agent theory (see Chapter 3) and related performance measurement characteristics. According to Wilson, this information asymmetry, and therefore the problems of adverse selection, moral hazard and shirking between principals and agents, are more prominent in the public sector than in the private sector. There are three reasons for this. First, output is not always measurable; second, agents have several principals; and third, agents have a discretionary power to implement policies. Wilson states that replies to these problems should be differentiated according to the type of service. He distinguishes among four types of services according to answers on two questions: Is it possible to measure outputs? And is it possible to assess effects? This results in a two-by-two matrix. In 'Production services' (such as the Internal Revenue Service) outputs and effects are observable. In 'Procedural services' (such as military training) outputs are measurable, however effects are not. In 'Craft organisations' (such as forestry) outputs are not measurable, however effects are. Finally, in 'Coping organisations' (such as teaching) neither outputs nor outcomes/effects are measurable. Although general solutions include more rigid central control, more detailed plans, more precise tasks and better monitoring, the integration of an appropriate monitoring function, i.e. a performance measurement system, is indispensable.

Even a founding father of neo-institutionalism, Williamson, refers to the relevance of performance measurement as a driver for performance management, based on an analysis of transactions. In a transaction-cost approach to managerialism, performance measurement is a key element. The critical dimensions for describing transactions are, first, uncertainty, second, the frequency with which transactions recur, and third, the degree to which durable transaction-specific investments are required to realise least-cost supply (Williamson 1981: 555). Williamson distinguishes between three types of specificity: site, physical assets, and human assets. In discussing human

assets, he differentiates between high and low degrees of human asset specificity and between easy and difficult conditions of meterability. This approximately corresponds to inputs (assets) and production activities (task metering): ‘The internal organisation counterpart for uncertainty is the ease with which the productivity of human assets can be evaluated’ (Williamson 1981: 564). This results in four classes of internal governance structures: (1) the internal spot market, where human assets are non specific and for which metering is easy (e.g. custodial employees); (2) the primitive team, where assets are non specific and work cannot be metered easily (e.g. manual freight load); (3) the obligational market, where assets are firm-specific and tasks are easy to meter (e.g. accounting and data-processing); and (4) the relational team, where assets are specific to the firm and very difficult to meter (e.g. the private secretarial service of a board) (Williamson 1985: 242–8). The conclusion that ‘differential meterability also matters’ (Williamson 1981: 566) for choosing governance structures confirms that performance measurement drives performance management.

On the demand side of performance information, the needs of politicians, civil servants, or citizens as customers differ, but even within the distinct groups of politicians, civil servants and citizens there are distinct and different roles to play that may be conflictual. Balk has studied productivity as a performance management problem in a political context. Since public services are part of a political environment ‘created to control power rather than obtain maximum yield out of resources (. . .) a realistic productivity ethic’ is needed (Balk 1985: 477, 482).

According to Grizzle ‘one cannot isolate performance measurement design and development from system politics. Neither can one keep the information that the performance measurement system generates from being used in the political process’ (Grizzle 1982: 136).

This is further developed by Gray *et al.*:

In some cases it (the data) will be used to justify particular courses of action (or inaction) and will lead politicians to focus on certain sorts of indicators rather than others, i.e. those that ‘prove’ their case. In other instances information will be an instrument for informing choices but this may generally be found in politically less sensitive areas. So information will not be the neutral element so often prescribed for management decision-making but will be contested as a result of the tension between political and management demands in the system.

(1988: 6–7)

Whereas the first ideal type assumed a kind of ‘objective’ and neutral set of information, and the second ideal type accepted different measures for different purposes, the third type accepts the tensions and the ambiguities of the measurement system and its incorporation and the mismatches it may generate. As Grizzle puts it:

it is not the task of performance measurement (or of designers of performance measurement systems) to resolve these conflicts. Such conflict resolution is a function of the political process. Performance measurement can best serve that process by identifying multiple outcomes of public-sector programs and leaving the assessment of their relative importance to those people who will use performance information.

(1982: 134–5)

This stage also reflects what happens if performance information is not available, for whatever reason. Each information system should determine the cost and the benefits of its performance information. According to Grizzle ‘actors in the political process will not withdraw from the process because they do not have performance information. They will either proceed to maneuver without performance information or will use or misuse the existing performance information’ (1982: 133). It is a reality that political systems have different stakeholders which keep one another in equilibrium also using performance-based information. However, it is:

difficult to meet the legitimate but multiple and diverse needs and perspectives of both the legislative and executive branches . . . As a result, it is very difficult – if not impossible – to craft a single government-wide effort that measures performance of agencies and also holds a single set of actors accountable for that performance.

(Radin 2006: 148)

Using performance information in ideal type three

De Lancer and Holzer (2001) define ‘use’ in two stages: adoption and implementation. Adoption refers to creating the capacity to act including the development of measures. Implementation, as knowledge converted into action, refers to the actual use of performance measures. To a certain extent, adoption is the supply stage, and implementation the demand stage. A possible problem of using performance may be because of a mismatch between supply and demand (Van Dooren 2006). This could be explained by the fact that:

adoption was more heavily influenced by rational/technocratic factors such as the existence of an internal agency requirement to use performance measures, availability of resources, a goal orientation in the organisation. Implementation, on the other hand, was more influenced by political/cultural factors such as external interest groups, the organisation promoting risk-taking among employees, and attitudes toward performance measurement.

(de Lancer 2006: 225)

In matters of use, it makes sense to talk about initial, intermediate, and ultimate use. Pollitt (2006a) talks about ‘middlemen’ (programme managers, senior officials in ministries, or the users and suppliers of specific services, stakeholders), ‘end users’ (ministers, MPs, citizens), but even more about ‘missing links’.

Use under this ideal type, contrary to the previous type, is distinguished by three types of use. First, there is a systematic use for comparing results. Second, incorporated performance information is used to learn how to improve performance. Third, there is an effort to use performance information more externally and prospectively.

Use: comparing results

The need to go ‘beyond data’ leads to benchmarking and comparative performance measurement (ICMA 1999). Using benchmarking to guarantee service quality requires a solid selection of appropriate benchmarking partners (Ammons *et al.* 2001; Folz 2004). Obviously, comparing performance data has always been a focus. In US local government for example, there were always comparisons for code enforcement, facilities management, fire and emergency medical services, fleet management, highways and road maintenance, housing, human resources, information technology, library services, parks and recreation, police services, purchasing, refuse and recycling, risk management and youth services (ICMA 2001). However, benchmarking and league tables are a type of comparison of incorporated performance information that is more systematic (on substance, in time, between as many as possible observations), more publicly available, and with more consequences. In order to strengthen the capacity to consolidate and streamline performance measurement systems, especially if there is a need and purpose to benchmark, comparability and acceptability of indicators is crucial. For that purpose Rodriguez *et al.* developed a methodology for standardisation because they ‘believe that the process for designing and introducing indicators gains in coherence, objectivity, and functionality if it is put forward and co-ordinated [*sic*] by a group of agents, external to the organisation, who can promote consensus and implementation’ (Rodriguez *et al.* 2006: 375).

New technologies have been developed in the early 1980s to compare sets of data in order to define efficient and inefficient clusters of decision-making units. FDH and DEA are strong technologies to define which clusters are dominating which observations (Fox 2002; Kerr *et al.* 1999; Vakkuri and Mälkiä 1996).

Use: learn to improve

Whereas the first ideal type is predominantly a single-loop learning model where an existing standard needs to be met, and the second a double-loop learning model where new standards are developed, this third ideal type

includes single and double loops, and adds a meta learning stage. In the Performance Management ideal type there is learning on how to learn. This ultimate level of meta learning allows managing to be more external and more pro-active.

Whereas in Performance Administration the challenge of the single-loop learning cycle was to reach the standard, and in 'Managements of Performances' the objective is not just to reach standards but also to generate renewed standards in a double loop, the challenge for the Performance Management learning cycle is beyond the single and double loop. Performance measurement is not just about detecting a problem (the distance to an existing standard), or defining what new problems will emerge (defining new standards). The meta-learning level is also to learn to choose an optimal governance and management system based on the features of this performance. This will allow managers to define new relevant standards, and detect the distances.

Performance measurement is therefore crucial not just for detecting problems, but also for predicting individual and organisational behaviour, for differentiating between types of services and for proposing different matching types of managerial control systems and strategies of behaviour. The clustered variety of performance measurement (systems) and the degree of difficulty with developing and implementing these systems, are influencing, even determining budget and accounting systems, decisions on creating agencies or privatising, and choices about appropriate control systems inside and between organisations and their environments. According to Yang and Holzer:

performance measurement should become a tool that can facilitate double-loop learning in the never-ending pursuit of excellence. . . . Democratic government is an institution with political, administrative, and legal components. As a result, measurement of trust and performance should take a rich, integrated view that attends to government-wide (as opposed to single-agency) evaluation, political responsiveness, institutional design, and citizen input.

(2006: 123)

Creating a capacity to adjust to new standards, to generate these new standards and to learn how to do so is a key feature of performance management. According to Balk performance measurement (as productivity) should help to 'reduce data pollution by selecting and recombining significant information . . . help management use different approaches with different types of data . . . employ different management styles for different types of data' (Balk 1974: 321). This is the practice of a learning cycle which is linked to the iterations of the performance management cycle itself (Figure 6.4). In comparison to a Managements of Performances regime this is a fully connected cycle where the consecutive stages communicate and are connected in a coherent and consolidated way. Coherence and consolidation

also refer to the management and policy cycle itself. This means that ‘the degree to which the mission statements, objectives and targets in the corporate and business plans of agencies are consistent, complete and co-ordinated’ (Hyndman and Eden 2001: 594).

The content of a single loop under a Performance Management regime is to shift to a coherent consolidation as the existing norm. Double loops in Performance Management look for upgraded versions of consolidation, e.g. within a financial cycle in shifting to performance budgets, cost accounting and performance audits in a coherent and cumulative way. Meta learning refers to pro-active anticipation of what needs to be done to guarantee performance and also the development of elements for a sustainable Performance Governance.

In the US, GPRA (1993) was coherent in its ambitions to cover the full range of Performance Management. The goals of GPRA were to:

- 1 improve the confidence of the American people in the capabilities of the federal government, by systematically holding federal agencies accountable for achieving program results;
- 2 initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress;
- 3 improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction;
- 4 help federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality;
- 5 improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of federal programs and spending; and
- 6 improve internal management of the federal government.

This is only possible if there are substantial mechanisms to learn. ‘Case evidence from state governments illustrates single- and double-loop learning and the importance of two frequently neglected aspects of organisational learning: learning forums – routines where performance information is deliberately examined – and the role of organisational culture in enabling or limiting learning’ (Moynihan 2005: 203).

Use: external and pro-active change

According to the 2005 survey by Curristine (2005b: 125) the ‘main factors explaining the successful development and use of performance information are strong leadership at the organisational level and political pressure for change’. This pressure for change uses incorporated performance information as a driver. Change is also directed in two directions, internal and external.

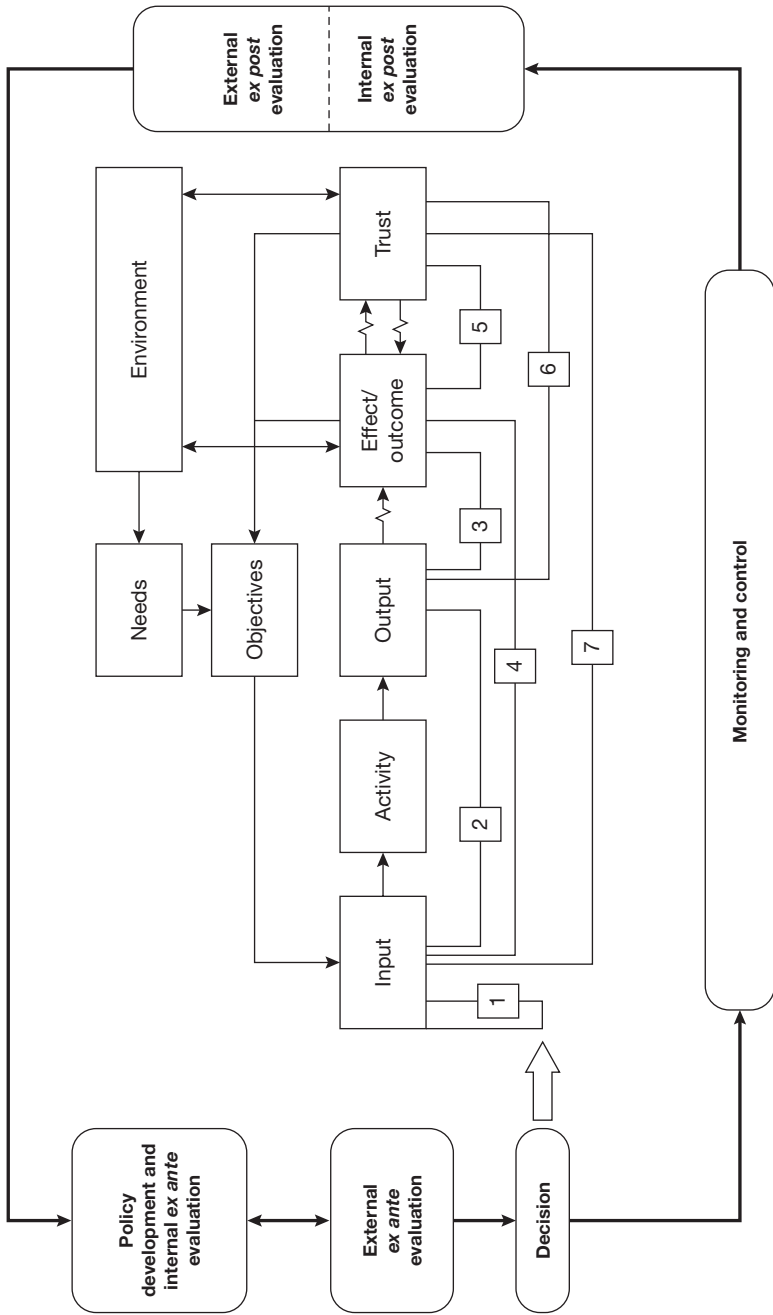


Figure 6.4 Coherent incorporation and use in the performance management cycle under the Performance Management ideal type

Internal change follows the initial trajectories but in a more pronounced and coherently defined way. Incorporated performance information does not just have the function of a 'thermometer' but gets the function of a 'sauna' (Bouckaert 1995b; Hirschmann 2002). Organisations do not give their temperature to the measure. Organisations get the temperature of the surrounding climate and start to behave according to the performance measurement system itself. Obviously, this should be in a functional way. The risk of gaming increases significantly in this measurement atmosphere. According to a thorough literature review by Perry *et al.* (2006) on using performance information to motivate employees, the performance paradigm needs to be revisited. Performance and the related motivation may be linked to the public service, to missions and to tasks. In this context they conclude that 'financial incentives improve task performance moderately to significantly, but their effectiveness is dependent on organisational conditions', that 'individual financial incentives are ineffective in traditional public sector settings', and that 'group incentive systems are consistently effective, but they are not well tested in public sector settings, where measures of organisational performance often are uncertain' (Perry *et al.* 2006: 506–7).

There is also a drive for external change. Four of these can be mentioned. First, changing mechanisms for external accountability is driven by incorporated performance information in a Performance Management ideal type. The emphasis on accountability for performance has significantly increased in the public sector (Hoek *et al.* 2005). In defining a new model of accountability, Aristigueta (1999: 147) also pleads for an 'integration of fragmented systems', which is compatible with the internal shifts.

A second external change is about the interfaces of an organisation and its environment, i.e. decisions for outsourcing and privatisation. Typologies of performance cluster along features of services. These clusters are not just determining or at least influencing internal decisions such as choices of budget and accounting systems, and the way of organising activities, but also affect privatisation and outsourcing (Bouckaert and Halachmi 1996).

In his discussion on the limits of privatisation, Blankart (1987) mentions that a crucial argument is 'quality uncertainty'. Of course the same rationale may apply to decisions to create contract-guided autonomous agencies within government. In analysing consumption technology, Blankart distinguishes between 'inspection goods', 'experience goods' and 'trust goods'. Inspection goods (e.g. raw materials, fuels, stationary) can easily be privatised because quality is entirely tangible and measurable. Experience goods (e.g. consulting, auditing, debt collection, weather forecasting) are also possible candidates for privatisation because the market has developed its own devices for overcoming the deficiency of quality uncertainty. Customers extrapolate their experiences and suppliers accumulate their goodwill. Quality has an expected value and becomes predictable. The problem appears with 'trust goods' (e.g. the activities expected of courts, armed forces, public welfare systems,

general public administration, diplomatic services). According to Blankart 'these are services which are so intangible that their quality cannot be evaluated even by experience . . . But by what measure should the performance of these courts be evaluated? "Justice" as such is hardly a tangible output' (Blankart 1987: 350). Blankart distinguishes between rule adherence and rule application as a criterion for clustering services that produce trust goods. Blankart concludes:

we usually do not ask whether a court decision is just, but rather whether the rules of law and the dogmatic tradition of law have been correctly applied. When output is evaluated by rule adherence, private entrepreneurship cannot flourish. . . . If, however, rules are indispensable for the production of trust goods, one should expect that private firms are not more or less efficient than government bureaucracies.

(Blankart 1987: 350–1)

The management decision on whether to privatise or to autonomise an activity into a public agency is driven by the features of the performance measures. In situations of inspection goods where performance is tangible, and experience goods where performance is predictable, agencies and privatisation may have a chance. In cases of trust goods where performance is intangible, the management decision will be reversed.

A third externally oriented change is derived from an extension of the span of measurement. Linking indicators beyond outputs, including quality, satisfaction, perceptions and expectations become one of the key drivers to expand quality management to also perception management and expectation management, leading to satisfaction management. This value added chain gets not just a producer definition, but even more a citizen-as-customer definition. From this point of view, taking citizens as customers on board, not just for consultation as to their satisfaction but including them as partners leads to Performance Governance. As a consequence, this push for externally oriented change leads pro-actively to significant steps toward Performance Governance.

A fourth element in this external focus on change is related to depth of measurement-driven depth of control or management. This puts organisations in a broader context of networks, value chains, beyond the single organisation (micro), in a policy field (meso), or even at least embryonically within the public sector on a government-wide basis. The meso level becomes the full context for Performance Management and refers to elements of, for example, joined-up government or 'landscape reviews' (UK). In the New Zealand context, Mascarenhas states:

Efforts to measure performance by focusing on discrete units of organisations, as is being attempted in the current program of public sector reform, overlook their interdependence. Essentially these reforms

fail to recognise the network of organisations and programs responsible for a policy area or policy field.

(Mascarenhas 1996: 25)

This drives to a more considered and conscious value added type of management beyond a single organisation and referring to value chains or policy-wide scopes.

Under the Performance Management type there is a mechanism to use incorporated performance information first to compare up to benchmarking, and then to upgrade this use to a benchlearning level, in order to change the system beyond itself.

Concluding on and shifting beyond Performance Management

A key question is what are desirable organisational characteristics for an organisation that focuses on Performance Management. Moynihan and Pandey (2006) describe the promise of NPM reform as a shift from a bureaucratic system with a high focus on inputs and little incentive or authority to increase technical efficiency (low focus on results and low managerial authority), to an ideal-type where managers have clear goals, and have authority to achieve these goals, focusing on programme effectiveness, higher technical efficiency, and results-based accountability (high focus on results and high managerial authority). It seems that 'an organisation's focus on results is a predictor of managerial authority, suggesting that organisations are more willing to extend managerial freedom when they have performance measures to hold them accountable for' (Moynihan and Pandey 2006: 133). In this context it is also useful to reflect on the opposite practices. Andrews *et al.* (2006) try to distinguish between misfortune and mismanagement. Their conclusions are threefold: poor performance is to some extent beyond the control of service providers, but better leadership and performance management help to prevent failure and there is a need to redefine performance 'failure'. It seems that in the range of possible types of managing performance, Performance Management is an ideal type that shifts from 'management of performance' to 'management for performance'. A systemic approach is needed for that purpose.

Systems approaches are feasible with a performance-based strategy (Simeone *et al.* 2005). However, from a system-dynamic perspective, implementing performance-based program budgeting results in some key factors of success, such as clear communication, facilitated routines and reliable performance information, but it also results in factors for failure such as using performance unconditionally for resource allocation, incentives and sanctions (Grizzle and Pettijohn 2002).

A summary of the Performance Management ideal type is in Table 6.3.

Table 6.3 The Performance Management ideal type

<i>Ideal type features</i>	<i>Performance Management</i>
Measuring	
Type of measurement	Internally interactive and open
Design of measurement system	Imported standard models (benchmarking) by staff and consultants
Span of measurement	Organisation and policy-based: economy, efficiency and effectiveness: input-activity-output-effect/outcome
Depth of measurement	Micro and meso
Criteria of indicators	Technical, functional and internally legitimate
Specific dimension of measurement	Quality gets an integrated focus
Dysfunctionalities of measuring	Systemic reactive focus on pathologies
Incorporating	
Level of incorporation	Dynamic
Degree of incorporation	Internally consolidated
Using	
General use	Integrated policy and management cycles
Main reporting focus	Internal management, external political
Learning by using (standards)	Single, and integrated double loop
Accountability for performance	Managerial and political
Potential value added of performance	Integrated improvement
Potential dysfunctions of performance	Negative cost benefit analysis

From a measurement point of view Performance Management has a technically sound, functional and legitimate measurement system that spans from input through output, to outcome. Since there is a focus on program effectiveness there is also a depth of measurement that includes the micro and meso level. Because of the focus on functionality – it is management *for* performance – there is an explicit concern for potential dysfunctionalities or even pathologies.

From an incorporation point of view models are used systematically to guarantee the quality of performance management. Also, there is an explicit concern for matching supply and demand of performance information between different stakeholders, even for different purposes. This obviously requires flexibility in the measurement system. The combined effect of using these quality models and the matching effort is a dynamic and internally consolidated incorporation.

This incorporated performance information is being used for comparisons. Comparing results happens in a systematic way, up to benchmarking, sometimes in publicly available league tables. The ultimate purpose of this comparison, since this is about management for performance, is learning to improve. This learning is embedded in a coherent policy and management

cycle, i.e. in its design and decision (budgets), its implementation (accounting systems and monitoring and control systems) and its evaluation (audit). It is also used to change with an external and pro-active focus. An extended span and depth of performance refers to an outside span of control.

Is this ideal type any improvement compared to previous types? There is a broadening of the scope of measurement. There is a widening of the scope from the executive, to the legislative, and even to the judicial branch. There is also a widening within the executive from tangible, to person-related, to idea-linked, or even regulatory services. There is also a deepening of management efforts. Performance Management is not only more intensive, with still sometimes over-managed surpluses and under-managed deficits, it is also more extensive with more policy fields, and even more external with perception, expectations and satisfaction management for a variety of stakeholders.

Performance Management becomes more standardised because of the models used. There are three types of model: generic, such as ISO, BSC and EFQM; specific public sector models such as CAF; and country specific, such as MAF in Canada. These have boosted the systematic and integrated character of Performance Management, which orients management *to* performance.

Obviously there is leverage from the fact that there is better data processing capacity compared to earlier stages (ICT-based technologies, data-warehouses), and an improved capacity to interpret and to set standards. There are new technologies that have shifted from analysing statistical averages to using ‘envelopes’ such as e.g. Data Envelopment Analysis or Free Disposal Hull, or systematic benchmarking and benchlearning.

These combined shifts result in an improved integration of management and policy cycles with communicating financial cycles, policy cycles and contract cycles.

In Moynihan’s terms this is the Managing for Results ideal type, or a combination of high managerial authority and a high focus on results where managers have clear goals and authority to achieve these goals. This ‘should facilitate manager attendance to program effectiveness, higher technical efficiency, and results based accountability’ (Moynihan 2006: 84).

However, some questions remain. If the amount and quality of performance information has increased so significantly and substantially, why is it that there is under usage or that there are even ‘missing links’ with potential users? It seems that there are reasons for a negative Cost Benefit Analysis of performance management. The cost of fully auditing the whole public sector annually becomes impossible. From the Swedish experience Sandberg asks if annual performance accounting and auditing is possible. One of his conclusions is that it ‘cannot, however, be taken for granted that the annual audit, with a statement in the audit report, is the most cost-effective solution for improving or “guaranteeing” the quality of the Performance Report’ (Sandberg 1996: 185).

At the same time there is a tendency towards ‘economising’ organisations based on the assumption of a predominant influence on *individual* self-interested motivation and behaviour. Depending on the emphasis, the umbrella of public choice theory focuses on actors (principals and agents) or transactions between these actors (transaction costs). It has evolved from being applied to private sector organisations to any organisation, even to political systems such as democracies. This cluster does not fit very well with the managerial theories because they undermine the claims of management to constitute a disinterested decision-making focus for the organisation. Donaldson even calls these theories anti-management theories (Donaldson 1995). This position is in tension with the next ideal type of Performance Governance which expands the span and depth of the Performance Management rationale.

Part III

Comparative performance and evaluation

7 Managing performance

Comparing country models and practice

The purpose of this chapter is to compare the country models of the performance of the six country cases and the extent to which they have been implemented. The analysis of performance dimensions follows the categories developed for the country overviews in the appendix: design features of measurement, incorporation of information, using information, and managing and governing performance. The approach first evaluates the systems in terms of their official frameworks, aspirations and intentions. This involves starting with the ideal types of Managements of Performances and Performance Management and the country models that fit each. Then comparisons of the basic aspects of the country models identified with Performance Management are discussed. The second part addresses how the country model works in practice, the analysis examining practice against the main dimensions of performance, and making comparisons among the systems where possible.

Ideal types and country models

Earlier chapters outlined the constituent features of each ideal type. The country files in the appendix provide overviews of the six country models. Here we bring them together and discuss the ideal types and the rationale for the assignment of countries to that category (Table 7.1). First Performance Administration and Managements of Performances are discussed. The next section focuses on Performance Management.

Of the countries that did not fit the Performance Management category, those in Performance Administration are readily explained. Performance Administration is distinguished in measurement by limits to the span and depth and by design that is ad hoc; incorporation is disconnected and variable;

Table 7.1 Ideal types and country models

<i>Ideal type</i>	<i>Country</i>
Managements of Performances	The Netherlands, Sweden
Performance Management	Australia, Canada, UK, USA

and there is limited use of performance information. Countries that fit this type are France and Germany. It is in part recognised in a country description that ‘Performance measurement practices vary from one agency to another. The focus of the measure is different and the quality uneven’ (OECD 1997a: 69), a depiction of France.

A more developed case is the Managements of Performances category. This ideal type encompasses several of the features of Performance Management – e.g. depth of measurement, management emphasis – yet there are several key differences such as disconnected policy and management. Countries that fit this type are the Netherlands and Sweden and also Finland, which is not one of our cases.² Why do the Netherlands and Sweden not qualify for Performance Management when they both have long and sustained commitments to a performance approach? Have they opted to be out rather than in because they see the limits of Performance Management or because they are unable to apply that level of discipline in their systems?

Netherlands

The Netherlands has been using Managements of Performances for many years. However, the approach has been more interested in policy assessment than management. There is a coherent policy management focus but it is disconnected from internal performance management. This is reflected in the contrasting strategies of the Dutch Court of Audit, where policy evaluation predominates, and the UK’s National Audit Office, where managerial issues are the priority (Put 2005).

Performance-based management and measurement has been anchored in practice through standardising the format of budgets and of annual reports. ‘VBTB did not arise out of nowhere. It is influenced by earlier operations, most notably the American PPBS-system, and it resembles other reforms, both inside and outside The Netherlands’ (Noordegraaf and Abma 2003: 855). The span of the total VBTB project (from policy budget to policy accountability) has also been anchored through legislation (e.g. Government Accounts Act). The format of the policy accountability document has been aligned to the budget document’s format.

In terms of reporting, the Netherlands departmental budgets are structured along policy lines that should be formulated as policy outcomes. In the explanatory note on the budget, departments explain what they aim to achieve with the allocated resources, which actions they will take to achieve these outcomes and how much these actions may cost. Agencies report on budget implementation (including the estimated and realised commitments, expenditures and incomes) and their performance in a departmental report. The financial accounts are structured along policy lines. The departments report for each policy line on the achieved policy outcomes and managerial performance in an explanatory performance statement. The financial and non-financial information about the performance of the autonomous agencies is

integrated in the annual report and accounts of the parent ministry. However, the latest policy information regulation RPE 2006 supports a 'provide or explain' logic for indicators resulting in a tendency to reduce the performance information available.

The Government Accounts Act 2001 does not require the government to publish a government-wide performance report. Government-wide reporting of performance information consists mainly of statistical reports. The Central Bureau of Statistics publishes an annual government-wide statistical report.

Sweden

The Swedish approach has been to improve the performance tools that were implemented in the 1990s in relation to the twin objectives of transparency and efficiency. In the case of the National Financial Management Authority (NFMA), this meant strengthening the relationship between performance management and financial management, which has been the spinal cord of the performance management focus. However, many proposals are not compulsory. There is a culture of testing and offering solutions based on voluntary implementation, and high degrees of tolerance for variations in implementation. Despite a high priority accorded to accountability and providing information to citizens, the practice is less advanced and more pragmatic. Sweden has a rather loosely coupled, even disconnected, system of managing performance.

In terms of incorporation, several observations can be made. Results-oriented management was initiated to produce better guidance of autonomous agencies, but NFMA regards this as only one way to steer; according to the government's action plan it is considered to be the most interesting steering instrument (Persson and Lejon 2000: 13). The Swedish emphasis on decentralised and constitutionally autonomous agencies means considerable diversity of systems, which does not readily allow a common assessment. This limits the functionality of generic anchoring practices to reduce inefficiency, increase effectiveness and enhance transparency and accountability for the benefit of political decision making and democracy. The disequilibrium between ministries and agencies has an important impact on the position of tools and instruments and the lack of capacity to enforce these. Ministries lack the capacity to generate, follow up, consolidate, evaluate and redirect.

Swedish appropriations consist of two information levels: the Budget Bill has 47 policy areas for 27 expenditure areas. However, the introduction of policy areas in the Budget Bill has resulted in difficulties because the goals are vaguely formulated and therefore do not form a basis for debate in parliament. Second, the policy area structure is not aligned with the structure of standing committees in parliament, which has led to organisational problems. The policy areas were hastily defined and the information structures are complex (Mattisson *et al.* 2003).

The agencies' appropriations in the Budget Bill are linked to an instruction letter, which defines the objectives and the resource framework for the programs and activity areas. The instruction letter is an instrument for financial steering as it contains the appropriation to each agency and for results steering, including the objectives the agency has to achieve with the appropriated resources. It was initially meant to be an instrument of resource control, but it turned into a communication instrument for expected results in terms of outputs and outcomes. A subjective internal assessment suggests significant variance in defining the content of instruction letters, but it has not been a priority to investigate this. In contrast to countries closer to the Performance Management category, the Swedish budget and the appropriations are cash- and modified cash-based.

Swedish reporting performance information is ruled by the principle of public access to government documents, and most official documents are accessible. A yearly planning and reporting cycle applies with annual instruction letters and annual reports. Agencies also report six monthly in a simplified way on the achievement of objectives, and provide a monthly prognosis on resource use. Swedish agencies have to report on activities and results in an annual report, which is audited by the Swedish National Audit Office, but is not submitted to Parliament. The NFMA collects the information for the consolidated annual report for the central government submitted to Parliament. The agency annual report contains the financial statements and the performance report, and its structure is regulated by an ordinance. In addition, the NFMA operates an annual financial management rating for central government agencies, which measures the extent to which they meet the requirements for accounting, financing and internal control, and including measurements on performance and internal audit.

Finally, even if the 2003 reorganisation of the supreme audit institution, Riksrevisionen, confirmed their competence for performance audits, shifting from one to three auditor generals may weaken its position.

Comparing country models within Performance Management

Turning to the Performance Management type, four countries have been highlighted as having official models that approximate this type. The focus here is on the country models or framework that encapsulates their aspirations and rhetoric. There are several means by which the Performance Management can be realised in official frameworks, but the basic factors must be present. The Performance Management type has several core features. In terms of span, it ranges across inputs, outputs and outcomes. With regard to depth, the model needs to encompass several management systems and their interconnections. There must be an overriding integrated performance focus with strong policy and political dimensions.

Four countries from our case studies fit the Performance Management type. Although we have not systematically investigated other candidates, we

would expect that apart from an obvious inclusion such as New Zealand, there are few countries that approximate this type. It should also be noted in the earlier stage of this project these four were not linked to Performance Management. The available information for the early 2000s suggested that both Canada and the United States fitted Managements of Performances. It only became apparent as the respective country reform agendas progressed towards the mid-2000s that their official models had moved sufficiently to qualify for inclusion under the Performance Management type.

Australia has a fully fledged model that fits within the Performance Management ideal type. This agenda has been pursued since the mid-1980s with increasing elaboration and refinements to a comprehensive approach. The official model is a developed system based on an outcomes and outputs framework that covers individual and organisational dimensions and their management interrelationships. This is of course a federal level conception, although increasing downwards pressures in some sectors is extending federal performance management and control nationally.

The United Kingdom model of public service reform is based on top-down performance management, plus competition and contestability in service provision, citizen choice and voice and strengthening capability and capacity of officials; all of which have performance elements. This has added up to a comprehensive model of performance management based on Cabinet Office and Treasury agendas, but which has as its centrepiece, the latter's regular spending reviews and the public service agreement framework. The PSA framework is a multifunctional system that generates performance information that can be used for different purposes. The framework has allowed extensive steering and coordination of public activity and the integration of central government under a system-wide performance regime that supports Treasury's role in priority setting. The result is a national system that is unachievable in the federal systems.

Canada now has a developed performance management framework, at least at the level of the official model. Its unifying structure is centred on the management resources and results structure (MRRS), which is designed to establish the link between results of programs and departmental management and structure and to link programme activities to strategic outcomes, resource information and performance measures and departmental governance. Strategic outcomes and program activities are aligned with Government of Canada outcomes. The whole of government planning and reporting framework, which is based on MRRS, provides a comprehensive overview of resources and results. Finally, the management accountability framework creates a broader framework of building blocks for anchoring the performance focus.

The United States model is centred on PART and follows on from the Congressional GPRA initiative. During the Bush era, the focus has been on making GPRA more effective, using PART as a complementary and major tool to push for performance. The philosophy is one of managing for

performance. The mechanism is to evaluate, to assess, and to publicly judge the performance by offering information on performing and not-performing agencies. The purpose is to integrate performance information, to use this information, and to improve performance. The US country model has coherence across presidents. The GPRA/PART infrastructure links strategic objectives to outputs and resources. There are periodic assessments in a context of using performance measures for different purposes. The ultimate purpose is to guarantee performance for the public, including trust. This corresponds well with a Performance Management ideal type.

The country models exhibit common features that determine their grouping under the Performance Management type, but there are also significant variations in how they approach the key aspects of a performance management framework. These variations partly reflect different approaches but also institutional contexts.

Actors and context

Overviews of the key actors and contexts including institutional actors in each of the four countries follow.

The Australian system is controlled fairly tightly by the political executive through ministerial responsibility for key central agencies and line departments, and through monitoring mechanisms such as the Department of Prime Minister and Cabinet (DPMC) implementation unit. The key central agencies lead on performance strategy and management (DPMC and the Department of Finance, DoFA) and monitoring progress (Australia Public Service Commission and DoFA) (for details see the Australian country file in the Appendices). Line departments and agencies have responsibility for their own programs but must regularly report through estimates, budget statements and annual reports. The Bureau of Statistics has stature as a statistical service but the coverage is not as broad as some overseas counterparts. The Australian National Audit Office (ANAO) is active in performance auditing and producing guidelines, playing a complementary role. The main public reporting documents go to parliament and several standing committees either scrutinise ANAO audits (Public Accounts and Audit) or conduct investigations into performance management issues (particularly House and Senate Committees in economics, finance and public administration).

The Canadian political executive has been augmenting its political control mechanisms (Aucoin 2006). Leaving aside political actors, such as the Prime Minister's Office, the main actors with system-wide roles in performance management are centred on the Treasury Board. The Privy Council Office has a role in general management reform initiatives, and its Clerk reports annually to the prime minister on the public service. Also relevant are several human resource agencies. The Treasury Board of Canada is responsible for strategic management change and general management of financial, human and material resources, and is supported by the Treasury Board Secretariat,

which has government-wide management responsibilities for expenditure, and financial and information management. Departments are now more subject to reporting on their performance, and the TBS reports on overall performance to Parliament. Parliamentary standing committees provide external oversight, the most relevant being Public Accounts and Government Operations and Estimates; and the Office of the Auditor General, which is responsible for performance and financial audits of the executive, and is involved in performance-focused management reform through recommendations and handbooks. Statistics Canada is responsible for the collection and analysis of official Canadian statistics.

The United Kingdom has emphasised the performance apparatus as a means of improved services. The centrepiece is Treasury's responsibility for the development and implementation of the public service agreement framework. In public service agreements departmental objectives are linked to indicators and standards. This pushed departments to develop performance measurement systems and indicators according to Treasury instructions and guidelines. The Cabinet Office is responsible for the reform programmes such as modernising government in which supporting and fine-tuning the performance measurement system is central. Within the Cabinet Office, units have been established to support planning and monitoring strategic policy fields (e.g. crime prevention) and monitoring delivery. The National Audit Office has an important role in performance measurement and management issues. The Audit Commission has a similar role vis-à-vis local government and the National Health Service. Several parliamentary committees have roles in scrutinising management agendas. The Office for National Statistics is responsible for collecting national statistics and providing a quality check of statistics in general.

The outstanding feature of the United States is the constitutional roles of the congressional and executive branches. This has produced the distinctive trajectory of Congress first leading on a performance management framework, and this being succeeded by a presidential approach through the Office of Management and Budget. Congressional committees have generally been regarded as the most influential in the world, but in terms of oversight, their attention and interest in performance information varies substantially. Some use hearings and the Government Accountability Office studies to evaluate the program effectiveness while the interest of others is episodic. The GAO, formerly termed the General Accounting Office, studies federal programs and expenditures and advises Congress and heads of executive agencies about how to improve effectiveness and responsiveness. It is often called Congress's investigative arm or watchdog, and is more independent than international counterparts because of the US division of powers, yet it is also directly involved in inter-branch debate.

It is worth noting that the two European countries previously discussed provide some interesting contrasts. Sweden is traditionally renowned for the importance of independent agencies within the system of government. This

operational autonomy of semi-autonomous agencies is constitutionally protected, and is mirrored in their accountability to the whole cabinet, not individual ministers. The ten small central ministries are responsible for policy preparation, planning and coordination. There are also the active ad hoc commissions of inquiry. There are about 300 agencies employing almost 200,000 civil servants covering three administrative agencies, public enterprises and state-owned companies. The Ministry of Finance is responsible for developing and implementing budget reforms such as performance management and performance budgeting project (VESTA). The National Financial Management Authority, an agency under the Ministry of Finance, develops efficient financial management for central government agencies, and there are several other central agencies with responsibilities in public management. In 2003, the National Audit Office became a redesigned parliamentary supreme audit institution that undertakes financial and performance audits.

In the Netherlands, the Ministry of Finance is the main actor responsible for setting the general performance management policy, supporting departments in the implementation of the outcome budgeting initiative VBTB, and issuing guidance manuals for agencies. Parliament's Public Expenditure Committee is actively involved in the discussions, with MPs proposing Motions, which the Minister of Finance needs to take into account and which have influenced debates. Parliamentary commissions and motions are important in the Netherlands. The Netherlands has a strong and independent Court of Audit, which is the supreme audit institution supporting parliamentary control of the executive branch and conducts financial audits and performance audits. It played an influential role in the VBTB process. The Central Bureau of Statistics is responsible for the collection and publication of official statistics with a programme set by an independent body, the Central Commission for Statistics.

Looking across the countries, the power of a central agency such as the UK's Treasury stands out (compare the NZ Treasury at the beginning of the New Zealand public management model). There has been something of a resurgence in central agency roles in the other four countries with their responsibilities being augmented. The general pattern is for two agencies – one with financial management, the other policy and reform co-ordination – to take the lead. The North American countries are now more actively using the key central agencies for driving performance and managing change.

The independent audit office is influential in most countries and may take an advocacy role in better practice. The role of statistical agencies stands out in Canada and the Netherlands, and is the subject of debate in the United Kingdom where proposed new legislation will address current issues about the independence and authority of the national bureau (but may not affect the scope of the statistics collected) (Kettle 2007).

It is to be expected that the legislative committee will be strongest in the United States, although divided government can reduce the actual impact

on the executive, and the involvement of congressional committees in performance information varies substantially. The impact of committees is also variable in countries operating under a Westminster type of parliament (Australia, Canada and the United Kingdom) (Halligan *et al.* 2007). Parliamentary commissions are important in the Netherlands, while Sweden customarily makes significant use of ad hoc commissions for investigations.

Institutional context

The significance of contextual factors needs to be recognised at this point. These cover administrative traditions and culture, structures of government and the approach to reform. We find substantial variation within this group – even among the Anglo-American countries (Halligan 2007d).

The primary Australian focus is on the federal sphere and on government departments. (It should be noted that Australia has long had financial relations and transactions with sub-national jurisdictions, aspects of which are influenced by federal performance management.) The current focus is heavily on outcomes, but the limitation of an exclusive outcomes/outputs focus has been revisited and the former program focus that was discarded has now been reintroduced, at least for ministers.

The United Kingdom's primary focus is on extracting performance within a national system of public services reflecting both its unitary structure of government and the ambitions of Treasury, which has defined the scope and depth of this system of performance management. The emphasis – certainly the more public or studied aspect – involves regulation and targets with local government, education, health and policing being featured. The system arguably has greater complexity than the others because of the operation of this elaborate performance management apparatus for steering public management, integrating central government and controlling priorities and the performance of regional and local government.

The two North American countries have been subject to divisive factors (divided government in the US and a divided society in Canada) that have detracted from progress on performance improvement strategies. Implementation has been problematic either because of insufficient political commitment or excessive political conflict. In recent years much effort has gone into reversing this position suggesting that the North American syndrome may have been somewhat resolved.

Evolution of country models: pathways and types

The United Kingdom sequence in terms of the meanings of performance is quite clear: prior to the early 1980s it was about spending the departmental budget and rule application, in the 1980s, the three 'Es' dominated, particularly economy and efficiency; from late 1980s to early 1990s outputs

and service delivery had taken over (the latter through the citizens charter); while outcomes have become significant in the late 1990s (Talbot 2001).

For Australia, outputs and outcomes have featured in the country's management frameworks for many years.³ Under the Australian outcomes and outputs framework, outcomes provide the foundation for performance information, and have been central to performance measurement since the mid-1980s. The programme and results focus laid the foundation for evolving a more exact system. Outputs were recognised in the early days, but were not measured until the outcomes/output framework of 1999. They were introduced to measure service delivery for external stakeholders.

Canada combined two major lines in their focus. There is a tradition of policy reviews that look at programmes, and there is line of development in the field of service delivery looking at citizens as customers. Initially the policy reviews were input oriented since they were searching for savings. Also, the service delivery emphasis was disconnected from other initiatives. Canada's evolution has seen a convergence of these two lines, and a shift to outputs, outcomes and trust. The management accountability framework (MAF) is a strong expression of the coherence of this converging view.

In the United States there is a long tradition of evolving models, especially in financial systems. The shifts were driven by circumstances, from policy-oriented programs (PPBS), to operationalised objectives (MBO), to savings (ZBB), to accountable delivery (GPRA). The same logic applied at local level with service efforts and accomplishment (SEA) reporting. The evolution in the last decade is from a policy cycle determined pattern (strategic and operational plans, and performance reporting) to adding a sometimes mechanistic approach towards outputs and outcomes. In the US the major points of attention have been productivity on the one hand, and policy evaluations on the other hand. To a certain extent the GPRA/PART tandem has tried to combine these two traditions and practices.

The four systems, therefore, can be observed moving through stages that correspond to the ideal types. The United States led early in the use of measurement (see Chapter 2), and later with more complex experiments with PPBS and budget savings and productivity. Canada and the United Kingdom also contributed to the advocacy of improved measurement and management. In the actual shift from an inputs and process focus to managing for results, the United Kingdom and Australia, were able to install programmes, outputs and outcomes in the 1980s and 1990s, and the new approaches to managing resources. In the last decade, the focus has been on how to make something of outcomes and register impacts on society. At the same time, performance management systems have been developed in North America and refined and improved in all systems. In the 2000s, we can observe all four countries working through variations on a Performance Management approach.

Measuring and incorporating performance information

Measuring performance information

Four dimensions are important. First, is the set of criteria for a good performance indicator and performance measurement system. Second, is the process of measuring and managing performance measurement, including the prescribed stages in an operating procedure for measuring performance. Third is the context of what is being measured and what models are used, including the extent to which there is a range of indicators on resources, activities, outputs, effects/outcomes, environment; linkages between indicators; and policy on developing standards for performance levels. Finally, there is the question of the handling of audit and quality control of measurement and management. The discussion below draws on the country files in the Appendix.

In terms of span of measurement, there may be a pronounced architecture as in Australia and Canada. In Australia a distinction is made between indicators for outcomes, outputs and administered items (which include transfers and subsidies) and detailed specifications exist for outputs and outcomes. On the other hand, the United States leaves such details open.

With regard to criteria, the degree of details is most operational in the UK (with FABRIC and SMART). The US has a mechanistic checklist defined under PART. The UK lists criteria for good indicators such as relevance, attribution, timeliness, reliability and verifiable (cf. the audit criteria for performance information in Canada).

In the UK a good performance measurement system should be focused, appropriate, balanced, robust, integrated and cost effective. Australia has applied the criteria of alignment, credibility and integration over a six-year period and has placed great emphasis on an accrual-based outcomes and output framework.

Quality control is sometimes linked to audit and sometimes part of the executive. All four countries have a strong audit tradition. External audit has been stronger than internal audit, but internal audit has been inclined to lag behind, at least until recently. Some systems such as Australia have routinely emphasised both for many years. For the UK, the external auditor is the Comptroller and Auditor General, who is supported by the National Audit Office, and all departments have an internal audit unit that operates within the Audit Policy and Advice Unit of HM Treasury. Canada took steps to develop a departmental internal audit function several decades ago, but a succession of reviews indicated shortcomings, and attention to internal audit increased after the sponsorship scandal of 2003, and the re-establishment of the Office of the Comptroller General in 2004. The US is strong on performance audits, and Offices of Inspector General are independent units for conducting and supervising audits and investigations relating to programmes and operations in the departments and agencies.

Incorporating performance information

The incorporation of performance information focuses on tools, methods and techniques for anchoring measurement and management practices in documents and processes. These might be framework documents, budget formats and links between planning, budgeting and reporting. Overall, all countries used the budget cycle for incorporation of performance information. All emphasised budgeting and reporting, but different types of documents were used.

The Australian accrual-based outcomes and outputs framework was legally anchored into the system by the Financial Management and Accountability Act. In the field of human resources management it was predominantly the Public Service Act that created a legal framework for personnel management and determined the responsibilities of heads of agencies. In linking a planning and reporting cycle to a yearly budget cycle, performance management is very tangible. The responsible minister decides, after consultation with the relevant agencies, on outcomes for society. The outcomes and outputs framework is connected to the budget process through the outcome statements in the budget bills, portfolio budget statements and annual reports. The framework requires financial management and reporting to budgeting on a full accrual basis and outputs and outcomes reporting. Departments and agencies are expected to identify explicit outcomes, outputs and performance measures. Agency heads are assigned clear responsibility and accountability for performance. Reporting occurs through budget plans (portfolio budget statements) and financial year results (annual reports).

Outcome statements are linked to portfolio budget statements, which are linked to the annual reports. Outcomes are crucial since this is the appropriation level. The Department of Finance and Administration provides minimum requirements for the portfolio budget statement and together with the agencies, provides more detailed information on the outputs and the administered items to the Appropriation Bills. Portfolio budget statements should follow general principles containing sufficient information, explanation and clarification for Parliament to understand which objectives are stated; have relevant information which satisfies the information needs of Parliament and the public; emphasise agency performance; and choose a transparent format. Criteria for annual reports are determined by the Department of the Prime Minister and Cabinet and approved by the parliamentary Joint Committee of Public Accounts and Audit.

The design of an architecture of information to be used in documents guarantees a standardised approach to incorporating performance information in management and policy cycles. The Canadian model used is the management resources and results structure, which establishes the link between results and the results of programmes that connect with departmental management and structure. MRRS contains performance information at a more detailed level and is linked to cost data. MRRS consists of strategic outcomes; program activity architecture (including an inventory of all pro-

gramme activities of departments in relation to strategic outcomes, resource information and performance measures); and governance structure (processes and structures for exercising decision making in a department). Departments have been asked to align strategic outcomes and the relevant program activities with Government of Canada outcomes. The requirements for departments are codified and integrated through reports on plans and priorities and departmental performance reports. Finally, the management accountability framework creates the broader framework to anchor the performance focus by providing deputy ministers with tools to assess and improve management practices.

The UK has a complex set of documents to report on in the planning, control and reporting cycle. Departments conclude a public service agreement, which is a two-yearly agreement with HM Treasury on prior policy objectives and targets for the next three years. PSAs are translated into targets for agencies. Departments plan an implementation trajectory to reach the PSA targets, and report to Cabinet Office and HM Treasury on the implementation of their PSA targets and their delivery plan, which are not reported to Parliament and are not accessible to the public. Other reporting covers the annual report and accounts in which departments and agencies submit to Parliament their yearly report and accounts; the framework document established by the responsible minister and the agencies to define tasks and objectives; and key ministerial targets determined by the responsible minister and the agencies. In spring there is a departmental report to Parliament on progress and plans, in autumn a departmental annual report and accounts in which departments report on the performance of last year (outputs, performance, accounts) (Scheers *et al.* 2005).

US agencies have been required by the GPRA to submit a three-year strategic plan and both an annual performance plan and performance report. Steps have been taken to transform the performance plan into a performance budget. At the agency level, the GPRA requires departments and agencies to produce a three-year strategic plan. The strategic plan has to contain a description of the relationship between annual performance goals in the performance budget and the long-term goals in the strategic plan. Agencies now have to submit a performance budget organised as a hierarchy of goals linked to performance and cost information: strategic goals, long-term performance goals and annual performance goals. Agencies also have to report the results of the PARTS assessment where available and all the performance goals used in the assessment of programme performance under the PART process in their performance budget. The annual performance report provides information about departments and agencies performance and progress in achieving the goals as set in the strategic plan and the performance budget. Cabinet departments and nine independent agencies have to integrate the annual report required by the GPRA with the accountability report. The annual report has to contain a comparison of actual performance with the projected (target) levels of performance as set out in the performance goals in the annual

performance budget; explanations for unachieved performance goals; and evaluation of the performance budget for the current year. Information on every PART program is assessed as part of the budget formulation for the fiscal year covered by the report.

Across all these countries there seem to have developed, just as in accounting, some 'generally accepted performance principles' for measuring and incorporating. First, a logical and connected chain of inputs-activities-outputs-effects/outcomes-trust is developed, refined and operationalised. Second, incorporation is connected to stages in the policy cycle (design, decision, implementation, reporting) on the one hand, and service delivery on the other hand. There is an increasing coherence within and between the policy cycle and service delivery cycle. Third, this is institutionalised using new roles for existing actors, and creating new actors such as internal auditors, or autonomous statistical services. Increasingly, the focus is beyond single organisations.

Using performance information

There are three main dimensions to using performance information: internal use by agencies and individuals; budget decisions and process; and reporting.

Using performance information internally

The Australian outcome and output structure of the performance measurement system has the potential for several management functions. Obviously the linking of departments and agencies also has potential through this framework. External use, *ex ante* and *ex post*, from the administration and government to Parliament also is structurally available through documents in the budget cycle, such as portfolio budget statements and departmental annual reports. Ideally, performance information for internal purposes should be the base for external reporting. According to the Australian National Audit Office (2001b) performance information that is collected and used internally results in an awareness of its use and an extra motivation for external reporting. As mentioned in the Australia country file (Figure V.iv), performance information runs through the management and policy cycle in the different stages of design, decision, implementation and evaluation, and the related financial stages of budgeting, accounting and auditing.

The Canadian main estimates are structured as a traditional programme budget, but departments and agencies report on their plans and priorities in the main estimates to inform Parliament about the outputs and outcomes they want to achieve with the authorised resources. Including output and outcome information in the budget however, does not necessarily mean that this information is used in the budget process. The reporting cycle in 2006 shows how reports providing performance information relate to the calendar and the estimates.

In the UK there is a whole cascade of public service agreement related documents which support internal use: service delivery agreements, delivery plans, delivery reports, annual reports, framework documents, corporate plans, departmental reports, charters with an increasing challenge to make them coherent.

In the US the potential to use performance information internally is significant (see Table V.xxxiv of US country file). The largest potential for real payoffs from using performance information may be in the area of agency management of resources once they have been provided in the budget process. Even if the performance information has not played a significant role in the budgetary approval process, it can still influence the execution of the budget in the agency. Agencies have a significant discretion in allocating resources between programmes and between regional units. Also, performance information is connected to internal managerial issues such as adopting new programme approaches, setting individual job expectations, rewarding staff, and developing and managing contracts.

Reporting of performance

Understanding reporting requirements and practices is only possible within the context of the measurement focus and the framework of a performance measurement system. It also should be put in the context of a sequence of documents that should have a cyclical coherence.

In the Australian case, outcome appropriations are linked to portfolio budget statements, which are linked to the annual reports. Outcomes are the intended and expected impact of the public sector on a particular policy field. Outcomes are at the same strategic level as the mission of an organisation, but are supposed to be more external and less value laden. In the Australian system, outcomes are important because this is the appropriation level. There is a list of requirements for a good outcome description. Portfolio budget statements (PBSs) are part of the budget papers and provide explanatory memoranda on the provisions of budget bills. Detailed information is provided on the outputs and the administered items at portfolio level. The Department of Finance provides minimum requirements for the PBS. The official criteria for agency annual reports include: review of the preceding year; overview of the department's role and functions, organisational structure, and outcome and output structure; report on performance; review of performance in terms of efficiency of outputs and effectiveness in achieving planned outcomes; actual results against PBS performance standards for outcomes and outputs; analysis and interpretation of performance information; management and accountability covering corporate governance and contracts; and human resource management including performance pay.

The Canadian guide for reports on plans and priorities (RPPs) and departmental performance reports (DPRs) has been integrated for the reporting

cycle to reinforce their complementary roles. The RPP presents planned spending information on strategic outcomes and programme activity, and covers priorities, expected results and resourcing for a three-year period. The DPR records results achieved against performance expectations in the RPP, with explanations of progress made towards strategic outcomes. The report may be structured in a way suitable for telling the performance story of the department, but consistency is maintained through mandatory sections for both RPP and DPR (departmental overview, including the programme activity architecture; analysis of programme activities by strategic outcome; and supplementary information). Annual guidelines are set for plans and priorities and departmental performance reports based on reporting principles and a set of integrating principles that reflect their complementary features. The combined documents are designed to indicate the links between plans, performance and achievements, and with the whole of government planning and reporting framework, which provides a comprehensive overview of resources and results.

The UK has a complex set of reporting documents based on different institutional linkages and the related documentary requirements in the planning, control and reporting cycle (see Appendix, United Kingdom, Figure V.xxxv). Leaving aside the several documents required of executive agencies, minister's departments have a public service agreement, a two-yearly agreement with HM Treasury on prior policy objectives and targets for the next three years. PSAs consist of an aim, objectives, performance targets, value-for-money targets and a responsibility statement, plus a technical note to explain measurement itself. The operationalisation of the PSA is through Delivery Plans and Delivery Reports.⁴ With the delivery plan, departments plan an implementation trajectory to reach the PSA targets, whereas the delivery report is for departments to report to Cabinet Office and HM Treasury on the implementation of their PSA targets and their delivery plan. They are presented to the Cabinet Committee on Public Services and Expenditure, and are neither communicated to Parliament nor made available to the public.

Departments and agencies submit to Parliament an annual report and accounts and a spring departmental report on progress and plans. The autumn report on the performance of the previous year (outputs, performance, accounts) includes the annual report, Statement of the Accounting Officer's Responsibilities, Statement on Internal Control Primary Statements and Notes to the Accounts, and the Audit Opinions and Accounts. For policy and management control the annual report, the statement on internal control, and the Statement on Resources by Aims and Objectives are crucial.

Agencies in the US are required by the GPRA to submit a three-year strategic plan, an annual performance plan and an annual performance report. Steps have been taken to transform the performance plan into a performance budget. Beginning with the 2005 Budget, agencies submit the performance budget instead of an annual performance plan. The performance budget is

organised as a hierarchy of goals linked to performance and cost information: strategic goals (aim and purpose of the agency, spanning several programmes and several agency organisational units); long-term performance goals (outcome goals at programme level); outcome targets and resources (full cost); annual performance goals (output goals at programme level); and output targets and resources (full cost). The annual performance report provides information about departments and agencies performance and progress in achieving the goals as set in the strategic plan and the performance budget. The cabinet departments and nine independent agencies have to integrate the annual report required by the GPRA with the accountability report and submit this combined performance and accountability report.

Using in practice

The comparative information in Table 7.2 suggests the following for the early 2000s. All countries use performance information for internal purposes. The parent ministry is important in the UK, but not generally in the other countries with the partial exception of Sweden. The Ministry of Finance category is somewhat more significant in the US than the others (although Australia and Sweden use performance information for allocating resources between programmes and adopting new programmes). Only the US makes use of performance information at the level of chief (political) executive. Only Sweden makes use of performance information at the level of cabinet. Canada is absent from all categories except internal to ministry/agency.

Performance information: The quality of financial information has improved as a result of the Australian outcomes/output framework in registering government preferences (intentions and results) and by allowing performance indicators to be explicitly identified (DoFA 2006b: 10). However, performance measurement of outcomes has continued to provide difficulties despite its centrality to the resource management framework (Wanna and Bartos 2003). Output information is considerably better than that for outcomes. Australian output performance measures are generally more appropriate and measurement more reliable (McPhee 2005: 3). In a review of performance reporting in departmental annual reports, the Australian National Audit Office indicates the need for improving information with respect to specification of the performance framework and the quality of measures and the reporting of results (ANAO 2003). The Auditor General reports that performance information is being used by decision makers for policy development and allocating resources but the actual ‘influence of outcomes and outputs information on decision making was mixed’ (McPhee 2005: 3, 4).⁵

In the US there is in general a positive evolution in the percentage of agencies measuring performance. This can be explained by the fact that in 1997 the GPRA was only implemented in pilot projects whereas it was implemented fully in 2000. In 2003, 54 per cent of the federal managers reported having output measures to a great or very great extent.

Table 7.2 Self-reported use of performance information in decision-making in case countries*

	<i>Internally within agency /ministry</i>	<i>Parent ministry</i>	<i>Ministry of Finance</i>	<i>Prime Minister/ President's office</i>	<i>Cabinet</i>	<i>Legisla- ture</i>
Allocating resources between programmes	AU, CA, SW, UK, US	SW, UK	AU, SW, UK, US	US	SW	US
Allocating resources within programmes	AU, CA, SW, UK, US	UK	US			
Setting programmes priorities	CA, UK	SW, UK	SW		SW	US
Changing work processes	CA, SW, UK, US	UK	US			
Setting individual staff performance plans	AU, CA, UK, US	UK				
Adopting new programme approaches	AU, CA, SW, UK, US	SW, UK, US	AU, SW, US		SW	
Do not use			CA	CA	CA, UK, US	AU, CA, UK, SW

* Netherlands checked all boxes except those in the 'Do not use' row, thereby making the information unusable.

Source: adapted from OECD and World Bank 2003: Table 5.4.c.7

In the UK, the National Audit Office looked at indicators used in public service agreements 2001–2004. Evidence demonstrates that the majority of the indicators used (43 per cent) are collected by departments, 19 per cent have non-departmental public bodies, and 14 per cent national statistics origins. The remaining indicators are from local government and the health service (12 per cent) and international organisations (13 per cent). The same survey showed that the initial distribution of indicators changed the proportion of indicators from 7 to 5 per cent for input, from 51 to 14 per cent on process, from 27 to 13 per cent on outputs, and from 15 to 68 per cent on outcomes (see Table V.xxv in the UK country Appendix) (NAO 2001).

In Canada, for each strategic outcome and programme, resource allocations and performance indicators have to be defined. However, reporting on

outcomes has been difficult. An assessment of departmental performance reports of 2001 showed that only thirty-one of the eighty-four examined reports were focused on outcomes, but many of these could be classified as outputs produced by the department and focused on activities under its control. The assessment of the departmental performance reports of 2002, showed a stronger focus on outcomes, although many reports were still largely focused on activities, outputs and immediate or intermediate outcomes (TBS 2003) (see also Canada country file).

According to Curristine (2005b: 100) almost 75 per cent of countries reporting in the OECD survey mentioned extending coverage, a strong focus on outputs, and about 52 per cent are moving to outcomes. In general the UK, US, Canada and Australia are significantly above the average practice.

Performance and budgeting: Performance information is meant to inform the budget process. For Australia, budget information is now 'more comprehensive, based on external reporting standards, and provides better alignment between appropriation Acts, PB Statements and agency annual reports' (DoFA 2006b: 11).⁶ The Australian outcomes policy provides for agencies to use performance information in budget decision making, but the potential has not been achieved because of the variable influence of this information on decisions and resource allocation during the process. The Finance Department is exploring means for improving the use of performance information by revising the information required for new policy proposals and making greater use of reviews, regarded as an instrument through which performance information can be fed into budget decision making (e.g. through the automatic review of lapsing programmes). Reviews are not registering much impact at present because only a minute proportion of total expenditure is affected (DoFA 2006a: 7).

In Canada, main estimates are structured as a traditional programme budget, but since 1995 departments and agencies report on their plans and priorities in the main estimates to inform Parliament about the outputs and outcomes they want to achieve with the authorised resources. Including output and outcome information in the budget, however, does not necessarily mean that this information is used in the budget process.

According to the OECD 2005 survey 'the majority of MOFs across OECD countries make use of performance measures in the budget process . . . Performance measures or evaluations are rarely used to eliminate programmes or to cut expenditure' (Curristine 2005b: 114). There is a practice that performance information is there to inform but not to determine budget allocations.

Individual and organisational performance: The alignment between agency goals and organisational priorities and their performance management systems is variable. Many Australian agencies lacked systems for supporting performance management, and were not assessing the internal impact of performance management systems. As a result, performance management was not contributing to effective business outcomes (ANAO 2004). The

credibility of performance management systems as they affect individual public servants has been exposed by several inquiries. In particular, the credibility of agency performance pay systems continues to be problematic with the proportions of employees judging aspects positively being relatively low and a decline in ratings of the operation over the last two years surveyed. The ANAO concluded that the significant investment in performance-linked remuneration delivered only patchy results and produced uncertain benefits. Performance management in Australia has been officially depicted during the 2000s as a 'work in progress' with major challenges, particularly on the issues of credibility and staff engagement. APS employees have continued to perceive a gap between their experience and the rhetoric (ANAO 2004; APSC 2005; Halligan 2007a; MAC 2001).

In the UK, definitely in local governments, but also at central level, there is an 'instrumental-managerial' focus on performance measurement (Sanderson 2001). In combination with the top-down conditioning of performance, the individual and organisational performance may be in tension. In the annual report there is a brief description of how the various elements of remuneration were determined for the members of the management board and, if the latter were by a standard process, a reference to the appropriate report of the Senior Salaries Review Body suffices. Details of remuneration or a reference to where such information is given is provided in the notes to the accounts.

Agency variation: There is considerable variation among agencies in how they engage and show up on performance management. This reflects in part the nature of agencies with some types more able to demonstrate effective use of performance information, but this also depends on other factors such as leadership. Significant variation exists in the quality of and information used in annual reports. Variability also exists in the alignment between the goals and organisational priorities of many Australian agencies and their performance management systems. In the US the PART scores demonstrate the variance. In Canada the TBS and the OAG have developed scoring systems to measure the quality of performance reporting. All these scores show a significant variance between organisations.

Crucial issues are whether there is a policy for a bottom line of measuring, incorporating or using performance information, whether there is a culture of champions (with publicised scores, or red/orange/green labels), and whether there is a maximum tolerated variance.

Reporting of performance: The reporting in Australia of outputs and outcomes is generally appropriately specified in annual reports and the quality of performance reporting has improved substantially since the introduction of accrual-based budgeting. Nevertheless, improvements in annual reporting frameworks have been urged to enhance accountability and transparency to stakeholders, particularly parliamentarians, because of shortcomings in the presentation and analysis of performance information in annual reports. In Canada, the success of performance reporting seems to be positively correlated

with evidence that the information is used for decision making or programme improvements. A study by the Treasury Board Secretariat indicated that departments with satisfactory to very good departmental performance reports scored high on the use of performance information for learning and for decision making. 'In most of these cases the performance information has a strategic quality to it . . . and the focus is on outcomes, with a clear indication of the logic between what the department does and produces and how this contributes to the outcomes' (TBS 2003: 2.1).

System assessment

The first section considers the extent to which the countries are actively cultivating and managing performance, the second makes an overall assessment.

Administrating, managing or governing performance

The Australian approach has been to combine framework reform at intervals with regular strategic adjustments and fine-tuning. The steering is centred on the Department of Finance (now with augmented powers) with occasional oversight reports on issues from the Management Advisory Committee (a collective of departmental secretaries), and annual reporting on the state of the service by the Public Service Commission. This is under the guidance of the head of the public service, the secretary of the Department of Prime Minister and Cabinet who makes regular statements about reform and whose department monitors delivery and manages a number of whole of government initiatives. The Management Advisory Committee has reviewed performance management with the application of a strategic framework (MAC 2001). More recently there have been the Australian National Audit Office analysis (ANAO 2004, 2007) and the Australian Public Service Commission's annual surveys (2006), which rely substantially on the MAC report. MAC is also used for related reviews of IT and whole of government. The annual report by the Public Service Commissioner on the state of the public service (APSC 2006a) covers a number of fields including values, whole of government and performance management. The Commission has extended evaluation based on surveying employees and agencies to scrutinising the institutionalisation of espoused principles in agencies more closely (APSC 2006a).

The approach in the UK has been a combination of strategies of the two primary central agencies, the Cabinet Office and Treasury.

Canada has been the most enigmatic of the Anglo-American systems with a public service system that reflects both the Westminster tradition and the influence of the US, but retains an administrative tradition and public service that remain distinctively Canadian. In terms of management reform, two features are well established: the innovative, creative quality that has produced many significant management ideas over the decades; and the lack of

assurance when it comes to implementing new initiatives systematically. Canada was one of the first countries to explore management reform but was slow to incorporate and institutionalise it. In some respects the public service remained unmanagerialised; yet, despite having never fully embraced managerialism, the Canadian public service exhibits many standard management features and has experienced the tensions and conflicts produced by attempts to change the administrative culture. New public management was not introduced rapidly or through a sustained reform programme at the national level. The Audit Office often filled the vacuum left by lack of sustained leadership from senior politicians and lead central agencies.

The verdict in 2000 was damning (Aucoin 2001; Holmes 2001): slow progress in using information on results; weaknesses in management reform process; divided responsibility for human resource management; and limited parliamentary review compared to other jurisdictions. The OAG continued to raise issues 'about the quality of financial data, the lack of focus on outcomes, problems of coverage of performance data, and information from new forms of service delivery' (Talbot *et al.* 2001). By the mid-2000s, these questions had been responded to, if not convincingly addressed in practice. The Canadian approach to integrating human resources management has required six agencies instead of four (OAG 2005a). There appears to be a shortage of independent analysis, although scepticism about performance management and the mandatory federal agenda abound (Clark and Swain 2005; Thomas 2004). The new approach is heavily top-down featuring central agencies, particularly the government's 'management board', the Treasury Board Secretariat.

The US has had a significant historical influence on other Western countries in managing performance in the public sector (e.g. PPBS, MBO, and ZBB have been exported to OECD countries). Then there was a break in the reform innovations within the federal level until a new era started with GPRA and the National Performance Review (NPR) that were launched in the early 1990s. According to Kettl 'No executive branch reform in the twentieth century . . . has enjoyed such high-level attention over such a broad range of activities for such a long period of time' (Kettl 1998: v). Nevertheless, NPR was more ad hoc than institutionalised, and was never connected to GPRA. It took some time before GPRA went beyond the pilot stage and became the standard for practice. However, there was an effort to consolidate and to create a converging strategy of managing performance. The Report's Consolidation Act intended to streamline reporting requirements by allowing each agency to submit a consolidated financial and performance report.

Under Bush, the focus has been on making the GPRA more effective, using PART as a complementary and major tool to push for performance. The purpose has been to integrate performance information, to use this information, and to improve performance. According to Posner in a GAO testimony to a congressional committee, 'one way of improving the links between PART and GPRA would be to develop a more strategic approach

to selecting and prioritizing areas for assessment under the PART process' (GAO 2004a: 10). The philosophy is one of managing for performance. The mechanism is to evaluate, to assess, and to judge publicly the performance by offering information on performing and not-performing agencies.

Assessment

Australia has a fully operational performance model that works successfully in incorporating and using performance information. The early programme and results focus laid the foundation for evolving towards a more comprehensive system. Outputs were recognised in the early days, but were not measured until the outcomes/outputs framework, when they were introduced to measure service delivery for external stakeholders. The quality of financial information has improved as a result of the outcomes/output framework in registering government preferences (intentions and results) and by allowing performance indicators to be explicitly identified (DoFA 2006b). However, measurement of outcomes has continued to provide difficulties despite its centrality to the resource management framework. Output information is considerably better, performance measures are generally more appropriate and measurement more reliable than those for outcomes measures (McPhee 2005; Wanna and Bartos 2003).

As for how performance information is used the picture is one of both improvements and continuing shortcomings, including considerable variation among agencies in how they engage performance. First, budget information is now 'more comprehensive, based on external reporting standards, and provides better alignment between appropriation Acts, PB Statements and agency annual reports' (DoFA 2006d: 11). The outcomes policy provides for agencies to use performance information in budget decision making, but the potential has not been realised because of the variable influence of this information on decisions and resource allocation during the process. Second, with regards to reporting, outputs and outcomes are generally appropriately specified in annual reports and the quality of performance reporting has improved substantially since the introduction of accrual-based budgeting. Nevertheless, improvements in annual reporting frameworks have been urged to enhance accountability and transparency to stakeholders, particularly parliamentarians, because of shortcomings in the presentation and analysis of performance information in annual reports (Halligan 2007b). In summary, the official Australian model readily fits within the Performance Management type. In practice, the implementation of the model has not been fully realised, and work continues on how to achieve more effective performance management.

Canada languished in Managements of Performances for a long time, but a sustained programme has moved it into the Performance Management type. The current model was preceded by a sequence of initiatives that produced an ambitious scheme for departments. Given Canada's earlier reputation for

weak implementation, recent initiatives seem to be more promising, but their impact remains unclear. The performance indicators have been expanding in recent years and are under review with the intention of rationalising and reducing them. There has been a developmental logic that is cumulative at this stage, but the Canadian system appears to have reached a turning point with questions being posed centrally such as: When to release performance information publicly and when and how much to devolve? (Fonberg 2006). The lack of fuller information makes it difficult to form a firmer judgement on practice.

In terms of tolerance of variance, Canada appears to be at the stage where the mandatory and centralised approach to management improvement is unsympathetic to variation. This is both by comparison with the past where departments had considerable autonomy and with expectations for the future as centralised controls are relaxed.

The UK's PSA regime has been 'a novel and ambitious tool for steering and coordinating public activity' (James 2004: 398) that 'was designed to bring all of central government under a system-wide performance regime to reduce fragmentation'; and 'intended to promote Treasury influence over the priority setting of bodies beyond central government' (James 2004: 400, 401). Reported limitations include frequent changes to targets, the weak link with systems where relevant activity occurs, and the use of presentation strategies for blame avoidance. Moreover, PSA objectives are not necessarily clear on priorities and PSAs appear to have weak incentive effects on priorities (James 2004).

In theory, measures cascade from PSAs to other frameworks and plans at regional and local levels; in practice further plans, strategies and indicators may need to be taken into account. Treasury is central to the agreement on a limited number of targets and indicators but is not formally involved in the cascade process; it is the departments that have discretion over the application of PSA objectives and targets. Their research suggests that 'indicators cascading through the public sector appear to be multiplying at a significant rate'. However, there is a lack of priority among indicators at the local level, and a disconnect between PSA and Best value regimes. They also suggest that measurement systems do not 'provide a means of influencing behaviour and action in the public services to ensure that individuals focus on the delivery of priorities' (Neely and Micheli 2004). The problems in complex delivery chains for public services have since been examined by the National Audit Office (2006).

The 2007 CSR is designed to go beyond 2004 aspirations for efficiency. The focus on reforming service delivery involves 'strengthening accountability, as part of an overall framework for devolved decision making, is a key to this reform agenda to ensure that public services are responsive to needs and preferences of individuals and communities'. It covers clear goals and national standards, frontline flexibility and capability, community and citizen engagement and empowering users (HM Treasury 2006: 140–2).

The official US evaluation of PART is rather positive. According to GAO and OMB the PART review process stimulated agencies to increase their evaluation capacity and the available information on programme results (GAO 2005a). However, even if the PART process has helped OMB's oversight of agencies, stimulated agencies' efforts to improve programme management, and created or enhanced an evaluation culture within agencies, most PART recommendations have focused on improving outcome measures and data collection, not on short-term observable performance improvements (GAO 2005b). One example of an upgrade of information is aligning senior executive's performance with organisational results as an important step toward government-wide transformation (GAO 2006).

Dissonant voices come from the academic world where Radin (2006) is clearly convinced that PART is detrimental to increased performance. Also Gilmour and Lewis have clearly stated that PART proves that:

if the measurement process is not neutral, political considerations may warp the assessment, as well as their application . . . it is discouraging that the impact of PART is limited to Democratic programs . . . PART scores influenced budget allocations for programs housed in Democratic departments but not other programs. This last finding underscores the difficulty of using performance information in an impartial way. It appears to be easier to implement performance budgeting with programs that one does not support.

(2006: 750–1)

The greatest accomplishment of four years of PART:

has been in producing useful assessments of 800 programs. OMB is on track to finish assessments of all federal programs in 2007. There is evidence that PART assessments have an impact on allocation decisions in the president's budget. Yet, thus far there is little evidence that PART has caused significant changes in program management.

(Gilmour 2006: 6)

Apart from obvious contingencies both 'the Clinton and Bush management reforms agendas outlined a vision to achieve the goals of their administrations . . . The Bush Administration tacitly endorsed many of the Clinton reforms' Milakovich (2006: 476) according to a comparison of their performance management strategies, even if Bush shifted to partisan policy ends.

The US country model has coherence across presidents. The GPRA/PART infrastructure links strategic objectives to outputs and resources. There are periodic assessments in a context of using performance measures for different purposes. The ultimate purpose is to guarantee performance for the public, including trust. This corresponds well with a Performance Management ideal type.

Conclusion

This chapter has focused on the Performance Management ideal type and countries that fit comfortably within it in terms of their official models (plus two that did not qualify despite active programmes of managing performance). The second task was to compare practice with the official models in the four countries.

The countries examined in this chapter have been highly committed to performance management over two decades during which they have refined their measurement and performance framework and increased their capacity to monitor performance. The countries have followed different pathways within a performance management framework during these two decades. Their early implementation styles differed in terms of conceptions of the relationship between outputs and outcomes, the responsibilities given to chief executives and the roles of central personnel agencies in handling performance oversight. The exigencies of reform agendas have produced a considerable convergence on public management during the 2000s.

Yet there remain significant differences in two respects. Despite common elements, there continue to be differences in approach and with the technical treatment of outcomes and outputs. In terms of their reform cycles, two countries are implementing their main initiatives that qualify them for the Performance Management type (Canada and the United States). The Netherlands is also implementing a new approach, but like Sweden, which seems to have been the less mobile of the six, falls outside the Performance Management category. The country models continue to evolve and be refined in Australia and the United Kingdom.

More importantly, practice continues to fall short of aspirations, and significant questions remain about the quality and use of performance information in the budget process, internal decision making and external reporting and the variable engagement of agencies. There continue to be other issues about the level of application by public managers in practice. There are significant challenges to accomplishing sophisticated performance management and limits to a heavy reliance on this approach (Bouckaert and Halligan 2006), as discussed in the next chapter.

8 Paradoxes and disconnects in managing performance

Chapter 8 examines a set of issues with managing performance centred on the key disjunctions that provide the basis for much of this comment. In this respect, it contrasts with Chapter 7, which examined country practice against the official models that most seem to approximate the Performance Management type. Here the concerns are paradoxes, contradictions and unsolvable problems. Accountability, a complex area, is given special treatment.

The starting point provides a review of several types of critique of performance management and measurement. Four types of critique of performance management stand out. The first says that rationality is unrealistic and prone to excesses and that technical specifications are problematic. This is the standard critique about the reliance on rational thinking (e.g. Christensen and Lægheid 2004). A standard approach depicts the official model meant to be operating and then upbraids it for failing to recognise the complexities of systems in practice that involve several different logics (Christensen and Lægheid 2004). The other side to this is that systems are too imbalanced where there is insufficient attention to a range of factors that shape organisational behaviour. An extension of this line of thinking is the concern with too little trust (e.g. Gregory 2003).

A second critique is that rationality has costs. These may be defined as resources and therefore represents the outlay in terms of up-front investments and high transaction costs of maintaining the systems. Further, it is argued that the unintended consequences are substantial and need to be factored into the costing. Thus a recent article examines ‘Siberian’ mechanisms about results being the opposite of desired effects (Bevan and Hood 2006; Hood and Peters 2004).

The third type of argument is that the performance approach fails in practice. It stumbles, as it is unable to fulfil expectations because of difficulties with delivery, its complexity and contradictions. A variation is that performance management ignores how dependent operations are on informal relationships that contain and prevail over behaviour. The business as usual conception does not work.

A final argument is influenced by complexity theory and argues that linear constructs do not reflect reality.

Not all of these critiques focus exclusively on performance management, but cover elements of it. There is of course a range of measurement-related issues that might also be covered here (but have been examined in Chapter 4).

Major disconnects

Disconnects are points at which there is communication failure and transmission confusion. They refer both to the performance sequence and the interface with the policy context and the environment. Three major types of disconnects exist: those within the performance sequence and policy cycle; those connecting with the broader environment; and those relating to capacity. The disconnects of the third category are implicit in the questions underlying the different ideal types discussed in the previous chapter, including that between the organisational and individual levels of performance. Questions about management capacity – level of connectedness and engagement and system qualities have been addressed there. The focus here is on the following disjunctions:

- 1 span of performance: outputs and outcomes/effects;
- 2 span of performance: outcomes/effects and trust;
- 3 policy cycle disconnected;
- 4 depth of performance: micro, meso and macro levels;
- 5 producers/users disconnect;
- 6 responsibility/accountability for performance.

Disconnects in the span of performance

Referring to Figure 1.1 in Chapter 1 (p. 16), two major disconnections arise within the span of performance between outputs and outcomes/effects and between outcomes/effect and trust. Obviously it is also possible to have disjunctions within the ‘black box’ between resources and activities, within processes, and between throughput and output. Elements of inefficiency and waste are not discussed here.

Performance is relevant for (policies of) single organisations, for substantive policy areas and for the macro level of countries. The general purpose is to describe the link of resources with activities and outputs, to link outputs to effects of organisations and their policies, and sometimes even to link this to satisfaction or confidence in single organisations, policies or their institutions. Essential information for policy makers is linking expenditure to outcomes/effects and to confidence at all levels, if possible. However, outcomes are not always attributable to outputs and the logical models are not always very strong in their causality. Since this is a dynamic part of the scheme with a lot of interference from a changing environment one could

talk in terms of a first Grand Canyon in the span of performance. A second disconnection is between these outcomes and trust (in the organisation, the policy, the system). The causal link between outcomes/effects on the one hand, and confidence on the other hand is very loose, and neither theoretically nor empirically very convincing. However, trust as an element of social capital in a system may be influenced by outcomes. Even if a positive change in outcomes does not necessarily lead to an improvement of trust, the reverse mechanism seems to be stronger: a decrease in outcome puts a negative pressure on trust.

Comparing performance between countries is a challenge. There are differences in institutions, definitions and registration procedures for data, and there are longitudinal inconsistencies. Also, data are incorrect, preliminary, inconsistent and incomplete. However, these reasons are insufficient not to look for performance data and information, integrating and using this in policy decision making, results upgrading, and enhancing accountability.

Figure 1.1 (p. 16) places inputs-throughputs-outputs-outcomes/effects-trust in the context of general and operational needs and embedded policy objectives that are interacting with environments. This scheme allows us to define the economy, efficiency/productivity, effectiveness and cost-effectiveness of organisations, policies and countrywide analysis. As a consequence the available performance information permits the development of a policy focus on this economy, efficiency, effectiveness, cost-effectiveness and even linkages to confidence. Defining the responsibility for performance, however it is expressed, will immediately determine who is accountable for that performance. However, this systemic approach also causes some significant problems affecting performance.

Disconnections in the policy cycle

A classical picture of a policy cycle consists of policy development including an internal and external *ex ante* evaluation resulting in a decision, implementation with monitoring and control, and evaluation with an internal and external *ex post* stage. Figure 1.7 in Chapter 1 (p. 33) shows this logical sequence as a cycle. There are plenty of potential disconnections. First, there could be a different span of performance between the stages. Second, it is quite common that there is disconnection between the different stages, especially if principles and agents are spread differently across this cycle. Third, there is a possible disconnection between measurement, incorporation and the use of performance information along the policy cycle. Fourth, there may be disconnections within a stage of the policy cycle, e.g. between the various management functions in the implementation stage. This is one of the differences between the ideal types of Managements of Performances and Performance Management.

Disconnections in depth of performance between micro, meso and macro levels

A systemic approach also causes some significant problems affecting performance measurement and management of 'substantive' policies, and therefore requires a 'performance measurement and management' policy itself. It is clear that micro (single organisation), meso (substantive policy) and macro levels (government wide) are not necessarily harmonious and compatible (Figure 1.6 in Chapter 1, p. 26). There are obvious conflicts between on the one hand individual schools or hospitals (which may aim at maximising numbers of students or patients) and on the other hand educational and health policies that are designed to control or even limit (and definitely audit) numbers of students and patients.

Also, well functioning and performing single organisations do not always guarantee a well functioning and good-performing policy. Good-performing micro levels are necessary but insufficient for a well-performing meso level. Performance measurement systems should make this visible and performance management should take this into account by looking at micro, meso and macro performance management.

Third, several and different single organisations may contribute to a general effect/outcome. Environmental policies are implemented by a whole range of agencies (inspection, subsidies, direct intervention, communication, etc.), which may be disconnected. Micro performance should be consolidated at the policy level. But defining the level of attribution of separate well-performing agencies to a general policy effect is impossible. Therefore performance measurement systems should be developed at the level of a substantive policy field (meso), and at a single organisational level (micro). Government-wide indicators (macro) are also indispensable and have been developed in several OECD countries (US, Canada, Australia).

From a performance management policy point of view this implies that an integrated micro/meso/macro performance focus is needed. New public management has concentrated more on the need to guarantee an optimal micro level than a meso level, even up to ignoring the coordination of single organisations in a substantive policy field. This also requires a policy to integrate, to add or to consolidate the micro into the meso, and the meso into the macro level.

Performance management also requires a clear statement on how this performance information will be integrated into the financial cycle (budgets, accounts, audits), the contract cycle and the policy cycle. It is crucial that performance based information is consistently integrated in a coherent way in the three related financial, contract and policy cycles. This is probably a requirement to guarantee evidence-based policies in all stages.

Disconnects between producers and users

There is essentially a disconnect between demand and supply of performance information. If the rather dismal option of no supply/no demand is ignored, there is supply but no demand, and demand but no supply.

Where there is demand but either no or insufficient supply, the politicians are frustrated. The question of demand arises more clearly when performance systems are being developed and the available information does not satisfy government needs. Under a mature performance management system, it would be expected that the information would normally be produced, although that is not necessarily the case.

The ownership of performance management initiatives usually lies within the administration. The administrators often complain about the lack of interest of politicians and the public in performance information – until things go wrong. This leads to frustration because there is a supply of performance information but no demand. This may produce a red tape problem. An interesting approach to alleviate the problem is to make performance measurement more demand oriented. This implies the involvement of citizens and politicians in the definition of performance indicators (see, for example, the project of the National Centre for Public Productivity 2002: Bouckaert and van Dooren 2003).

The principle cause is the lack of interest of politicians and/or citizens, and it is not hard to envisage situations where enthusiastic administrators have generated relevant indicators only to have them ignored. Non-government politicians are most interested in information that allows critique of the government.

A chronic problem is the sheer volume of information, which has some performance element, being generated in many systems either by the public service or Parliament. Gaining attention becomes difficult.

Accountability and performance

Accountability for performance is a special case because it raises a range of issues and the focus on external and public reporting provides insights into the complexities and challenges of performance. This attention also exists because accountability for performance has transformed thinking and behaviour with accountability having acquired iconic status because of its rising significance (Mulgan 2003). Accountability has been a rapidly evolving dimension of the state apparatus in countries internationally. The environment of the state has changed in distinctive ways across the last three decades of public sector reform, with major implications for accountability. For many observers the starting point for the analysis of measurement and performance is accountability because the relationship is so central (Flynn 2002; Heinrich 2002).

The general accountability environment is a starting point for analysing accountability and performance because accountability frameworks predate performance management and persist despite the advent of the specific requirements of performance, measurement and management. In an ideal system, symmetry and integration between the two might be expected. In practice, the operation of performance management depends in part on the degree of alignment and connectedness between the two. This is unlikely to be readily resolved in practice because accountability serves different purposes, only one of which is performance improvement.⁷

Changing accountability systems reflects the range of external and internal factors involved (Hood 1994) in originating, extending and attenuating a mode of accountability. How this works can be illustrated by two sets of contradictory trends of the reform era that operate in conjunction with and despite the performance movement. On the one hand there has been the international move towards greater public scrutiny and increased accountability; on the other hand, governments in conjunction with the business sector, have transferred functions to the private sector and circumvented public accountability requirements (Mulgan 2003). At the same time, accountability has been subject to political demands to a greater extent, which has increased political control of the bureaucracy through the enforcement of hierarchical relationships and the penetration of political influence (Halligan 2003a). Simultaneously, the attrition of parliamentary power continues under executive dominance, while other external oversight agencies (e.g. the Auditor General) have been subject to both executive constraints and augmented roles.

Environmental change has produced an extension of accountability responsibilities from the traditional to successive new modes. As a consequence, tensions arise between both different types of accountability and multiple relationships (or 'many masters').

Many accountabilities and performance

An accountability management conception is used in which responsibilities are delegated downwards to public servants and accountability is upward to either the account giver or authoritative oversight agencies. Under this conception accountability has a fairly definite meaning, a serviceable definition being 'a relationship in which an individual or an agency is held to answer for performance that involves some delegation of authority to act' (Romzek and Dubnick 1998).⁸ This excludes other meanings and mechanisms of accountability. However, responsibility can also be recognised as meaning the choices and values that public servants bring to bear in interpreting the duties (i.e. responsibilities) that are delegated to them, and its significance as an integral part of the accountability framework (Gregory 2003).

Accountability can encompass political (in the sense of members of the political executive with ministerial responsibility), persons and agents to whom one must account (superiors, central agencies), and external bodies of oversight and review (Parliament, audit, administrative appeals). Respon-

sibility may also be conceived with varying degrees of breadth, the interpretation being more expansive under particular institutional arrangements (e.g. the US environment) and in terms of the value accorded to other 'stakeholders'. It is commonplace then to recognise different accountabilities (Behn 2001; Romzek 2000). In addition to bureaucratic and political accountability, there is public accountability to different publics (e.g. consumers and clients); administrative accountability to non-political bodies; legal accountability to the courts; and professional accountability to the norms and practices of a profession. Several of these classes of accountability are based on distinctive relationships, making it necessary in practice to manage several accountabilities.⁹

There continue to be new variations on accountability. According to one of the new 'paradigms', accountability for performance is defined in terms of citizen assessments (generally some variation on satisfaction) of services (Kelly 2005). At the same time, shifts in accountability emphases are a constant feature (Romzek 2000). Some accountabilities are fixed in the landscape: political control has been a dominant feature of the reform era with the range of measures being gradually extended. They may also be reactivated in somewhat different guises: thus the hierarchical control of central agencies has declined and remerged without control over transactions.

Accountability evolution can be tracked against environmental change. The public service environment has altered in distinctive ways across the last three decades, with major implications for accountability. It has changed first from the traditional focus on inputs and process to a management environment emphasising outputs and results, and then to a market environment emphasising competitive elements (e.g. contestability), choice, outsourcing and contracts. This produced the greater emphasis on outcomes as well as outputs. Associated with each major change in the environment has been an extension of accountability responsibilities from the traditional core (i.e. ministerial responsibility and the departmental hierarchy) that featured ministerial responsibility to cover successively new modes of external scrutiny (e.g. through new administrative law), accountability management, and more recently market accountability, performance accountability and shared accountability within governance and collaborative contexts.

Following Mulgan, 'at their core all forms of accountability are linked to behaviours associated with account giving' (Dubnick 2005: 382). 'The most basic form of account giving, and the one most neglected in the recent literature on accountability and account giving, is the act of reporting' (Dubnick 2005: 383). The most standardised reporting is normally external reporting to the legislature and oversight agencies. The conception of performance reporting takes the form of two main types of public document: that which records intentions, priorities and anticipating programmes of action; and that concerned with reporting the results. But reporting can still occur under different types of framework (e.g. outcomes and/or outputs) and with a range of reporting mechanisms including the scorecards.

Performance and accountability purposes, conflicts and dilemmas

Two related types of accountability dilemmas are commonly distinguished: the tensions between different types of accountability and the several relationships (or ‘many masters’). A performance-centred conception recognises the primary need for improvements defined either as outcomes or some variation on outputs and resources. Under this conception compliance is less salient as is control. Thus accountability for performance can be compared to financial assurance and compliance, control, and process (or fairness) (Aucoin and Heintzman 2000). There are inherent tensions between accountability for performance and other purposes (Aucoin and Heintzman 2000; Behn 2001).

There are good reasons therefore why accountability might be regarded as ‘a slippery concept’ that is used by different actors in ways that may differ on meanings and basic assumptions (Bovaird and Gregory 1996). For example: New Zealand’s managing for outcomes has been seen as multi-faceted and ambiguous with different observers seeing different purposes. Is it about sustaining management improvement, a self-assessment tool or accountability? (Halligan 2007a).

A fundamental dynamic in the different relationships is the tension between the internal and external domains defined in terms of different accountability mechanisms (Campbell and Halligan 1993). Accountability that is internal and formal is the immediate environment of the public agency, and has both managerial and political dimensions that are hierarchical in character. External mechanisms have the capacity to operate independently of the government – Parliament, the audit office, the appeals tribunal and the court – and press for more exacting public reporting and accountability. Much of the activity around public accountability issues reflects either containment and control activity within the political/bureaucratic hierarchy (culminating with the accountable departmental minister) or conflict between internal and external agenda and pressures. The internal/external distinction is only one of many that may pertain; a recent overview distinguished twelve accountability dichotomies (Thomas 2003).

This points to the need to give attention to constructing an appropriate accountability regime in designing public governance and management systems for improving performance (Aucoin and Heintzman 2000). The existence of separate control structures, probity guidelines and management and accountability frameworks and cycles means that maintaining a performance focus is a continuous activity.

There are then many outstanding questions concerning accountability and performance. These include: the reporting quality and clarity, the relevance of material and the use made of the information. An important issue is whether accountability produces greater performance (Dubnick 2005). All this means that the paradoxes of accountability, discussed below, are prolific.

Paradoxes and contradictions

It is obvious that managing performance affects the functioning of systems, people's behaviours, responsibilities, value hierarchies, etc. As a consequence it is expected that tensions will arise, perhaps even contradictions or paradoxes, and trade-offs. All these relationships prove that managing performance is not a one-dimensional issue with one question, one answer, and a one-to-one relationship between this question and that answer. This complexity could refer to the frontiers of managing performance.

What are the frontiers of managing performance?

It is interesting that Radin observes that several European academics, contrary to Americans, have studied perverse effects of performance measurement 'suggesting that there may be more attention to these negative effects in Europe than in the United States' (Radin 2006: 18). It may be explained by the firm, perhaps blind belief in the US in a rational model where a focus on performance leads to better performance. According to Radin 'the focus on performance is limited and can be misleading' (Radin 2006: 7). One of the misguided consequences is gaming. Hood (2006) distinguishes between three types of gaming in the field of managing performance. There is the ratchet effect where targets are changed only incrementally resulting in a performance below the production frontier. The threshold effect with a uniform target gives no incentive at all to the excellent ones and even encourages them to reduce their performance. Finally, there is a blunt effort to manipulate reported results.

It becomes clear that managing performance is not a rose garden, hence, the following list of a number of tensions, ambiguities, paradoxes and even contradictions:

- 1 improvement is not better performance: about value conflicts;
- 2 the more we focus on performance, the fewer results we may expect;
- 3 more performance management does not lead to better management;
- 4 the more performance information is available, the less it is used;
- 5 better performance does not equal better results but better communication;
- 6 the best performance measurement system is measuring the unmeasurable;
- 7 the better the performance, the worse satisfaction and/or trust may be;
- 8 performance management is the best non-workable system;
- 9 micro performance does not result in meso performance;
- 10 more responsibility for performance does not lead to more accountability for performance.

These ten propositions will be explained in turn.

1 Improvement is not better performance: about value conflicts

The search for the Holy Grail in the public sector has taken different shapes. Performance has been a very dominant and visible one in the last decades. Nevertheless, other values or objectives are still very powerful and result in potential conflicts of values. Several researchers have referred to these tensions, trade-offs or even contradictions.

According to Van de Walle there are competing values between on the one hand efficiency and competition and on the other hand equity and universality. This seems to be especially the case for services of general interest such as transport or water (Van de Walle 2006). There is an observed tension between scientific management, market responsiveness and performance measurement versus ethics and prudence (Kane and Patapan 2006). The more there is a focus on results, the more nonmission-based democratic-constitutional values are under pressure. Even if the results and performance focus are supposed to upgrade decision making and accountability in order to enhance the functioning of our democratic institutions, the opposite seems to occur. Democratic-constitutional values such as, e.g. representation, participation, transparency and individual rights, in many cases, are not explicitly part of missions. 'Freedom of information illustrates the problem of protecting nonmission-based, democratic-constitutional values in results-oriented public management . . . focusing on results may weaken commitment to democratic-constitutional values by default' (Piotrowski and Rosenbloom 2002: 643). And Hendriks and Tops describe Dutch and German reforms as 'between democracy and efficiency' (Hendriks and Tops 1999). According to Radin there are trade-offs between values of efficiency and equity (Radin 2006).

A special focus should be on performance information and democracy. Important questions have been raised about the main end users of performance information and their special status under liberal democratic theory. The argument has been put that 'the current fashionable discourse of participation and "stakeholder democracy" tends to obscure this difference'. In this context, 'direct democracy' is 'a supplement to and enrichment of, not a replacement for, representative democracy' (Pollitt 2006a: 41). The dynamics for defining conflicting values, including performance, and their priorities are different in a direct democracy or a representative democracy, since the role of the citizens as stakeholders is different.

2 The more we focus on performance, the fewer results we may expect

It really is a confronting paradox to argue that the performance movement is in fact acting against improving performance, not just because of the use of wrong indicators or gaming, but because of the essential features of this focus on performance (Epstein 1982; Radin 2006).

The political challenges form the heart of the paradox that increasing customer service in government may actually lead to poorer government service in the broader sense of the term. . . . Paradoxically, emphasis on the citizen as a consumer of services and focus by agencies on the identification and aggregation of individual preferences may weaken perceptions and understanding of the fundamental obligations of citizens and public servants.

(Fountain 2001: 71)

One of the issues is to what extent performance is pushing other values away because of its maximising and uncompromising obsession. This is a matter of standards of performance which make other standards suffer. Relevant discussions are whether a public sector should realise high performance or just avoid bad performance, and whether one looks for best practice versus guaranteeing a bottom line (OECD 2000b).

Another way of expressing this tension is to observe that the clearer the performance standards the more ambiguous they become (Ammons 1996). '(S)tandard-makers confuse statements of standards as norms of current good practice with statements of objectives to be realised in the future' (Levy *et al.* 1974: 269). However, ambiguous objectives may be functional for improving performance, since a degree of freedom is created which makes ambiguous goals useful (Chun and Rainey 2005).

There is also the question of the exclusivity and narrowness of performance judgements that follow simple performance logic. Practitioners pose their own questions in recognising the need for reflective thinking. Lewis Hawke of the Australian Department of Finance and Administrations asks whether poor performance means resources should be decreased or expanded (interview). Paul Posner, formerly of the US Government Accounting Office, observes that 'using performance as the main criteria for decisions and oversight can undermine other values in budgeting and policy processes'. He identifies a 'mechanistic model' with advocates who use models based on 'naïve rationalism'. 'If performance goes up, the agency or staff get rewarded with increased resources, if it goes down, they get penalised somehow.' This model 'squeezes out other important factors that need to be weighed and considered in making decisions – relative priorities, equity considerations, the need for poorly performing systems to obtain greater resources in the near term to deal with problems, among others' (Posner 2005: 28–9). Allocating resources as a reward for good performance may flip the coin of a self-fulfilling prophecy into a self-denying one. If those that did not perform well get fewer resources, a focus on performance may ultimately lead to less performance. If those that did perform well get more resources, they may shift to a situation of decreasing degrees of return.

Central government judgements about local government in the United Kingdom determine that some are subject to performance failure based on performance data. However, performance failure may also be caused by mismanagement and by misfortune (Andrews *et al.* 2006).

Performance information is commonly used for gaming (Bevan and Hood, 2006). Organisations clearly have an interest in projecting a flattering image. As a result, performance information can be dysfunctional as well as functional for an organisation. When importance is attached to meeting performance targets (e.g. budget or personnel cuts) organisations may be tempted to cheat on performance levels (Bouckaert 1995b; Grizzle and Pettijohn 2002). The risk of corrupted data is higher when the performance measurement is external to the organisation (such as local government perceptions of central government's control agenda through measurement).

Several cases assist in clarifying the problem. Schools confronted with league tables, 'teach for test' rather than for overall knowledge. Crime rates can be reduced by downgrading the seriousness of the offences, for example, by classifying assaults and rapes as hospital cases and threats. Performance figures of a social agency can be enhanced by directing agency activity towards the easy cases while refusing to accept the more difficult cases. Auditing data is a common tool to safeguard the accuracy, reliability and comparability of performance information, and it can be used to evaluate whether the performance information is meaningful and useable for performance management (Bouckaert and van Dooren 2003).

3 More performance management does not lead to better management

This paradox covers several aspects. First, in managing performance a wrong answer may be given to a justified question. 'Dissatisfaction with a range of institutions . . . is widespread . . . the reasons for these views are complex. . . . Despite this, however, many performance measurement efforts have been put in place' to remedy these dissatisfactions (Radin 2006: 1). Ambiguous rhetoric has been turned into formal processes of measurement but has not solved the questions and issues raised.

Second, measuring, incorporating and using performance may turn into a new bureaucratic nightmare where *ex ante* controls remain next to the *ex post* performance controls and where the frequency of reporting is so high that it becomes a separate business line. 'The performance movement has increased formalised planning, reporting and control across many governments. This has improved the information available to managers and policy makers. But experience shows that this can risk leading to a new form of bureaucratic sclerosis' (Currstine 2005a: 150). Ultimately, to the extent that performance measurement systems become an end in themselves they may turn in bureaucratic systems of red tape (Schick 2001: 40). This may easily become part of standard operating procedures since managing performance goes top-down for directions and bottom-up for implementation (Long and Franklin 2004). The step from here to raising the issue that performance failure could be caused by mismanagement but also by misfortune is obvious (Andrews *et al.* 2006).

UNEQUAL PERFORMERS

This question is a persistent one that came to the fore in the early days of managerialism when it became apparent that departments with a strong management (or delivery purpose) were able to demonstrate progress and performance more readily than other types. This of course reflects agency variation, as identified by Wilson's (1989) typology, which distinguishes agencies by task and work characteristics based on how observable outputs and outcomes are, thereby yielding production, procedural, craft and coping types. Consider comparing outcomes for a mail delivery agency versus a mental health authority or tasks that are simple and measurable against those that are not (Pollitt 2006b).

There is considerable variation among agencies in how they engage and show up on performance management. This reflects in part the nature of agencies, with some types better able to demonstrate effective use of performance information (although this also depends on other factors such as leadership). New Zealand managers have reported an excessive focus on results that could be measured and audited. The output focus favoured 'productions tasks' (e.g. in fields of tax and customs) (Norman 2006).

For Australia, significant variation exists with the quality of and information used in annual reports. Variability also existed in the alignment between the goals and organisational priorities of many Australian agencies and their performance management systems. Industrial relations processes often appeared to be more influential than outcomes and agencies' business needs. In addition, many agencies lacked systems for supporting performance management, and were not assessing the internal impact and use of performance management systems. As a result, performance management was not contributing to effective business outcomes (ANAO 2004b; Halligan 2007b).

This argument can also be applied to management functions and whether performance management applies equally to human resources and financial management. There are difficulties with determining how to satisfy more than one function through a generic performance management system (Talbot 2005a). Similarly, some attention has been given to activities and whether all can be treated equally. The question of being able to generate quantitative indicators as opposed to qualitative ones has been around a long time. This has particular relevance for activities such as policy advice and whether they are susceptible to comparable performance analysis.

PERFORMANCE INFORMATION CANNOT BE RELIED ON FOR PERFORMANCE
MANAGEMENT

The implication of performance management is that working through the performance cycle will allow decisions to be made based on the information acquired in the process. This question derives from the problem of making direct connections in practice and from the more considered judgement about why this is being done.

Paul Posner contrasts the ‘instrumental’ model with the ‘more realistic and supportable’ ‘agenda’ model of performance management in which ‘performance is not expected to provide the answers to resource allocation and personnel judgements, but rather prompt the raising of new questions’ (2005a: 29). The US Government Accountability Office (2005) reports that it would be mistaken ‘to measure success in performance budgeting only by . . . use of performance information’. Other factors must be taken into account in determining funding and service levels. Nevertheless, ‘politicians can and do use it to diagnose a problem or to support a political position in debate’ (Pollitt 2006a: 49).

4 The more performance information is available, the less it is used

Performance information is indispensable to ministers for guidance, control and evaluation; to MPs to authorise expenses and follow-up by guaranteeing and oversight on implementation and performance; to civil servants to take responsibility and be accountable; for citizens to the extent that they have an interest in economic, efficient and effective service delivery and policies. However, this obvious win/win/win/win for ministers, MP’s, civil servants and citizens does not materialise in practice because of missing links (Pollitt 2006a).

A UK parliamentary committee report records the failure of ministers and parliamentarians to make use of performance information in policy debates (Talbot 2005a). Or if the information in performance reporting is used it is to critique the government (e.g. US GPRA reports: Talbot 2005a).¹⁰

The dominant management philosophy, which matches with this position, accepts ambiguity and needs ‘interpretive spaces’. More performance information will not necessarily solve the ambiguity problem.

Comparable information will mean different things to different people. As a result, reality cannot be represented in a classificatory sense since there is not one reality; moreover, classifications cannot be ‘optimal’, as the meaning of ‘optimal’ differs from person to person.

(Noordegraaf and Abma 2003: 861)

To cope with this ambiguity and complexity on what performance is, there is a need for dialogue. Otherwise there is a risk of not using or of abusing information, which then becomes another element of this paradox.

5 Better performance does not equal better results but better communication

In describing performance there is the double meaning in English of results on the one hand and presentations on the other hand. They are two sides of

one coin. An improvement strategy is not just about results, or just about presentation, it should be about both together: better results which are better presented.

However, a more rhetorical view of performance could lead to extreme cases of window dressing, which emphasise the presentation rather than the results themselves. Reporting could end in pure marketing and communication. The shift from ‘performance’ as a result (substance) to ‘performance’ as a presentation (communication) should ultimately be combined with a shift from ‘performance’ to ‘performance of the performance’ (or presentation of the results). In that case it is hard not to conclude that ‘the most effective bureaucrat is the best actor’ (MacIntyre 1984: 107).

6 The best performance measurement system is measuring the unmeasurable

There are several ways to consider a full performance measurement system. One extreme is to assume a one hundred per cent coverage with a ‘price times quantity’ approach for the budget.

As a consequence the unknown lands of the unmeasurable are being tackled and covered, such as policy advice or foreign affairs. Because of measurement efforts, increasingly more emphasis is being put on unmeasurable outcomes (Radin 2006: 2). Alternatively, as in the Netherlands, it is possible to first define what makes sense to measure and then to start boosting the coverage rate. Finally, it is possible to use the features of outputs and outcomes to define the zones that need coverage, and to accept a variation of types of measures to describe performance.

7 The better the performance, the worse satisfaction and/or trust may be

Performance improvements are insufficient to convince citizens. The relationship between improved performance and citizens who do not register and appreciate the improvements has challenged governments. This paradox is particularly apparent in the UK where performance management has been highly regimented with charters and publicly available league tables.

Although a number of observers have commented upon the disconnect between improved performance based on statistics and public perceptions of the quality of services – attributing the gap substantially to the media’s role in shaping public perceptions – Norman Flynn has examined the position systematically (2004, 2007). He concluded that the UK government’s biggest disappointment was ‘disconnection between improvements in performance and the level of public satisfaction. When polled, members of the public base their opinions on the standards of public service on factors other than the measurable performance targets carefully crafted by government’ (2007:

149). There was a divergence between the government's 'principal-agent' management of 5.5 million public servants and those of the public, whose 'expectations, experiences and expressed opinions do not fit neatly into the hierarchical managerial system that governments have devised'.

This is quite consistent with the experience of other radical performance drives at the height of new public management that conflicted with citizen preferences about the level and quality of services (e.g. New Zealand). According to Posner (2006), accountability ultimately leads to less trust and performance.

8 Performance management is the best non-workable system

Stating that, up to now, everything failed but that performance management will succeed may sound like a position close to hubris:

The failure of PPBS, ZBB, MBO and other such initiatives to become institutionalised can be attributed to the inability of those processes to integrate themselves into the decision-making processes that really matter to managers and stakeholders, most particularly the budget process. Accordingly, under the GPRA, the goal was to ultimately place performance metrics at the center of resource allocation, personnel evaluations and other processes that matter.

(Posner 2006: 84)

This almost results in the TINA paradox: 'There is no alternative' paradox. Managing performance is necessary, useful, indispensable but impossible to reach. Ingraham talks about performance as a siren for modern government (2005).

PERFORMANCE WITHOUT WINGS – THE IMPORTANCE OF CONTEXT AND SUPPORT

The question of context and agreement and alignment between different management components has been a live issue in the reform era. This can be seen to apply at two levels. The first is that of immediate management support. The relationship between measurement, management and performance has now been carefully examined. Measuring alone is not enough (cf. Schick 2001). The importance of appropriate management capacity for performance is critical (Ingraham *et al.* 2003; Moynihan and Pandey 2005).

The second dimension is the compatibility of country models and public administration systems. There are many cases of incompatibility of management techniques with the governance framework, a famous historical case being PPBS in the United States. The implication is that it is difficult for performance management to thrive within a traditional framework.

There are different tasks to perform in working through and implementing reform, and different orders of change can be distinguished: adaptation and fine tuning of accepted practices at the most basic level; the adoption of techniques; and the set of ideas that comprise the overall goals – the framework guiding action. The first order interpretative framework specifies policy goals and the potential instruments for attaining them. Major reform involves changes to all components (Hall 1993: 278–9). Some changes contribute to the development of a new paradigm (approach to political direction and the reduction in the public service discretion and the centrality accorded to management) whereas others serve to implement the new framework (the employment of new techniques in furtherance of the framework, such as performance improvement and pay).

There is a broader underlying message here that rationality (particularly conceived within a narrow performance framework) is insufficient. Rationality alone does not work. Performance has to be located within the broader public administration framework and political environment.

9 Micro performance does not result in meso performance

Intergovernmental boundaries require multiple accountabilities. The relationship between performance at the micro, meso and macro levels discussed earlier also has an analogue in reporting and accountability. An explicit expression of this is where there are hierarchical performance relationships between levels of government. This may entail dual reporting, with the lower level reporting to its constituents as well as to a higher jurisdiction. Cases follow from a unitary system and a federal system.

On the UK, Neely and Micheli (2004), observe that:

In theory, measures cascade from PSAs to other frameworks and plans at regional and local levels, in practice further plans, strategies and indicators may need to be taken into account. Treasury is central to agreement on a limited number of targets and indicators but is not formally involved in the cascade process; it is the departments that have discretion over the application of PSA objectives and targets.

Their research suggests that indicators were multiplying significantly as they cascaded through the public sector, a lack of priority among indicators at the local level, and a disconnect between Treasury's PSA and best value regimes. They also suggested that the measurement system does not 'provide a means of influencing behaviour and action in the public services to ensure that individuals focus on the delivery of priorities' (Neely and Micheli 2004).

A federal case from the US state of Texas illustrates an intergovernmental variant of the type of problem that arises. There were four layers of performance measures and a 'dual performance reporting role' (Adams 2005:

435). Systemic measures were not substituted for programme measures, but piled on top, thereby adding to the total items. The result was that:

instead of becoming more focused, like a microscope, the addition of multiple layers of related measures became a kaleidoscope of differing perspectives . . . analytically baffling and ultimately distracting. Second, keeping old program-specific measures along with the new aggregate measures meant the entire system, while attempting to become integrated and coordinated, was driven back into programmatic segmentation by the attempt to track federal dollars and federal measures.

(*ibid.*)

The end result was that state policies on integration were contradicted by the measurement system, and unless they were realigned the latter was likely 'to supercede state policy on program integration' (Adams 2005: 437).

10 More responsibility for performance does not lead to more accountability for performance

There is a general acceptance that there are different performances for different purposes that result in different responsibilities covered by different mechanisms of accountability for performance.

Performance may stimulate accountability or may inhibit it (de Lancer 2006). The paradox of performance responsibility/accountability means:

If public servants are accountable solely for the effective achievement of purposes mandated by political authority, then as mere instruments of that authority they bear no personal responsibility as moral agents for the products of their actions. If, on the other hand, public servants actively participate in determining public purposes, their accountability is compromised and political authority is undermined.

(Harmon 1996: 185)

One of the intriguing issues in many countries in transforming budget systems into performance budgets, and sometimes even to performance and accrual budgets, is that governments do this because they want to enhance transparency using better definitions of responsibility and accountability. Parliaments support this almost unanimously. However, it seems that the more initiatives are taken to prepare transparent performance-based and accrual budgets, the more MP's are frustrated because they cannot read or understand exactly what they are approving and authorising anymore. This applies to all countries under scrutiny in this book. 'Given these uncertainties, performance can play a role that is non-exclusive, supplemental to other forms of accountability and only loosely coupled to resource decisions' (Posner 2006: 85).

PERFORMANCE MANAGEMENT NEGLECTS THE POLITICAL EXECUTIVE

The system must actively incorporate the political executive at the interface, and work for ministers in the sense of facilitating the expression of government priorities and recording progress. The neglect or conceptual sidelining of the one set of politicians has dogged many schemes.

The United States case can be introduced here because of how either the legislature or the executive has owned the performance management system, but which of course reflects the structural limitations of the system of government.

The famous New Zealand public management model redefined the relationship between ministers and department heads through the association of outcomes with ministers and outputs with chief executives. The minister selected the outcomes, and purchased the outputs from the chief executive who selected the necessary inputs. The contractually based relationship was meant to allow the chief executive to be held accountable for departmental results by the minister. The shift in the focus of chief executives' accountability from inputs to outputs was linked to greater managerial autonomy. The reforms had the effect of depoliticising government activity and detaching ministers from being held responsible for public actions. Managerial accountability was developed while the political responsibility of ministers became more tenuous. Politicians had, according to former ministers, lost decision making and become 'underpowered' (Gregory 2001; Halligan 2001b).

Even the new 'whiz bang' outcomes and outputs framework in Australia lost the connection, for although it gave more attention to outcomes, a long preoccupation, and built in more systematic information on outputs, programme information was dropped. Ministers eventually determined that that was what they needed to make decisions and it was reintroduced as private information.

ACCOUNTABILITY PARADOXES

For the aforementioned reasons, accountability is susceptible to several paradoxes. These are not of course confined to performance contexts but apply also to traditional public administration (Posner 2005).

One paradox flowing out of the evolution of accountability is that attempts to satisfy needs for control, reporting and scrutiny invoke new forms and variations on existing arrangements. Each experiment has limitations and challenges that in turn engender public debate and eventually new responses. This has led to the multiplication of accountability mechanisms over time because each new element does not necessarily replace another, instead adding to complexity, ambiguity and conflict (Halligan 2007e).

A defining feature of accountability in government systems is how the relationship between the internal and external, and the political and bureaucratic dimensions of accountability works in practice. A broader dynamic is being played out with ideas and institutions in contention, and it continues

to frame the accountability debate. The reality is that the shift between accountabilities is an integral feature of modern government and that accountability deficits are a feature of specific mechanisms.

There are different performances for different purposes, a key issue being responsibility for performance versus accountability for performance. But performance – certainly in a NPM context – may not have regard for responsibility, particularly if it is overly mechanistic and technocratic (Gregory 2003). Gregory (2003: 562) pits the issue in terms of the distinction between objective responsibility and subjective responsibility that incorporates an understanding of ‘the moral dimensions of individual choice and action’.

The complexities around accountability and responsibility have generated several variants of a distinctive paradox of accountability that centres on the tension between accountability requirements and the scope for public officials to exercise judgement. The performance specifications may preclude exercise of discretion. A typically US construct sees societal values being sidelined in official thinking in order to serve performance requirements (Jos and Tompkins 2004).

Reconciling two traditions?

Why are there frontiers to performance as the base for managing? Explaining the difficulties in managing performance involves several elements.

First, there could be a grounded design problem: the rational model doesn’t work. Even if there is an almost natural belief that ‘performance of government can be improved through a focus on results in policy advice, central and departmental management processes, and parliamentary and public accountability’ (Curristine 2005a: 149), there is an obvious reality that models for managing performance cannot be exported easily (Diamond and Khemani 2005), that it is not advisable to export them (Schick 1998), and that they seem less generic than some would hope or expect (Radin 2006).

The implicit assumptions of a purely rational performance-based management system could be summarised as follows. Goals can be clearly defined, are the basis for measurement and may be attributed to specific actor responsibilities. Outcomes are quantifiable, measurable, controllable and attributable to inputs and outputs. Performance data and the derived information is almost always objective, readily available, and fit for use. Individual, group and organisational behaviour is adjusting itself according to the performance-based information. Radin (2006: 184) calls this hyper rational set of assumptions ‘unreal or naïve’. Hyndman and Eden (2001) consider mission statements, objectives, targets, and performance measures also as components of this ‘rational management’.

Second, one could assume that the rational model works very well, but there could be an implementation problem. Measuring performance, incorporating performance information, using this incorporated performance

information all suffers from implementation failures, perhaps because of a lack in capacity to implement.

Third, the rational model works very well, and implementation is perfect, however, there could be a matching problem. Performance is the right answer to the wrong questions. Also, contingencies are important. A key question is to what extent these rational models are generic and travel well. The less this is the case, the more there should be doubts about a 'one size fits all' approach (Radin 2006). One of the target groups for managing for performance is developing countries. There are many signals that this is not necessarily what these countries need, or need first. Schick has stated already 'why most developing countries should not try New Zealand reforms' (Schick 1998). Three conditions and contingencies seem to emerge if the implementation of new Financial Management Information Systems (FMIS) is studied in developing countries. First, there is a need to integrate this in a wider reform process; second, strong commitment and manpower is necessary; third, in terms of functionality and numbers of entities included, there should be a phasing (Diamond and Khemani 2005: 125).

In Central and Eastern Europe some scholars have a conviction that there is a need to have a solid Weberian system, which relies on Performance Administration, before further steps should be taken (Jenei *et al.* 2002). Also, 'performance measurement systems have important limitation as "drivers" of change and improvement, particularly to the extent that these systems are externally imposed' (Sanderson 2001: 309).

Depending on the answers to these questions, the general attitude towards performance as a driver for administrating, managing or governing could be threefold: *positive, pragmatic, or negative*.

Attitudes can be *positive* in principle, which seems to be the case in Anglo-Saxon countries. This position is compatible with a concept of management which 'attempts to squeeze out complexity as much as possible: managers are stimulated to bring clarity, consistency and order' (Noordegraaf and Abma 2003: 860). This is possible by increasing the level of performance information. Next to complexity, there are also efforts to reduce uncertainty, risk, and ambiguity, since all these problems may be 'solved' by cutting the information shortage.

There are two possible positions to 'improve' a system in this regime. One is to have more of the same. Boyle (2001) makes a convincing point in saying that if there are limited goals, more goals will be produced. If there are bad indicators, more indicators will be generated. If there are insufficient audits, more audits will be triggered.

Another possible consequence is to expand this practice even further, e.g. to make a quantum leap to Performance Governance (see Chapter 9).

A more *pragmatic* attitude is to rely on performance, not in a systematic way, but rather in a very selective way. Here the usefulness and functionality of performance is conditional. The strength of performance measurement is first of all the awareness of its weaknesses. According to an overview by the

OECD (2005) there are twelve challenges to implementing performance information in public organisations. First there are six institutional and organisational challenges: fostering a climate for performance information; setting realistic expectations for performance information; long-term development and momentum is needed; setting outcome performance expectations; avoiding distorting behaviour; and accountability for outcomes. Then there are six technical challenges: measurement itself; measurement overload; action/outcome attribution; linking financial and performance management; quality assurance for data and information; and credible performance reporting. For all these reasons, it is understandable that a more pragmatic, perhaps even a sceptical attitude is taken.

The fact that so many countries and organisations have tried for such a long time, in an era where feedback on success and failure is easily available to implement systems to manage performance, is an indicator of a strong belief that there is a need to move in this direction. Putting these efforts into perspective allows Heinrich to say that ‘these early challenges and setbacks confronted in implementing outcomes-based performance management in government programs should not discourage efforts to improve government performance and to make performance evaluation a more public process’ (Heinrich 2002: 722). However, according to Posner the more performance is used to judge, reward and sanction, the more:

it will lose the basis of expert legitimacy that is the ultimate claim that such systems have on decision makers. As the stakes associated with its use grow, so does the threat to the integrity of the models and metrics which are the basis for performance management systems. The price of attempting to align with budgeting is to enter an arena where performance may get too close to the flame of political conflict to survive intact.

(2006: 85)

Performance auditing in general, but value for money (VFM) auditing in particular ‘is predominantly a quasi-rational activity . . . At the level of micro-issues, the mix of intuition and analysis varies by micro-issue. . . . Macro-issues are generally handled more intuitively than analytically’ (Keen 1999: 523–4). This pragmatic position also includes the idea ‘that the potential adverse consequences of such an approach can be managed’ (Hyndman and Eden 2001: 579).

A third position takes a *negative* attitude in principle and assumes that any element of performance will result in perversion, gaming, or abuse of (lack of) performance knowledge. Noordegraaf and Abma, in discussing ‘management by measurement’, call this position ‘management against measurement’.

The resulting state of affairs is unsatisfactory. First, the debate (if we can call it that) has become a *pro-contra* debate, with two opposing

camps. This will not support the improvement of public management. Second, the debate has become a tricky *is-ought* debate.

(Noordegraaf and Abma 2003: 854)

This negative attitude could be generated from the beginning, or as a reaction to emerging dysfunctionalities. Noordegraaf and Abma (2003) even talk about a 'counter-movement' based on arguments such as new proceduralism, fear of innovation, the political context, or the context of democracy and ultimately the one-sided adherence of 'management by measurement' to value for money as opposed to values from the *Rechtsstaat*.

In this context of these three attitudes – positive, pragmatic or negative – how can the tensions between the two traditions, as epitomised by the Finer/Friedrich dichotomy (Finer 1940; Friedrich 1940), be resolved? One option is to upgrade both positions. Balk proposes two fundamental positions to orthodox practitioner perceptions. The first raises subjective agency accountability to a formal level of visibility by providing an applied theoretical rationale. Then the realm of public administration discourse is extended well beyond conventional management philosophical domains so as 'to recognise employees as legitimate, proactive actors, citizens with a powerful commitment to the values and actions essential to democratic political institutions' (Balk 1996: 13).

The second option is to choose one position as dominant. Gawthrop contends that there is a need to expand and implement the ethical imperatives for the twenty-first century through education, values and commitment in order to re-establish and rediscover democracy (Gawthrop 1998). Education of the citizenry will empower citizens in a governance context and equilibrate bureaucratic values. Values are crucial and should not be replaced by facts and figures but balanced with these. Commitment and engagement imply that public servants know what to do and go beyond what they have to do.

A third option is the dominance of performance measurement/management systems that turn the whole system into performance budgets, accounts, audits, contracts, evaluations, etc. The cost of monitoring and compliance is considerable. Principles and agents will try to create disequibrated information systems. The system would not use trust and integrity at all for its governing (Bouckaert 1998).

A fourth option – balancing the two positions – seems to be desirable. A fair mix of trust and measurement, of integrity and compliance, of subjective and objective approaches is necessary. Upgrading the two positions and combining them is a functional way to make things work. According to Balk:

professionals as key actors in the network of stakeholders in a democratic society will develop mutually supportive relationships at the workplace in order to maintain their integrity and strengthen democratic political institutions. They can take the lead by acknowledging that principles of tentative trust and contingent loyalty need not threaten the benefits of, nor the necessity to respond to, appropriate hierarchical direction.

(1996: 190–1)

This implies that performance-based systems should be combined with trust-based systems in a dynamic way.

Conclusion

Who and what is right about managing performance?

(B)oth management by measurement and its critics offer valuable insights and both are lacking; both are right and wrong, depending on context. Management and measurement in the public sphere must be contextualised. Such a contextualisation inevitably leads to interweaving of fact and value. Public management is too complex and too 'valuable' to capture in one-sided terms.

(Noordegraaf and Abma 2003: 869)

The clear message from this chapter is that managing performance is vulnerable to disconnects in the policy sequence and other sorts of communication shortfalls (several of which are conditions that arise under any public administration framework). The persistent theme is that performance information alone is insufficient in much decision making, and that professional judgements must enter the mix at some, perhaps many points.

A number of these paradoxes are not readily solved. Paradoxes and contradictions will inevitably persist in complex organisation systems, and need to be viewed as something to be managed (Quinn 1988).

Chapter 10 returns to some of the conundrums of this chapter. In the meantime, the next chapter addresses another ideal type. It is less concerned with answers to or resolution of issues raised here than following through the performance trajectory. It is therefore more about pushing boundaries and expanding the performance universe. In the process there are new difficulties and also possibilities for issue resolution.

9 Towards Performance Governance

A new agenda?

The last thirty years have produced two dominant trends – the management revolution in the public sector and the steady ascendancy of performance as a fixation of governments. Together they produce a powerful means of controlling and directing public services. In addition, the dual pressures for public services to move tasks out and societal trends for government to engage other sectors have generated an additional tendency, governance, which has permeated organisational life and thinking.

In this chapter an additional ideal type is explored, one in which governance replaces management. Performance Governance provides a distinct ideal alternative that a few countries echo in their aspirations. This consideration explores the realms of governance and performance fused together with much guidance available from the international literature and experience. We are unaware of any country that could claim location in this category, which is arguably less realisable in the short term than the other types discussed, although several have affinities with it.

The effect of introducing governance is to expand the realm and both opens up the black box and goes well beyond. It suggests greater complexity and less direct control by governments. There is of course no assumption that Performance Governance should be seen as a progression, although elements of it provide indicators of current directions for performance.

There are a number of well-documented performance and governance trends that have been identified by a range of informed observers. These trends derive from concerted efforts to identify either country or international trends, and from analyses of activity on the ground. The majority of these themes are familiar, if packaged in contemporary ways. Our task here is to look at how those relevant to Performance Governance together suggest something fresh and if integrated, point to the new ideal type.

The formulation of the ideal type that is developed, expanded and appraised in this chapter, is grounded in four components each of which has a performance and a governance element:

- organisational relationships both within and beyond the public sector that cover a range of collaborations governed by performance mechanisms;

- participation and citizen engagement including community performance feedback;
- integration of performance across several levels;
- societal impacts as demonstrated by performance and managed by performance controlled implementation and service delivery.

This conjunction of performance and governance is examined further in the next two sections.

Up till this point the types have focused on central government (although subnational applications should be apparent), but with the broadening canvas it is necessary to be more explicitly encompassing. Three orders of Performance Governance can be distinguished. The first represents a logical extension of the ideal types, and envisages a national and societal framework. Within that we recognise another order that reproduces these features on a more limited jurisdictional scale. A third order is about getting the basics right and can be seen in formulations that address variations on citizen participation, measurement and results, and provide an integrated formula for direct applications at community and regional levels.

Performance Governance

While the technical conception of Performance Governance is discussed later (Table 9.1 and Appendix II), we start by looking at the two components of governance and performance.

Obviously, *governance* has a range of meanings and definitions such as an over-arching theory of institutional relationships within society (Kooiman 1999) or self-organising inter-organisational networks (Kickert 1993). Two standard conceptions provide the focus for the use of governance here. A traditional view defines governance in terms of a governing process associated with formal structures of government. A society-centric conception sees governance in terms of networks of public and private interactions (Rhodes 1997). Our conception encompasses both in regarding governments as the responsible decision makers on public policy, which are more responsive to external preferences and incorporating interactions with citizens and civil society. The flow of activity is not confined to government but includes that directed towards government.

Variations on this are the focus on citizen-centric approaches and service delivery that advocate more bottom-up conceptions to counter conventional central government directive styles.

The second component, *performance*, has a number of meanings discussed in earlier chapters. There has been a steady process of refining performance concepts and their applications, but these are generally intra-government, and departmentally and program based. The extensions of these activities expand the horizons from the macro to the meso level, from one level of government to two or more, and more generally from one sector (e.g. the public) to society as a whole. In this type of conception the parameters are

more expressly national and societal (rather than sectoral or level). Just as the performance focus has moved from improving processes and outputs to results and impacts, so the outcome agenda has moved forward to linking specific indicators to macro endeavours and objectives.

There are precedents for these trends, such as intergovernmental activity in some countries and international benchmarking. What is different is that these extensions (like those in earlier phases in the development of performance measurement and management) are more substantial, more widespread, more ambitious and more inclusive. Conceptions of citizen engagement incorporate a performance dimension. Concepts like whole of government are invested with broader meaning than simply some variation of horizontal or systemic government or of coordination. Benchmarking is not from agency to agency in different countries but sector to sector. Being internationally comparative in terms of performance has acquired more meaning.

What does performance plus governance add up to? Several strands of Performance Governance can be differentiated. Performance Governance can be seen to have emerged from and been shaped by several types of thinking derived from a generalised governance movement. One strand is the broad and somewhat diverse move to embrace joined up government, horizontal management, whole of government, integrated governance and more generally collaboration and networks (Bogdanor 2005). Another broad dimension is the engagement with the citizen as governance becomes more externally focused and encompasses the movement to engage citizens in performance measurement and re-evaluation of performance in a democracy (Callahan 2007; Epstein *et al.* 2006; Pollitt 2006a). Variations are deliberative democracy and stakeholder analysis, which incorporate extra-governmental actors. These distinctive strands may or may not produce confluence and gel in practice.

How does this relate to formulations such as the new public management? Scholars have been pronouncing on NPM for some time (e.g. Hood and Peters 2004), but a more elusive matter is how to characterise its successor. Some interpretations recognise the complexities by distinguishing tiers of NPM or contending models based on traditional control and autonomy tensions (Dunleavy *et al.* 2006; Richards and Smith 2006a), and it is clear that coordinating and integrating have co-existed with disaggregation (Bogdanor 2005). What is apparent is that a set of distinctive trends has emerged with commonalities across several countries, which raise questions about how to interpret them.

In an effort to predict the 'shadow of the future', Osborne (2006) describes new public governance (NPG). Whereas new public management may result in hollow state models, governance models allow for a:

plural state, where multiple inter-dependent actors contribute to the delivery of public services and a *pluralist state* where multiple processes inform the policy making system. As a consequence of these two forms

of plurality, its focus is very much upon inter-organisational relationships and the governance of processes, and it stresses service effectiveness and outcomes.

(Osborne 2006: 384)

Drucker speaks about governing organisations *by* performance (Drucker 1993). However, a Performance Governance ideal type goes beyond this. Performance Governance covers a shift from governing *of* performance to governing *for* performance.

The substitution of governance for management in this ideal type raises questions about the centrality and influence of the latter. In going beyond management, does this type inevitably emphasise management less?

Imperial (2004) and Agranoff (2005) share several distinct types of collaborative management, within the context of economic development, such as public leverage and engagement, generating government-business policy connections, collaborative information strategies, and connections for market promotion. The ultimate purpose of governing performance as a possible further stage is to increase public value (Moore 1995).

How does this happen? There is a broad range of governance methods and techniques. Obviously there are networks that are about shared information, referrals, joint programmes, collaboration, joint policies, sub-contracts, working agreements and task forces (Meier and O'Toole 2003; Provan and Milward 2001). ICT also helps not only to blur organisational borders but also to create synergies beyond these borders (West 2005). Governing performance is by definition an intergovernmental exercise, which confirms the largest possible depth of performance. Linking public sector organisations to others, private, not-for-profit, non-governmental, ad hoc citizen groups is all part of the governing tool kit. Public-private partnerships (PPPs) are obviously an important one economically to create value added (Savas 2000), but also Shared Service Centres (Hensen 2006). Also, direct contributions from citizens or citizens as customers are important, as public participation is also fully part of a governing for performance strategy (Halvorsen 2003).

The answer to the question posed about what Performance Governance adds up to is that there is considerable unanimity on the themes of the mid-2000s, in addition to performance management:

- 1 Organisational relationships both within and beyond the public sector that cover a range of collaborations through networks, partnerships, coordination mechanisms which are governed by performance mechanisms – collaboration through networks, partnerships, coordination mechanisms (e.g. Abramson *et al.* 2006).
- 2 Participation and citizen engagement including community in performance feedback – participation and citizen engagement (Callahan 2007; Epstein *et al.* 2006).

- 3 Implementation, improved service, delivery (Epstein *et al.* 2006) – Societal impacts as demonstrated by performance (including implementation and improved service delivery with performance stipulations).
- 4 Integration of performance across several levels (Callahan 2007; Halligan 2006, 2007c).

Performance Governance specifications: measuring and using performance as governance tool

Apart from general requirements such as leadership, networking, investments there will be a need to assess the value added and possibly to organise learning and feedback mechanisms. Defining the value added of networks is one key challenge for Performance Governance (and the related research agenda) (Kickert *et al.* 1997; O'Toole 1997).

A direct conclusion of the question of how one assesses the ability of collaborative undertakings to improve performance is that 'Performance in multi-entity/multi-jurisdictional settings is particularly problematic. The straightforward emphasis on outcomes rather than inputs and outputs, or "measuring results" . . . is not so simple when multiple stakeholders actually work on policy and program' (Agranoff 2005: 18).

However:

it is now conventional to argue that PPP contracts should seek to incentivise the delivery of specific outputs . . . Increasingly, however, the rhetoric, and sometimes the practice, of *outcomes* based contracting is being used. Focusing on outcomes involves linking an element of contractual payments to the tangible benefits brought to users: finding a job, passing exams, or achieving improvements in standards of health. (IPPR 2001: 190)

In a governance regime, partnerships are an expression of innovation. However, innovation is itself a result of a performance-based governance system. Measuring innovations is therefore also measuring the performance of its governance (Boyne *et al.* 2002; Osborne 1998).

According to Agranoff (2005) it is possible to measure collaborative performance along four perspectives: the specialist or administrator, or in general terms the professionals; the organisations participating in the network; the network process itself; and finally the network outcomes. It is interesting to see the need to fall back to the level of outputs because outcomes seem to be intangible:

Tangible outcomes vary considerably by network but specific products of networks include Web sites, service agreements, mutual referrals, joint investment projects, incidents of business assistance, loans arranged, grants facilitated, investments leveraged, and so on. Another set of tangible

results includes end stages of collaborative processes: adapted policies, joint or collaborative databases, exchanged resources, new program interfaces, mutually adapted technologies, and enhanced interagency knowledge infrastructures.

(Agranoff 2005: 39)

It is interesting to observe that these cannot be labelled as outcomes, rather as outputs, or even intermediate outputs.

Governing performance implies that more stakeholders are involved. However, it seems not to be so obvious to get the really or substantially involved stakeholders on board. Even if, ultimately, performance information could be the missing link to upgrade democracy (Pollitt 2006a), the Performance Governance ideal type assumption of having all stakeholders on board seems unlikely. It refers to ministers as key political CEOs (James 2004), MPs and parliaments some of which made significant efforts, such as Canada with its Improved Reporting to Parliament Project (IRPP), or citizens such as in the Citizen-Initiated Performance Assessment (CIPA) (Ho and Coates 2004; Holzer *et al.* 2005).

In discussing the conceptual way forward for performance, Bovaird asks himself if 'it is possible to use performance measures as end-state indicators, as critical success factors, as process signals and warning flags, and as publicity devices. However, each of these uses depends to some extent on the political economy model that lies behind the choice of PIs' (1996: 162). If a shift to a governance paradigm is being contemplated then it would be logical to try to move to the Performance Governance ideal type.

In a lucid contribution, Aberbach and Rockman (1992: 143) say: 'We need to train our attention more narrowly if we are to discern the connection between governance and performance, and especially how we might improve the latter by manipulating the former.' To the extent that performance management is used to improve network governance (Imperial 2005: 395) one could consider this as a first step toward Performance Governance. There are some additional challenges in measuring, incorporating and using incorporated performance information for governing performance.

It is obvious that the emerging networks require special approaches to measure network performance (Imperial 2005). Also the contributions of the non-profit sector, to the extent that they are involved in public services, should be measured separately and in combination with public stakeholders. There is a challenge in making the value added from these partnerships visible (Flynn and Hodgkinson, 2001; Stone and Cutcher-Gershenfeld 2001; Weisbrod 2001). There is a general understanding that there are many deficits in our capacity to assess performance from this type. DiMaggio (2001: 249) even pretends that 'measuring the impact of the non-profit sector on society is probably impossible but possibly useful'. The blurring of organisational boundaries through partnerships, ICT also adds to the complexities of measuring performance in such a governance context.

In this ideal type measuring has to be both internally and externally interactive. It is also obvious that externally standardised measurement models will be insufficient and need to be replaced by benchmarkable systems designed with the involvement and consultation of a range of stakeholders, including citizens.

Governing for performance requires a full depth of performance. Governance has been defined as ‘self-organizing intergovernmental networks’ (Rhodes 1997). The ‘self-organizing’ element is demonstrated by the interdependence between organisations including non-state organisations, a certain autonomy of these non-state organisations from state organisations, and dynamic interactions between the network members according to defined rules, based on shared objectives, and across changing borderlines. One version of the intergovernmental side is across different levels of government, or multi-level governance with an emphasis on ‘power-sharing’ in the absence of ‘accumulated authority. Instead, variable combinations of governments on multiple layers of authority – European, national and subnational – form policy networks for collaboration’ (Hooghe 1996: 18). This immediately refers to the largest possible depth of performance from micro, over meso to the macro level of government and society. Multi-level governance has a depth of performance that includes single organisations, their networks across jurisdictional boundaries, policy networks and consolidated government-wide or societal scopes.

Performance Governance also requires the largest span of performance. To the extent that governance, which relies on networks, shared objectives and collaboration needs social capital, there is a link between social capital and governance for performance. This means that ‘in those locations where social capital is in greater supply it can be expected that higher levels of that performance will be achieved’ (Pierce *et al.* 2002: 381). The next step is to link social capital and trust. ‘Social capital is an intangible resource to be found in *relations between people* (networks) rather than in inanimate objects (physical capital) or individuals (human capital)’ (Kendall and Knapp 2000: 110). Trust in a particular service delivery, e.g. refuse collection (micro); in a particular policy, e.g. unemployment policy (meso); or in the quality of the countrywide system, e.g. transparent decision making (macro) is influenced, to a certain extent, by the way performance is governed. It also may also increase social capital, and the goodwill to invest further in the public sector. Trust may build upon outcomes, and may turn into an ‘income’ that results in sufficient inputs.

Beyond outcomes, there is ‘the growing importance of measuring impact. . . . *Impacts* are inherently more difficult to measure because we must first understand the causal relationships between the measured inputs, outputs, and outcomes and the underlying phenomena leading to the observed results’ (Flynn and Hodgkinson 2001: 4, 8, emphasis original).

Focusing on quality in the public sector is not confined to specific outputs, or to organisational management models. Quality fits entirely in a strategy

for sustainable change, as the Fourth Conference for European Public Services in Tampere, Finland (2006) demonstrated in linking strategy, citizens, knowledge and performance. Therefore, the full span of performance has to be from input, to activities, to outputs, to outcomes, and to trust.

In order to fully incorporate performance information in a Performance Governance ideal type, there is a need for an extended dynamic level of incorporation that also is externally consolidated. Using incorporated performance information in a governance context requires vertical and horizontal integration because this helps to:

create the conditions for public sector's multiple stakeholders to use performance information most effectively. *Vertical integration* occurs when evaluation mechanisms help assess performance at each level of public management while at the same time allowing critical stakeholders to link the information produced for each of these levels.

(Ospina *et al.* 2004: 232)

This includes a micro, meso and macro level. Horizontal integration covers 'coordination both between the evaluation system in place and other public management functions – such as personnel and budgeting – and among the various agencies involved in achieving a policy goal but working interdependently' (Ospina *et al.* 2004: 233).

Using incorporated performance information has a clear focus in governing for performance. One way to operationalise the 'value added' objective of governance for performance is to use a 'production of welfare' framework that includes next to economy, efficiency and effectiveness, also equity, participation, advocacy and innovation (Kendall and Knapp 2000).

It seems that governance for performance means citizens need to be empowered and that social capital and trust should be built since this:

may enhance the overall quality of public activity . . . It is the effect of social capital on the quality of government performance that gives the concept of social capital its political significance. It is argued that in democratic systems, social capital underlies the capacity of citizens to mobilise on the basis of their shared concerns and thereby influence the quality of government behavior, it empowers citizens to sanction leaders and government agencies that fail to live up to their expectations.

(Pierce *et al.* 2002: 395)

One expression of governance for performance is area-based initiatives (ABI) which in the case of the UK, e.g. with the Health Action Zones, lead to 'new Labour governance'. Alcock states that 'the focus upon performance management extends much beyond the new ABI arena . . . Performance management through the use of targets, indicators and milestones to measure activity has thus become a well-established feature of modern policy practice in the UK, and beyond' (Alcock 2004: 218).

In order to have a sustainable shift to quality in the public sector it will be crucial to organise the public sector to allow for citizens and customers of public services to participate in the whole policy cycle. This means that citizens are involved in co-designing, co-deciding, co-producing, and co-evaluating in public services in society (Pollitt *et al.* 2006).

One of the ultimate objectives of governance for performance is to establish a firmer relationship between ‘democratic governance and results-based management and accountability’ (Ospina *et al.* 2004: 234). Again, the role of citizens as citizens or as customers also becomes crucial here. Their empowerment, also through the availability of performance information in, for example, league tables or performance reports or co-arrangements in the policy cycle, increases their role as an actor not just vis-à-vis political and administrative leadership roles (Aberbach and Christensen 2005) but also in governing performance.

The technical and specific details of the Performance Governance ideal type are summarised in Table 9.1. The main distinguishing features are as follows. For measurement, the span includes trust, and depth extends to macro and specific measurement is systemic. The level and degree of incorporation is hyper dynamic and consolidated externally. The use of performance information is pitched at society, and this is reflected in reporting and accountability. Performance Governance also opens up the prospect of performance dysfunctions of a different order from those associated with other types.

Table 9.1 Dimensions of Performance Governance type

Measurement	
Type of measurement	Internally and externally interactive
Design of measurement system	Designed standard models by stakeholders
Span of measurement	Full span: economy, efficiency, effectiveness, trust
Depth of measurement	Full depth: micro, meso and macro
Criteria of indicators	Technical, functional, legitimate
Specific measurement dimension	Quality is systemic
Dysfunctionalities of measuring	Systemic pro-active focus on pathologies
Incorporation	
Level of incorporation	Hyper dynamic
Degree of incorporation	Externally consolidated
Use	
General use	Societal use
Main reporting focus	Management, political and societal
Learning by using (standards)	Single, double and meta
Accountability for performance	Managerial, political and societal
Potential performance value added	Systemic
Potential performance dysfunction	Uncontrollable and unmanageable system

Mechanisms for integrating, aligning and framing Performance Governance

This section explores several mechanisms for integrating, aligning and framing Performance Governance, ranging from citizen engagement to whole of government approaches.

Citizen engagement

The injunctions to expand citizen participation are legend (and perennial), but new ways are now being explored for building-in citizens in governmental processes (Abramson *et al.* 2006; Cabinet Office 2006), and come out of well-established traditions (Peters 1996). Increasing attention has been given to means for redefining relationships and making them meaningful in current public management (e.g. Feldman and Khademian 2004).

The significant refinements address the questions of effectiveness in a community governance that is focused on results. A model is posited that combines three elements of community governance, namely 'engaging citizens, measuring results and getting things done' (Epstein *et al.* 2006: xi). There needs to be alignment between the three. However, missing links remained in the several movements in the US. The first was the need for alignment with larger themes (e.g. sustainable communities) and the second was involving citizens in determining indicators and priorities. Yet a further disconnect has existed: 'measured results are rarely connected with accountable organisations with resources to dedicate to improving results' (Epstein *et al.* 2006: xi).

This raises the question that proximity to communities and citizens for Performance Governance might be seen to be more appropriate for a level of government that is closer to the point of delivery (whether a jurisdiction or an agency). Should we ignore the possibility that a governance state of mind can be important in central government even if the range of opportunities to display it in practice are constrained?

Integrative initiatives

Three orders of Performance Governance were distinguished at the beginning of this chapter. In one sense they can be envisaged as a cascade within a national system of governance. In a pluralistic system, it is to be expected that they may operate somewhat independently as well as in unison.

The third order is about getting the basics right and can be seen in recent formulations that address variations on the triumvirate of citizen participation, measurement and results (Epstein *et al.* 2006; Callahan 2007), and which provides a focused integrated formula for direct applications at community and regional levels.

An integrated framework for action is proposed: ‘the concepts of performance measurement, public sector accountability, and citizen participation are presented as mutually reinforcing concepts that are strengthened when they are aligned or integrated with one another’ (Callahan 2007: 211). When effective integration is achieved, the capacity to improve outcomes is enhanced (Callahan 2007).

The second order reproduces these features on a more limited jurisdictional scale (that ideally would fit into the national framework). One potentially interesting type of initiative is the integrated government strategy (e.g. Australian state governments: Gallop 2006), which may indicate whether the scope is greater at the regional level.

The first order represents a logical extension of the ideal types, and envisages a national and societal framework (that strives for integrated performance). The broader conception here addresses mechanisms for integrating and controlling the components of the executive branch more effectively, and for engaging with other sectors and actors on national goals and impacts.

It is worth referring at this point to recent trends within national governments that come out of a state-centric performance management approach but are recognising the need to incorporate governance. The resulting synthesis of elements has led to the characterisation of ‘integrated governance’ as the prevailing approach of the mid-2000s at the national level in countries such as Australia and New Zealand (Boston and Eichbaum 2007; Halligan 2006). The public service is operating under a political executive with more instruments for securing and sustaining control and direction. There is a brace of instruments for working the system strategically and at several levels. The empowered departments have greater responsibilities than traditional arrangements, and performance was conceived differently. This adds up potentially to a formidable apparatus for control, scrutiny and performance.

Under an integrated governance approach, elements of new public management persist, especially performance management, which continues to provide a cornerstone of the public management framework. A high commitment to performance management has grown and continued despite the fate of the NPM model; contracts and markets are less prominent while other elements, such as outcomes and evaluation review, have come more into focus. Moreover, there is a broadening of the coverage of performance management under integrated governance, the whole of government conception being one element. The intergovernmental reach is stronger and developmental goals for the sector more salient (Halligan 2007c).

The Australian and New Zealand experience has parallels in countries such as Britain where the coordination and integrative dimensions were significant under Blair’s reform agenda (Bogdanor 2005; Richards and Smith 2006). The United Kingdom has sought to conceptualise comprehensively. The UK model of public service reform, according to the PM’s Strategy Unit (Cabinet Office 2006), consists of four elements: top-down performance management (government pressure); greater competition and contestability in provision

of public services; greater pressure from citizens including through choice and voice; and measures to strengthen the capability and capacity of civil and public servants. Each has limitations hence the need for a multiplicity of complementary dimensions. Further, top-down performance management covers PSA targets, minimum service standards, and performance assessment that include inspection and direct intervention. The pending Comprehensive Spending Review is intended to relax the extent of top-down controls, perhaps expanding by injecting more of a Performance Governance element.

Whole of government and societal indicators and impacts

The term ‘whole of government’ is used in different ways internationally. It may simply represent the budget for the government as a whole. Or it may be employed to refer to cross-government collaborations akin to traditional coordination. A variation on this is the notion of cross-departmental activity that is conceived more generally and where there is a serious emphasis on applying integration systemically. The several other variations include intergovernmental coordination activity, public–private interactions, and explicit NGO and community connections. In these latter senses, there are many precedents in different jurisdictions.

One of the more interesting depictions of whole of government is the focus on society as a whole in terms of performance. Macro review is attracting greater interest through the increasing role of national indicators and well-being and how they are linked to performance management in central government. There is however a more ambitious formulation that seeks to articulate societal goals and objectives and then to relate them formally to levels of government and departmental programs.

Some countries (e.g. the UK through spending review goals) do this to some extent, but for a more elaborated formal scheme we look to Canada. The Canadian whole of government planning and reporting framework provides a comprehensive overview of resources and results. The framework is based on MRRS and can therefore be linked to the performance data collected through MRRS. There are explicit links between the framework as expressed through the annual reports on national performance and departmental plans, priorities and performance (TBS 2006c, 2006d, 2006e). At the whole of government level, there are three policy areas, each with four or five Canadian outcomes. At the departmental and agency level there are 108 strategic outcomes (which are broken down into programme activities).

Limitations and potential: assessing Performance Governance

Performance Governance requires the knitting together of a range of processes, structures and indicators at different levels. This may present

challenges in practice as such a range may prove to be unruly and not susceptible to being controlled and managed. Several key questions emerge on the challenges to materialise Performance Governance. The governance setting requires some blurring of the borders of organisations, which results in some blurring of the lines of responsibility for outcomes, which may in turn lead to some blurring of accountability. This puts the interface of performance and coordination on the table. Efforts to generate joined up measurement of performance have been obvious in New Zealand with their strategic results areas, or in the UK's Prime Minister's objectives. However, according to Peters it still sounds like 'squaring several circles: coordination, performance and accountability' (Peters 2005). Indeed, there is still a considerable leap between measuring the outcomes of particular partnerships, etc. and government-wide indicators.

It is tempting to correlate an analytically logical sequence of ideal types with a chronologically historical sequence of country models in a country. In reality, there are always mixes and hybrids of ideal types and country models. The types are pure and abstract, but with a sense of reality, whereas the country models are programmes which need to be realised. It is not the case that in the beginning of the twentieth century there was only Performance Administration. Williams clearly demonstrated that the scope, at least in some cases of US local governments, was from work records, to outputs, outcomes, and social indicators and needs assessment (Williams 2003). A similar observation may suggest that there were already fragments and indicators of what a Performance Governance ideal type consists of. Pestoff *et al* use the terms of co-governance, co-management, and co-production to describe the supplementary or complementary role of the third sector (Pestoff *et al.* 2006). Pollitt *et al.* (2006) use the 'co'-label as an expression of an activity that is also within the public sector: co-design, co-decision, co-implementation and co-evaluation.

In expanding the analysis from the public sector to all those involved in public service, there is a shift from a narrow definition of governance, including multiple levels, to a broader one, including multiple actors. Government-wide approaches cover several policy fields from a societal point of view. This brings us ultimately to a maximal scope and definition of governance as our democratic system. In studying the performance of political systems in general, and the political effectiveness of liberal democracies in particular, several policy fields need to be addressed, such as domestic security policy, economic policy, social policy and environmental policy. Almond and Powell's political productivity concept appears at the system's level (maintenance and adaptation), the process level (participation, compliance and support, and procedural justice), and the policy level (security, liberty, and welfare) (Almond *et al.* 2003; see also Aberbach and Rockman 1992).

Because of the complexities involved, dialogue becomes one of the key vehicles to guarantee success on the issue of performance and its accountability (Roberts 2002; see also Harmon 1996). Performance Governance may

be achieved through ‘performance partnerships’. In the US there are efforts to solve this major problem of Performance Governance with ‘performance partnerships’ in which there is a discussion on ‘how to combine resources from both players to achieve a prespecified end state. This end state is expected to be measurable in order for a partnership to be successful’ (Radin 2006: 167).

The multi-level issue generates a special challenge for managing performance. ‘Reporting on outputs and outcomes requires basic cooperation between each level of government in order to develop a consensus about the definition and measurement of objectives and results for spending policies/programmes’ (Sevilla 2005: 18). For this purpose there is a need for performance-related measurement techniques, negotiations, and agreements between different levels of government.

The Washington-based Center on Budget and Policy Priorities organised a survey as part of its International Budget Project. The purpose was to enhance the quality of civil society organisation budget systems, including performance. However, ‘in many ways, and in many countries, how to make budgets more open, accountable, and participatory is a discussion in its infancy’ (Gomez *et al.* 2005: 35). Such enhancement of budget systems is a pre-requisite to move to a Performance Governance system that includes third parties. Obviously, first the public sector itself should be capable of producing open, accountable and participatory practices. This is difficult since ‘the tie between the inputs of federal resources and the performance outcomes can be quite tenuous and it requires years of research and agreement to specify the logic models through which federal programmes ultimately reach their performance targets’ (Posner 2006: 85).

There are other remaining problems. But governance, or multi-level governance is not an answer to all questions. Smith concludes that ‘the concept of multi-level governance is no automatic ticket either to rigorous analysis, or to helping practitioners get a handle on the day-to-day problems linked to the practical realities of governing a multi-level world’ (Smith 2003: 626). From this point of view, (multi-level) governance creates new problems.

Apart from the measurement problems of network results, there is a temptation to focus more on outputs than on outcomes, or to choose soft targets, that possibly neglects process:

Partnerships and participation are key elements in the organisation and delivery of ABIs because they represent the realisation of the underpinning commitments to joined-up and bottom-up policy development . . . It is through partnerships and participation that modernisation, improvement and social inclusion will be delivered, and so the process of securing these new ways of working is critical to the outcome.

(Alcock 2004: 223)

This results in a potential governance paradox. In order to realise outcomes, there is a need to focus on process.

In bringing together all the challenges of achieving a Performance Governance ideal type, and not avoiding the remaining and unsolved problems, it could seem that this ideal type is uncontrollable and unmanageable. In discussing process, performance and outcomes in response to the question 'Does Governance Matter?' Aberbach and Rockman conclude: 'there is no single formula to make government perform better. We need, though, to be aware that performance has many aspects, and that these aspects are inter-related' (1992: 150).

10 Conclusion and next steps

This conclusion reflects on the enduring influence of the performance movement and its immediate prospects. Performance remains the mainstream focus of international public management. New boundaries are challenging reformers, but to what extent are they an option for all performance-oriented countries, and will the limitations of existing models be addressed?

What is next? Performance and TINA ('There is no alternative'), or is there?

It is almost certain that 'performance' will remain as a focus of public management and policy. However, the way in which it will continue is uncertain. Is there an ideal type that will become more dominant? How are country models evolving? According to Ingraham *et al.* (2000: 54) 'performance – high performance – must become a way of life and a critical part of the culture' of the public sector in the future. Gooden and McCreary (2001) even speak in this context about 'that old-time religion'.

On the other hand, the question is not "how useful is the management by measurement movement?" the research question has become: how tenable is the management cycle that underlies the management by measurement movement? (Noordegraaf and Abma 2003: 860). In any case, implementing performance-based models requires time for 'building a track record' (Broom 1995).

Several challenges (mixed responsibilities, varied objectives and indicators, gaming) and implementation problems have resulted in considerable suspicion about performance as a driver for management.

One possible response could be a return to previous control systems: 'why not simply rely on more traditional systems of accountability: *hierarchical accountability for inputs* (administrative rules guiding routine tasks and budgetary allocations) and *legal accountability for processes* (audits, site visits, and other monitoring tasks)?' asks Heinrich rhetorically (2002: 721–2). Probably there is a need to rebalance between trust and performance and to expand again trust-based control systems, which can be more cost effective, and have fewer performance-based ones.

Performance as the past and the future: do we learn from history for the future?

Looking to the past, Williams draws four lessons from almost one century of measuring government (in the US), starting in the early twentieth century. Next to more technical lessons such as a practical purpose, a need for a focus on efficiency and effectiveness within a scope from input, over output, to outcomes, he emphasises the political and social context. 'Proponents of performance measurement must build the political support necessary for long-term viability. To avoid misuse of performance reports, users must be aware of the political constraints that determine what and how information is reported (Williams 2003: 653).

Even if there is progress in monitoring performance, some problems, such as uncertainty (on causal relations), interdependence (among actors), diversity (of multiple and conflicting values) and instability (of goals and environments), will remain (Zapico-Goni and Mayne 1997: 287).

Observers of different attachments are agreed about the prospects. Drawing on country surveys, the OECD (2004:1) observes that 'the performance movement is here to stay' and that OECD countries 'share a renewed focus on measurable results' (Curristine 2005b: 88; cf. OECD 2005). Academic observers support the influence of performance, one commenting that regardless of the level or degree of successful performance the common element is performance measurement (Kettl 2005: vii; cf. Radin 2006).

A huge expansion has occurred in performance measurement applications over the last century, and this has now accelerated. The penetration was significant by the mid-1990s with measurement (Bouckaert 1996) and then management of performance becoming more intensive, extensive and external. The geographic spread, breadth and depth of commitment has become seemingly irresistible. The reasons for this include the continuing influence of reform leaders, international pressures for comparability in standards and statistics and the relentless search for more effective tools for managing, controlling and improving public services.

Performance frontiers – changing issues in improving performance

The performance gap was once seen to be evaluation in some countries, but this was essentially internal to the bureaucracy. A widespread trend of the last decade has been the focus on outcomes with industry leaders exploring how to make effective use of performance information to achieve results for society.

There continue to be other cutting-edge issues that require resolution. A continuing one is expanding citizen engagement to reflect the case for policy, management and delivery to be grounded more in citizen preferences. Another specific performance gap is between public management and the citizen with regard to performance-based trust.

Performance options

This book has distinguished a set of ideal types. Each has a performance element, although for one, or perhaps two of the models, performance in the twenty-first century sense cannot be conceived of, or practised, systematically. This requires preconditions – a compatible context and attention to systemic applications. The compatibility of performance systems and tools with the broader public administration framework is important because there is little evidence that a strong performance focus can co-exist with an inconsistent public administration context.

Of the four ideal types we conclude that:

- Performance Administration is modest, ad hoc and not systematic.
- Managements of Performances offers specialised performance systems, but also variability and a lack of integration.
- Performance Management provides a comprehensive and integrated performance focus but in practice may be under- or over done.
- Performance Governance presents a more ambitious set of options that reflect trends and potentials that represent in part a more blue-sky conception.

The message is clear that after decades of experimenting with aspects of performance – measurement, indicator and evaluation – some countries continue to reflect the two types of Performance Administration (e.g. France and Germany) and Managements of Performances.

Despite a quite high commitment to a performance approach, the Netherlands and Sweden choose their own mix of features that approximate Managements of Performances. Finland also has made a major commitment, but continues to fit the Managements of Performances category in part because of the significance of the rule of law. The Finnish Ministry of Finance's Handbook on Performance Management is a coherent statement (Salminen and Viitala 2006), but one that cannot be properly realised because the two must coexist, each constraining the other.

This means of course that the full potential advantages of managing performance will remain elusive because of cross-cutting agenda and the overriding dominance of the rule of law in many European countries, which pushes towards a Neo Weberian State. Such benefits as can be obtained from selective performance need to be extracted.

For the public management countries, there continues to be revision and fine-tuning of their frameworks. There are also the continuing challenges from unfettered performance management. For those countries that have cultivated performance management under NPM, there are interesting questions about how it is employed under post-new public management models (Halligan 2007c).

No country appears to fit Performance Governance, but this is presented here as a category that countries can either choose or at least comprehend

as a coherent statement of relevant aspirations. All countries have opportunities in Performance Governance and to be internationally competitive can be expected to be seeking to operate at least in part within this sphere. There is no assumption here that the only route to Performance Governance is via Performance Management.

There are several continuing issues for countries in terms of how they rank. Does it matter where a country comes to rest in the performance pantheon given the balancing and exigencies of administrative traditions? Is a light-handed approach to performance sufficient to yield benefits while avoiding the defects of performance management? The links with administrative tradition and the public administration framework (discussed in Chapter 2) are worthy of further examination beyond the relationship with public management.

Implementation challenges

A number of questions arise about design, execution, subjectivity and misplaced objectives (i.e. reducing everything to technical formulae). OECD country reporting indicates what is salient in the mid-2000s according to two types of agency – the central finance or treasury department and the oversight audit office – at the institutional/organisational and technical levels (Table 10.1).

The challenges emphasise culture, realism, the long term, clear expectations, problem avoidance and outcomes and accountability. Measurement covers questions about the act of measuring, obtaining the right measures, developing skills, shared measures, and incorporating evaluation. The evidence is clear from many sources about problems that need to be avoided including high transaction costs, lack of relevance, complexity (Flynn 2007), disconnects and poor linkages (e.g. the citizen connection).

Performance relationships

At the heart of managing performances is a set of relationships. The complex organisational settings for public policy in the twenty-first century place greater emphasis on governance, networks and stakeholders. Relationships today go beyond the simple set of the past of politician, administrator and citizen to recognise more explicitly the role of parliamentarians and at least six performance relationships between four actors (Bouckaert 2003).

In the performance era there has been some renewal of channels of communication in terms of the performance relationship between actors. Our interest is with how performance is expressed in each relationship and how performance is used to change relationships (Figure 10.1).

We can distinguish six potential performance relationships:

- 1 performance budgets and performance audits between executive and the Parliament;

- 2 general charters between executives and citizens;
- 3 contracts between executives and administration;
- 4 specific charters between administration and citizens: service level agreements and quality surveys;
- 5 accountability agreements between the administration and Parliament;
- 6 interaction between citizens and Parliament (through input to the policy process via committee work, or remodelled ombudsman).

It is also appropriate to distinguish a further set of relationships centred on the oversight agencies (Auditor General, ombudsman and appeal tribunals). In so far as they are independent agents of the Parliament, a formal performance relationship may not exist between these actors. However, their roles in relation to the executive and the administration are highly important. Also,

Table 10.1 Challenges to implementing performance information in public agencies

<i>Institutional and organisational challenges</i>	<i>Country raising issue*</i>
Fostering a climate for performance information (right incentives; ownership; developing learning culture)	Chile, Finland, UK
Setting realistic expectations for performance information (modesty; developing realistic demand; educating users)	Finland, Netherlands, Chile, UK, US
Long-term development required; maintaining momentum (commitment of time and money)	Finland, Netherlands, UK, US
Setting outcome performance expectations	Chile, UK, US
Avoiding distorting behaviour (reviewing measures; outcomes focus)	Finland, Chile
Accountability for outcomes (accountability meaning; shared outcomes)	UK, US
<i>Technical challenges</i>	
Measurement	Finland, Chile, Netherlands, UK, US
Selectivity in measurement; overload problems	Chile, Netherlands, UK
Attributing outcomes to actions	Finland, Netherlands, UK
Linking financial and performance management: 'costing' outcomes	Finland, US
Quality assurance of data and information	Chile, Finland, Netherlands, UK, US
Credibly reporting performance	UK

* Unpublished country reports by finance/treasury agencies and/or audit offices.

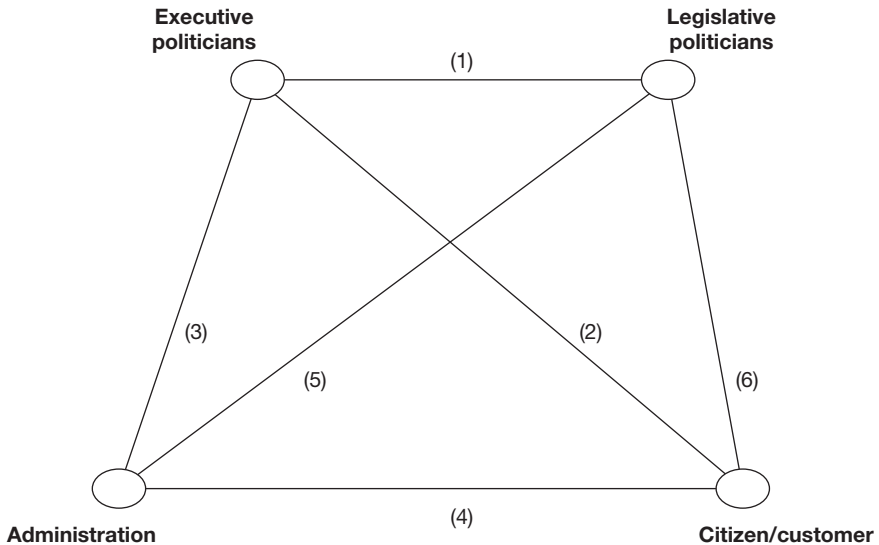


Figure 10.1 Performance relationships

the role of independent statistical agencies becomes crucial in determining existing performance and measuring progress within and across policy fields.

The discussion on managing for performance cannot exclude politics (Ho 2006; Ter Bogt 2004). Although there is some kind of dichotomy, there is never a separation in reality. According to Cogburn and Schneider (2003: 211) ‘the importance of *both* politics and administration to government performance’ is demonstrated. There seems to be a problem of perceived underuse:

The common assumption that the performance information that is useful for the executive would also serve the legislature remains unproven. With a few exceptions, performance reporting has been neither welcomed nor used by OECD member country legislatures in their oversight and decision making.

(Curristine 2005a: 150)

It also seems the case that there is a considerable underuse of financial systems by Parliament:

The reforms have a great potential for increasing parliamentary control but, because of unfamiliarity, parliamentary control has currently diminished. The reforms have delivered the financial instruments to create a more efficient and effective internal management but, as is shown by

the British example, it takes time to realize full potential. So far, there is also limited evidence that the performance is actively used in the political decision-making process.

(Scheers *et al.* 2005: 156)

In this context it is interesting to observe the change of label in 2004 of the US General Accounting Office, which supports the US Congress, to the US Government Accountability Office. Posner asks: 'Do accountability systems in fact promote performance and trust or undermine them?' (2006: 81).

The strongest relationships are those between the executive and the administration on the one hand and with the legislature on the other (although this relationship varies between systems). Some countries have made concerted attempts at improving relationships (e.g. the Canadian Improved Reporting to Parliament Project).

There has been increasing involvement of different societal actors with citizens appearing as customers, users or clients. Citizenship has been revisited as an activity rather than a status (Kymlicka and Norman 1995). Citizens are envisaged as active partners of government itself (OECD 2001). Citizens and civil organisations have become active parts in a societal chain that added value. This is part of the governance conception in which the government is a part, often as a leading actor. Nevertheless, the weakest links are those centred on the citizen. The rhetoric is there but the instruments for securing closer interaction are generally lacking at central government levels. Recent experiments have been subject to terse debate (e.g. Blair's selective citizen engagement on new policy).

Organising citizen-initiated performance assessments has the potential of increasing ownership and legitimacy (Ho and Coates 2004). However, focusing too much on customer satisfaction in the public sector:

may be dangerous when these perspectives substantially recast the role of the state and the relationship between the state and its citizens. At the limit, the state becomes a provider of services in exchange for a proportion of taxes. Citizens become customers.

(Fountain 2001: 71)

Government performance agenda: extending frontiers, crossing boundaries

Given the continuing overriding commitment to performance and to striving to improve performance frameworks, several agenda are advanced for governments internationally that together move the performance approach beyond current limitations. The relevance of trends depends on developmental paths, but the general imperative is for greater collaboration and sharing across boundaries while seeking to maintain system integration. The several actors

(Figure 10.1) – the executive, legislature, the citizen and the administration – are expected to share responsibilities, but this is honoured more in the breach than in the practice by executives.

The main issues flow from the performance relationships and disconnects previously identified. There is a need to redefine roles as boundaries are crossed and frontiers are extended.

1 Integrity, independence and transparency in performance statistics and analysis

Integrity, independence and transparency relate to the quality and integrity of performance information and the institutions responsible for them. There are two major institutions responsible for this: the audit offices and the statistical offices. The shift to the audit-society is clear. The cascade of a solid internal control system, which is assessed by an internal audit office under the guidance of an internal audit committee, which itself is assessed by an external audit office, sometimes even a supreme audit institution is obvious. It is unclear under what circumstances and to what extent the value added of this bureaucratic snowball may be guaranteed.

Increasingly, the independence of the bureau with responsibility for statistics on societal outcomes becomes crucial. Statistical agencies are recognised as having the capacity to look beyond single organisations. With an increasing span and depth of performance, there is a need to look beyond outputs to societal outcomes or effects, and even to trust. A need also exists to look for a consolidated picture at the meso and macro levels of society.

A key issue for the future is to combine audit standards with statistical standards and make these useful for managing or governing performance.

2 Redefining relationships between executive and legislative power

The ascendancy of the executive vis-à-vis the legislature is apparent again in a number of countries (Halligan *et al.* 2007; Norton 2005).

The divided government of the US offers much scope and challenges for reconciling branches. The executive and legislature have contended for control of the performance agenda. At the same time, Congress could address means of ‘reforming the authorisation process [to] provide clear signals to agencies regarding congressional performance expectations and . . . investigate the ways in which the constraints that it places on agencies impede the performance of these agencies’ (Joyce 2005).

Re-equilibrating executive and legislative powers (including responsibility, accountability) provides a new dimension when it includes performance issues. If parliaments want to become active producers of legislation and performing budgets, and if they want to guarantee performance oversight of

budget implementation through audits and evaluations, then they need to adapt to the performance movement. Most changes resulting from managing performance are executive driven. One of the reasons is to improve the function of the legislative (in authorising, and in their oversight function including the process of accountability); however, there seems to be a problem here. One of the answers is for parliaments to adjust their functioning, not just by expanding the role of their national audit agency (which has happened), but also by reforming their committee structures (to reflect the budget structure and to cover financial management in the non-finance committees), and their functioning to facilitate the guidance and control of performance. This applies to both 'public management' and 'Weberian' traditions.

3 Connecting performance and democracy

There is renewed interest in connecting performance and democracy (Pollitt 2004; Talbot 2005b: 23). To the extent that politicians see a well-performing public sector as part of their responsibilities, and therefore consider themselves to be accountable for this in order to strengthen a sustainable and transparent political system, performance and democracy are linked. However, it also seems clear that there are many disconnects between the legislative and executive politicians, and between politics on the one hand, and administration and citizens, as customers, on the other hand.

4 Balancing trust and performance

Trust-based control systems rely on traditions, on professions, on standard operating procedures which seem to be functional. They are very cost-effective and there is a considerable ownership within the vertical responsibilities. These systems are more subjective and rely on people.

Performance-based control systems rely on measurement systems that are incorporated and used. They may be very reliable and objective.

A key challenge is to keep an equilibrium between these two systems, which refer to the Friedrich/Finer debate (Finer 1940; Friedrich 1940). Probably there is a need for fewer dysfunctional performance-based control systems and more functional trust-based control systems.

5 Collaboration across agencies and levels of government

Horizontal and vertical collaborations are becoming more embedded in thinking and culture, but are often tentative in practice. 'The traditional US public administration boundaries of mission, resources, capacity, responsibility and accountability must be managed in an increasingly complex and political context, necessitating additional negotiation and collaboration between systems and agencies' (Kettl 2006).

6 Societal and whole of government indicators and outcomes as standard practice

The explorations with whole of society indicators and their alignment with whole of government approaches to integrating levels and agencies offers new dimensions to conceptions of performance.

Implications for research

This study suggests a research agenda covering six areas:

1 Comparative analysis of performance in terms of outcomes. The country cases reviewed here (see Appendices) include most of the countries with a high level of commitment to applying outcomes in practice. Finer analysis is required of the efficacy of the several approaches to extend the preliminary comparisons undertaken (e.g. Halligan 2007a).

2 Further research is required as to how countries linked with different performance types in this study reconcile administrative tradition with performance imperatives and extract and maximise the opportunities in performance. The prospects for reconciling performance and public administration requires analysis of the potential for performance where it co-exists with the rule of law.

3 Performance Governance has been sketched in Chapter 9, but requires further consideration of its potential and challenges. This might be part of exploring the expanding horizons of performance.

4 Traditionally, research has focused on the differences between the roles and styles of politicians and public servants (e.g. Aberbach *et al.* 1981),¹¹ the assumption being that differences are integral. Yet, convergences have been recognised for at least some actors and organisational purposes, and the options within managing for performance need to be revisited, such as the requirements and conditions for politicians to conform more to the type of prescription that they require of others.

5 Earlier discussions of performance indicate that the sometimes polarised camps of critique and advocacy share recognition of their basic shortcomings and challenges. They will continue to differ in terms of the implications they draw from the results, but the possibility of more convergent thinking is possible.

The perversities of specific performance schemes need constant attention such as the obsession with targets, reducing the condition and ranking of an organisation to a single category, and distorting the behaviour of staff on the ground. However, rather more attention might be given to how public

servants operate under performance management rather than simply the more extreme cases. One can readily proclaim a performance model and then show how practice does not necessarily conform because of the complexities of organisational life. A key consideration is the factoring in of trust.

6 A final research agenda is improving the communication of performance requirements down the line, reducing and rationalising layers in inter-governmental systems and keeping the message lucid.

This book has tried to provide a state of the art of performance in the public sector by looking at country models, their degree of implementation, and ideal types. This book has also sought to map the difficulties and uncertainties, resulting in a research agenda that can assist in illuminating some of the significant issues. Implementing this agenda should be one of the results of this book.

Notes for Parts I–III

- 1 The earliest practices in Britain appear to be the surveys and municipal statistics that reach back into the nineteenth century (Williams 2004). More considered thinking about measuring performance existed as indicated by Sidney Webb's 1901 call for an annual municipal competition to investigate municipal efficiency, by calculating 'statistical marks for excellence' (quoted in Cutler and Waine 1994: 27).
- 2 Finland shows high commitment to a performance management approach but is circumscribed by the the dominance of administrative law, producing a dual system.
- 3 There are also interesting parallels with New Zealand, a country linked with Australia and the United Kingdom in terms of new public management evolution (Hood 1990). New Zealand performance management was rather differently cast, a key feature of the original model being the distinction between outputs and outcomes, and their assignment respectively to chief executives and ministers. The focus was on chief executives and their extensive responsibilities for managing departments under contract, the specification of their responsibilities through performance and purchase agreements, and the annual assessment of their performance by the employer, the State Services Commission (Boston *et al.* 1996).
- 4 The UK service delivery agreements were established in 2000 as an instrument to translate strategic PSA targets into concrete actions, but discontinued by Treasury in 2003 to reduce the administrative burden.
- 5 An earlier survey indicated that few agencies collected data about whether they were achieving goals and outcomes and their impact on individuals and group performance (PS/IPAA 2001).
- 6 In Australia, most of the annual appropriations do not relate to outcomes. This amounts to 9 per cent being appropriated by outcomes. Departmental outputs (18 per cent) and administered programs (73 per cent) appropriated outside annual appropriations (i.e. by special or annual appropriations) are not appropriated against outcomes (DoFA 2006c: 13).
- 7 Accountability in this broadest sense is fairly recent (see the discussion of the evolution of the concept in Mulgan 2003: 6).
- 8 The debates about accountability and the related concepts of responsibility and responsiveness are discussed elsewhere (e.g. Gregory 2003).
- 9 A range of 'informal' mechanisms may also be distinguished.
- 10 There is however a broader question about information overload confronting parliaments and how they can make effective use of their own reports as well as those of public organisations (Halligan *et al.* 2007).
- 11 The contrasts are found in tenure (permanent versus temporary), time frame (short and long terms) and focus (operational versus policy and values).

Part IV

Appendices

I Methodological introduction to the country models

This book relies on two major methodological pillars: ideal types, and concrete country case studies that result in a description of a country model. The empirical material used is based on comparative research that considers the ‘official’ or dominant performance models of central governments. The structure of this empirical material relies on ideal types as defined by Weber at the beginning of the twentieth century in Germany. For that purpose an overview Table of four ideal types is developed. Six countries (Australia, Canada, the Netherlands, Sweden, UK and USA) are examined using the scheme for analysing managing of performances and defining country models. Finally, several existing, survey-based checklists are presented.

Weberian ideal types and comparative case research

Ideal types

According to Weber, ideal types are a methodological tool to interpret reality. In his 1904 essay on ‘Objectivity’ (‘Objektivität’) he discussed this pure type thinking in applying it to abstract economic theory, which allowed him to offer an ‘ideal portrait’ of rational action-based processes in a so-called ‘free’ market economy.

An ideal type is a ‘construction’ obtained by ‘heightening’ conceptually specific aspects of reality, e.g. relationships. A type helps us understand and think about reality by constructing relationships that exist in reality but which are emphasised in the constructed type. Ideal types are therefore ‘pure constructs of relationships’. The requirements for an acceptable emphasis are that they are ‘sufficiently motivated’ and ‘objectively probable’. This makes them sufficiently ‘adequate’ to ‘heighten’ a causal process of mechanism. Although these constructs need not be proven, there is a need for evidence in support of this objective probability. This results in scientifically acceptable value added to knowledge of ‘concrete cultural phenomena in their inter-connections, their causes, and their significance’ (Weber, 1968 (1904)).

From its ‘pure’ features an ideal type also derives somehow a ‘utopian’ character. Utopias do not exist in reality. However, ideal types are not

utopias, even if their description could lead to the identification of missing elements in reality, and therefore to an agenda for implementation. They are not ideal in the normative, let alone in an ideological, sense of the word.

Ideal types are representations of modelled behaviour reduced to its essence, which therefore has a 'pure' flavour, and could be considered as pure types with features of models such as modules and verifiable causal links. But they are more than common denominators of reality because of their intrinsic causal coherence. Their purpose is not to feed a praxeology but to help interpret complex realities.

Obviously the construction of ideal types is inspired by existing theories, praxeological models and experienced realities. This brings us to the need for case studies.

Comparative case research and modelling

According to Yin 'case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context' (Yin 2003: 1). In this study our country case studies are of a descriptive and partly explanatory nature when used in combination with the construction of the ideal types.

Producing country models is not just helpful in structuring complex realities; it also supports theory development. Modelling has several advantages because it 'provides a structured process for making explicit the elements of a theoretical argument or perspective'; also it 'allows the theory-development process to be guided by accepted standards of scholarly knowledge'. But the 'most straightforward, positive feature of modelling is that it creates models, which serve as useful guides for designing theory-based research projects' (Whetten 2002: 64, 65).

Ideal types and comparative case research in this book

In bringing both methodologies together, embedded multiple case studies allow for a description, interpretation, perhaps even an explanation based on objective probabilities and adequate causation. Even if the choice of the multiple cases may vary significantly, it is assumed that none of the cases have such a level of uniqueness that they cannot share a common ideal type. On this basis modelling is possible.

It is useful to distinguish between three levels or modes in analysing management for performance: ideal types, country models and degrees of implementation of these country models (Figure I.i).

Official country models are communicated through legislation, circular letters or handbooks and are an expression of the desired information architecture, the emphasis on content, its incorporation and its use. 'Official' may

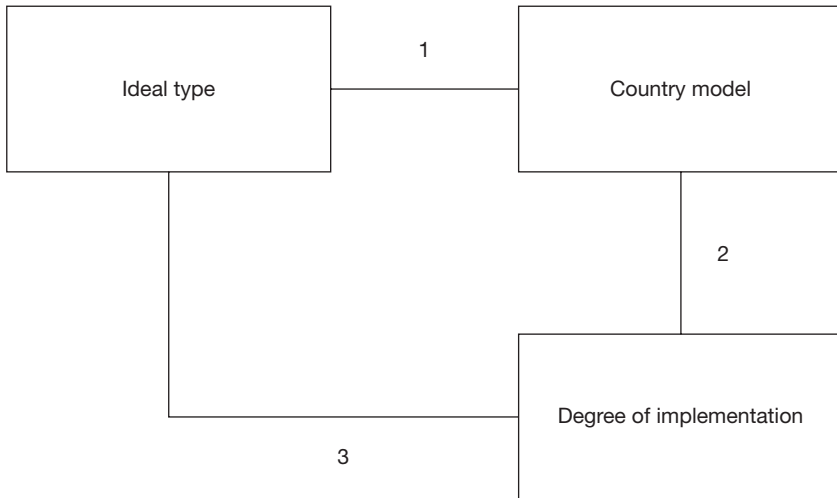


Figure 1.i Three modes of 'realities' for analysing managing performance

also mean 'dominant' or 'generally accepted'. In many cases this is a programme of change and improvement that needs to be implemented. This implementation takes time, varies according to policy fields and may require a change in culture. Realities do not correspond with the official models. There are several reasons for this, which vary from unwillingness to implement to incapacity to comply. Currstine (2005b: 96) refers to several reasons why implementation of an official model seems to be difficult, such as the challenges of attributing outcomes to specific programmes, problems with designing measures for specific activities, insufficient political support, but also unclear objectives, and lack of or poor quality performance data.

These three dimensions interact with one another. 'Ideal types' may influence and inspire the country models. On the other hand, the starting positions of countries, and their capacity to implement, may influence the choice of the country model. Obviously, these country models present an agenda for change. Both existing practices and their official versions can be compared and assessed against the coherence and the logic of an ideal type.

Chapters 4, 5 and 6 in this book cover the ideal models. The country files focus on the country models, or dominant existing frameworks. They also sometimes include significant elements of implementation, depending on the coverage rate of implementation, and corrective actions depending on the dysfunctions or difficulties with implementation. Chapter 7 comments on the degree of match and mismatch between the three boxes in Figure 1.i.

Existing checklists for studying performance

The most elementary operationalisation of a model to study performance is the use of a checklist. Especially in the ambitious effort to compare countries, a checklist-methodology provides the components of a model. OECD and the World Bank are heavy users of this approach, which immediately determines the methodology itself. Many of these checklists are not scientifically based, but in many cases key items are taken for granted and accepted as ‘best estimates’ for a certain phenomenon, e.g. performance in a management context. Professionals are in many cases feeding these checklists.

Checklists provide the building blocks for models. However, the linkages between these building blocks are not explicit at all. In many cases the scores of questions of these checklists are not audited and are more an expression of official or intended policies or of wishful thinking, rather than taking real degrees of implementation into account. Examples of such a checklist (from OECD) are shown on pp. 223–5 and include elements of objectives and approaches, measurement, service quality, reviews, use, and results-oriented management (OECD 1997a).

Checklists are attractive because they allow for (implicit) benchmarking of components. The number of ticks on the (linear) checklist is perceived as a degree of realisation of a specific phenomenon like ‘performance’. The more the better seems to be the rule.

Another type of survey moves from closed to semi-closed questionnaires. It is possible to tick more than one box or have an option between several boxes. The World Bank and OECD organised a web-based survey of forty-four countries (of which thirty were OECD countries) (pp. 225–6). This survey refers to types of performance information included in the budget process, the setting of performance targets and the reporting on actual performance, and the utilisation of performance data.

There are specific surveys (for example, on accrual accounting) on using performance information in a budget process (OECD 2005: see p. 227, this volume). These surveys include specialised checklists, derived from a general building block of an implicit model. In this case, it is assumed that the level of development of an accounting or budget system is an indicator of the degree of development of performance management. Obviously, this needs to be proven.

Finally, there are checklists for qualitative research on the issue of managing performance, such as EUROPAIR (Pollitt 2006c), or one suggested by OECD (1999) on integrating financial management and performance management.

Format of ideal types on performance

Ideal types also fit into Weber’s methodology of ‘singular causal analysis’, which is different from mono causality. Singular causal analysis allows the

detection – also in time and space – of specific clusters such as ‘performance-related issues’ that logically fit into a causal scheme. This causal scheme is influenced by inductive data.

In this book we assume that ‘performance’ is a singular causal cluster within a logical analysis that helps us interpret this reality in order to better understand, and perhaps even to explain types of administrations or management in general, and performance management in particular. As a consequence of this antecedent singular causal ‘performance’ cluster, we may look at particular outcomes, such as variations on performance-based politico-administrative systems.

We first want to x-ray ‘performance’ in its substance and perception, in its hardware, software and ‘orgware’, and in its static and dynamic functioning.

From a process point of view a causal chain consists of first *measuring*, then *incorporating* this information, in order to ultimately *use* it. Based on implicit or explicit concepts or even definitions of performance, the practice is to observe levels of performance. To the extent that these are systematic observations, one could label them as the practice of ‘measurement’. The processing of data into information means that this performance data needs to be incorporated into documents, circulated and generally made available. One could call this the ‘incorporation’ stage. Analytically speaking, once there has been ‘measurement’ and ‘incorporation’, performance information should be fit for the intended purpose, i.e. for using it to manage. The final stage is therefore *use* of performance-related information. This obviously also includes all positive and negative, intended and unintended, short-term and long-term effects and types of use.

Format of country models

The content of the country description consists of an operationalisation of the three main elements of this ideal type, but it also consists of a contextual and an assessing module, which should guarantee the embedding of the core modules to facilitate a singular causal analysis.

For the Context of a performance-based system, two modules are included. A crucial module is the *Historical overview and purposes of reform* listing key events of performance-related issues. Obviously, there is the question of what is an administrative fact, or when something becomes a fact of reform.

Table 1.i Modules of an ideal type of managing performance

<i>Modules of an ideal type</i>	<i>Content of module</i>
Measurement	
Incorporation	
Use	

Especially in an era of extended communication, and ‘reform by announcement’ a fact could be the first communication, the first visible proof (like a law), the start of implementation, the end of implementation or the results of a reform. This list provides more rather than less information about initiatives, and highlights and comments on key events, with a reference to highlights up to the 1960s, and with a year-based more detailed focus from the 1980s on. For each initiative, the content is briefly described.

A second module examines *Central actors involved in developing performance systems*. Obviously, key players with horizontal capacities are mentioned here. Sometimes national audit agencies have a significant role. Depending on the functioning of a system, departments and agencies may have a significant degree of freedom in developing performance systems by implementing general instructions. Although examples may be provided from specific policy fields, these are not the focus of this study.

This brings us to the second cluster on Measuring performance, which includes four modules. In *Criteria for a good indicator and measurement system*, reference is made to which countries use checklist criteria for indicators and systems. This information may come from handbooks, guides, budget instructions, explicit audit practices and the like. Some countries focus more on technical issues, while others also include elements of reform policy priorities, such as credibility, integration or ownership. This is important for the quality checks on performance information.

A second logical next issue is about the *Process of measuring and managing performance measurement*. In some countries this is closely linked to the budget process. In other countries this may have a life of its own and be related to quality projects, to policy cycles or statistical processes. Obviously, the question is at which level the process is focused. There are processes involving central departments, between departments and agencies, and within departments and agencies. In general, the focus in this study is on central processes and interactions, with reference to a concrete example of what this means within an administration or an agency.

A third module in this cluster is about the content of the measurement systems: *What is being measured and what models are used?* Starting with the ‘officially’ propagated information architecture, sometimes as a ‘standard model’, reference is made to the building stones of a measurement system.

This leads to the fourth module of the measurement cluster, *Audit and quality control of measurement and management*. In this section there is a focus on the logic of management control systems: internal control, internal audit and external audit. The question is to what extent and how this control ‘pyramid’ focuses on performance. It is clear that the audit explosion in many countries is caused by the performance agenda.

The third cluster is on Incorporating performance information once it is available. A key concern in this module (*Tools for anchoring measurement and management practices*) is how systems try to institutionalise performance

data and information into recurrent, sustainable and systemically embedded practices that ‘enforce’ performance-based practices. This could be legally based, but also culturally encouraged. In many countries budget instructions, or contract frameworks are quite tangible and effective tools for anchoring reform practices, depending on the extent to which they are really implemented. For some countries a budget example is provided to demonstrate the existing practice.

The fourth cluster is about Using performance information. Information could be available and integrated in the right documents, but how is it really used? This question needs in depth case study research on how this possibly could have made a difference. For our purpose there is a focus on the indicator of *Use of performance* within e.g. HRM, or within management or policy functions such as, e.g. policy development, accountability and control, or other management functions, including financial functions. This module does not cover all practices. Rather than a systematic overview, the purpose is more to illustrate existing practices, with some focus on the financial cycle.

The next module is on *Reporting of performance*. How and in which documents is there a reporting practice on past performance (compared with planned performance)?

In a final cluster there is a focus on the general issue of Administrating, managing or governing performance. This consists of one module on performance, *System assessment*, which looks at the level of aspirations in countries, the sequence of the models used, the level and coherence of implementation and its sequence, and the variance of implementation that the system tolerates. This is obviously a preliminary assessment, and is best regarded as having the status of working hypotheses.

Table I.ii lists the key questions of the different country file modules.

This book focuses on the following countries: Australia, Canada, the Netherlands, Sweden, the United Kingdom and the United States. The rationale for this choice is mixed. On the one hand there is an attempt to cover countries from different cultural and politico-administrative systems. On the other hand, having access to a data-‘rich’ country was also important. In terms of administrative traditions, Sweden belongs to the Scandinavian tradition, the Netherlands partly to the continental ‘Rechtsstaat’ influence, and the US is clearly sui generis. Then there are three countries with a recognised Anglo-Saxon tradition in a Commonwealth context, although differences between the UK, Australia and Canada can be significant (Halligan 2003a; Peters 2003).

Table I.ii Format of country models

<i>Country models</i>	<i>Modules</i>	<i>Description of module</i>
Context	1 Historical overview and purposes of reform	What are the most important reform initiatives and the central reform purposes? What are the most important initiatives related to a performance based policy? How are these initiatives related to other reform initiatives?
	2 Central actors in developing performance systems	Which actors are responsible for preparation, design and development, and implementation of this performance based policy? To what extent are performance based policies centralised or decentralised? What is the role of 'external' actors, for example, e.g. parliamentary commissions, audit offices, professional organisations, or other than public sector organisations?
Measurement	3 Criteria for a good indicator and measurement system	What are the criteria for a good performance measurement system? What are the criteria for a good performance indicator?
	4 Process of measuring and managing performance measurement	What process is followed in measuring and managing performance measurement? What are the 'prescribed' stages in a 'standard operating procedure' for measuring performance?
	5 Context of what is being measured and what models are used	What is being measured? To what extent is there a range of indicators on resources, activities, outputs, effects/outcomes, environment? Are there linked indicators or ratios? What is the policy toward developing standards for levels of performance? Is 'quality' a separate or integrated monitoring issue?
	6 Audit and quality control of measurement and management	Is there a quality control or even an organised audit procedure for performance data and information? Who is implementing this? What is looked at and by whom?
Incorporation	7 Tools for anchoring measurement and management practices	Is there a legal framework for anchoring a performance policy into practice? Is there a (historical or logical) sequence of models (information architecture) that is embedded in a sequence of documents?

Table I.ii Continued

<i>Country models</i>	<i>Modules</i>	<i>Description of module</i>
Use	8 Use of performance	How is the integrated information used in different management functions, especially in the financial cycle, but also in, for example, the personnel function, or contracts? To what extent is performance information used in policy and management cycles? In steering and control? How is this use organised (learning platforms, handbooks)?
	9 Reporting on performance	Which documents contain performance information? At what level is performance information available (organisation, policy field, government wide)? Who is reported to? Is it publicly available? What is the frequency of reporting? Are financial and non-financial information related and integrated?
Assessment	10 System assessment	Has there been a critical evaluation of the performance based policy? What was the result? What is the current model of aspiration? What ideal type or pure model is closest to this county model? Was there a sequence of models of aspiration? Was this sequence logical, cumulative, consisting of constructive corrections or pragmatic adjustments following implementation gaps or lack of implementation capacity? How was the implementation carried out (top down vs bottom up, big bang vs pilots, volunteering vs legal requirements, level of guidance etc)? Was there a sequence of implementation models? What is the tolerance for variance (rigid traffic lights control vs generous communication platform for consensus building around a reform process)?

II Ideal types of managing performance

Synthetic overview

As a summary, it is possible based on the inductive case studies of the countries, to generate coherent sets of ideal or pure types of managing performance.

There are two ways to read Table II.i.

A horizontal reading provides the difference in degree (quantity) or substance (quality) of a dimension or component. There are shifts from internal to internal and external, from mechanistic to dynamic, from non-existing or disconnected to integrated. These changes could be interpreted as analytically more complex, and sometimes there is an implicit growth scenario, which suggests that a chronological rationality is operating.

A vertical reading should demonstrate the coherence of a pure type, which according to the Weberian ideal type is a construction of 'heightened' concepts for which some evidence is available in reality, even if these models do not exist as such in reality. There are sufficient indicators in the country cases to assume an adequate coherence, and perhaps even a singular causal model between the type of measurement, the type of incorporation, and the type of use. The reverse single causation could also be applied in an ideal type. If there is a policy to develop a particular type of use, then there will be a need to develop a related and particular type of incorporation, and hence a particular type of measurement. Obviously, the typologies of measurement, incorporation and use, are coherent within an ideal type. These models are described in Chapters 4, 5 and 6. Illustrations are provided to support the 'heightening' and show that there is sufficient evidence to support the probability of each type. Chapter 9 provides key elements of a fourth ideal type.

Table II.i Four ideal types of managing performance: synthetic overview

<i>Ideal type</i>	<i>Chapter 4 Performance Administration</i>	<i>Chapter 5 Managements of Performances</i>	<i>Chapter 6 Performance Management</i>	<i>Chapter 9 Performance Governance</i>
Measurement/measuring				
Type of measurement	Mechanistic and closed	Internally interactive and closed	Internally interactive and open	Internally and externally interactive
Design of measurement system	Ad hoc schemes by internals	Organised per management function: standard schemes by staff and consultants	Imported standard models (benchmarking) by staff and consultants	Designed standard models (benchmarking) by stakeholders, staff and consultants
Span of measurement	Limited and selective: efficiency and productivity: Input, activity, output	Organisationally determined: economy, efficiency and effectiveness: input, activity, output, effect/outcome	Organisation and policy based: economy, efficiency and effectiveness: input, activity, output, effect/outcome	Full span: economy, efficiency, effectiveness and trust: input, activity, output, effect/outcome, trust
Depth of measurement	Micro	Micro and meso	Micro and meso	Full depth: micro, meso and macro
Criteria of indicators	Technical (valid and reliable)	Technical and functional	Technical, functional and internally legitimate	Technical, functional, internally and externally legitimate
Specific dimension of measurement	Quality is considered as constant	Quality requires separate focus	Quality gets an integrated focus	Quality is systemic
Dysfunctionalities of measuring	No pathologies awareness	Starting concern for pathologies	Systemic reactive focus on pathologies	Systemic pro-active focus on pathologies

Table II.i continued

<i>Ideal type</i>	<i>Chapter 4 Performance Administration</i>	<i>Chapter 5 Managements of Performances</i>	<i>Chapter 6 Performance Management</i>	<i>Chapter 9 Performance Governance</i>
Incorporation/incorporate				
Level of incorporation	Static	Comparatively static	Dynamic	Hyper dynamic
Degree of incorporation	Disconnected, isolated	Connected per management function, not consolidated	Internally consolidated	Externally consolidated
Use				
General use	Limited and technical	Disconnected policy and management cycles	Integrated policy and management cycles	Societal use
Main reporting focus	Internal hierarchy	Internal managerial functions	Internal management, external political	Management, political and societal
Learning by using (standards)	Single loop learning	Single and separate double loops	Single, and integrated double loop	Single, double and meta
Accountability for performance	Administrative	Managerial	Managerial and political	Managerial, political and societal
Potential value added of performance	Limited	Single improvement	Integrated improvement	Systemic
Potential dysfunctions of performance	Unawareness of major dysfunctions	Incoherent and suboptimal use of information	Negative cost-benefit analysis	Uncontrollable and unmanageable system

III OECD checklists

Performance management practices 1997

Table III.i OECD checklist for performance management

<i>List</i>	<i>Operational questions</i>
I.a Objectives and approaches	1 Management and improvement: Is the internal use of performance management, to support management and continuous improvement, a major objective?
I.b Objectives and focus	2 Accountability and control: Is the external use of performance management, to increase accountability to responsible ministers or to the public a major objective? 3 Savings: Are direct savings on the budget a major objective?
I.c Approach	4 Comprehensive: Is the approach to performance management comprehensive, i.e. covering different instruments and most activities or organisations? 5 Legislative: Is performance management based on specific laws or lower level legislations? 6 Ad hoc: Are ad hoc initiatives (related to specific problems or needs) important part of performance management? 7 Top-down: Are performance management initiatives imposed from the top? 8 Bottom-up: Are performance management initiatives developed at the agency level? Are such initiatives actively supported by departments and central management units?
I.d Institutional arrangements	9 Finance/budget departments: Do finance or budget departments have a role in performance management? 10 Other central departments: Do other central departments have a role in performance management? 11 Special management bodies: Have special management bodies or units been created to develop and implement performance management initiatives?
II.a Performance measurement	12 Indicators: Are simple and transparent indicators used as performance measures?

Table III.i Continued

<i>List</i>	<i>Operational questions</i>
	13 Measurement system: Are specialised systems used to measure performance
	14 Qualitative measures: Are qualitative, indirect measures used along with quantitative measures?
	15 Process (activities): Are measures of processes, activities or new initiatives important in performance measurement?
	16 Efficiency (outputs): Are measures of outputs important in performance measurement?
	17 Effectiveness (outcomes): Are measures of outcomes important in performance measurement?
	18 Service (delivery) quality: Are service quality measures important in performance measurement?
	19 Financial performance (economy): Are financial measures (cost of input, etc.) important in performance measurement?
II.b Financial management	20 Accrual accounting: Is accrual accounting used to improve cost information and the basis for performance measurement?
	21 Cost allocation: To what extent have systematic methods been developed to allocate costs to different outputs?
	22 Integration of management systems: Are financial management and performance management systems coordinated or integrated?
II.c Reporting performance information	23 Public availability: Is information on performance generally made available to the public and is it used to improve relations with the public?
	24 Annual reports: Is information on performance generally published in annual reports?
	25 Budget reports: Is information on performance systematically collected in relation to the preparation of the budget and published in relation to the budget proposal?
	26 Performance contracts: Are contracts, or performance targets set in contracts, publicly available?
	27 Local government performance: Are indicators of performance of local government collected and published?
III. Service quality	28 Have service standards been used to define the level of service the clients are entitled to receive?
	29 Service statements: Is level of service and service quality declared to the public in simple service statements?
	30 Customer surveys: Are customer surveys used to measure perceived quality?
	31 Quality management (systems): Are quality management systems widely used to improve quality of public service?
IV. Performance review	32 Internal evaluation: Are there specific methods or arrangements for internal evaluation of agencies?
	33 Performance auditing: Does a state auditing body audit the performance of agencies? Is the accuracy and relevance of performance information audited?

Table III.i Continued

<i>List</i>	<i>Operational questions</i>
	34 Quality monitoring units: Have special quality monitoring units been created to monitor and evaluate service quality and performance in specific sectors?
	35 Program evaluation: Are government programs evaluated in a systematic way? Are the evaluations on a regular or ad hoc basis?
V.a Use of performance information: performance budgeting	36 Performance informed decisions: Is information on performance actively used to improve the quality of decisions in the budgeting process? 37 Performance-based allocation: Are there sectors where allocation of resources is more or less directly linked to units of performance?
V.b Use: performance pay	38 Individual agreements: Are there individual agreements, where evaluation of performance has effect on pay? 39 Individual performance pay: Does evaluation of performance have an effect on pay of individuals? 40 Group productivity pay: Is measured performance of organisational units or groups of staff used to pay bonus to the staff?
VI.a Results-oriented management: devolution and autonomy	41 Relaxation of input controls: Have input controls (limitations on the use of resources, allocation to specific expenditure items) been relaxed? 42 Reduction of process controls: Have process controls (detailed rules on the process of providing services and operations of agencies) been reduced? 43 Autonomous agencies: Have (semi) autonomous agencies been established? Has more autonomy been granted to the existing? 44 Risk management: Are managers entrusted to take and manage risks? Are there formal methods for managing risks?
VI.b Results-oriented management: management reforms	45 Benchmarking (process and results): Are processes or results of agencies benchmarked and is benchmarking used to compare and improve performance? 46 Corporate and strategic planning: Is corporate and strategic planning a part of performance management? 47 Performance contracts: Are contractual arrangements used to set performance targets and grant more managerial autonomy to agencies? 48 Market testing, contestability: Is performance management related to use methods, such as contestability, market testing, provider-purchaser splits or internal markets?

Source: OECD 1997a, 128–9

Performance information 2003 – World Bank/OECD

What mechanisms are used to assess the efficiency, effectiveness and value for money of public activities?

- Is non-financial performance data routinely included in budget documentation (process)?
- Does the performance data include performance targets?
- What types of performance targets are included in the budget process?
- Is the inclusion of these performance targets in the budget a legal requirement?

Setting performance targets and reporting on actual performance:

- Are there formal government-wide strategies/policies/standards for setting performance targets [either output and/or outcomes]?
- Do the following strategies have targets agreed with or set by the Government? If so what sort of targets do they generally have?
- How are targets set for ministries?
- Who formally has the responsibility for setting performance targets?
- Performance targets can cut across organisational boundaries. How is this dealt with?
- Are targets routinely displayed in the budget documentation presented to the Ministry of Finance?
- Is performance against targets continuously monitored?
- How frequently are ministries/other government organisation required to report on performance against targets to the following bodies?
- Are targets routinely displayed in the budget documentation presented to the legislature?
- Is actual performance against targets reported?
- If performance against targets is reported, how is it reported?
- Are performance results made available to the public?
- Is the performance data externally audited?

Utilisation of performance data:

- Are expenditures specifically linked to strategic goals?
- Are expenditures specifically linked to each output or outcome target?
- Is there evidence that performance results are used in determining budget allocations?
- Is performance against ministries' targets linked to anyone's pay?
- Is it common that politicians use performance measures in decision making?
- Are rewards and/or sanctions applied if performance targets are met or are not met?
- What will happen in the next five years with regard to the level of attention given to performance targets in the budget procedure?

Extracts from a World Bank/OECD 2003 survey of budget practices and procedures among forty-four countries of which thirty are from the OECD. World Bank/OECD 2003: 5.4, Performance Information, <http://ocde.dyndns.org>.

Performance information 2005

A 2005 OECD questionnaire on performance information resulted in a response rate of twenty-six out of thirty OECD member countries and two observer countries. All responses were self-reported. There is a focus upon performance information in the budget process (see also, Curristine 2005b).

Table III.ii Performance information checklist in the OECD 2005 budget process

-
- 1 How long have countries been working on performance measures?
 - 2 When was the first government-wide initiative to introduce output measures?
 - 3 How would you describe the general institutional arrangements for developing performance measures and setting performance targets in your country?
 - 4 Are there specific units within the Ministry of Finance (MoF)/Central Budget Office in charge of evaluations or monitoring?
 - 5 What institutions have responsibility for managing evaluations, setting measures, monitoring progress, linking results to allocation, horizontal support?
 - 6 What were the most difficult problems encountered when introducing performance measures (data quality, designing measures, attributing outcomes to activities, unclear objectives)?
 - 7 Have there been improvements, during the last five years (quantity and quality of data, timeliness of data, use in allocating resources, use in decisions)?
 - 8 Are performance results used as part of the budget decisions between the MoF/Central Budget Office and the spending ministries/departments?
 - 9 When output and/or outcome measures are used by the MoF/Central Budget Office in the budget formulation process, how are they used and how often?
 - 10 Does the MoF eliminate programmes when the results show poor performance? What action is taken?
 - 11 What kind of performance evaluations are conducted or commissioned by the MoF?
 - 12 Are the recommendations included in evaluations sufficient and relevant to be used for decision making, for negotiations?
 - 13 Is there a monitoring or follow-up process to examine to examine if the actions or activities recommended by an evaluation are carried out? What are the consequences if recommendations are followed (or not)?
-

IV List of glossaries

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V Country models

Australia

Context of a performance-based system

Historical antecedents and purpose of reform

According to the 1999 Public Service Act, ‘the Australian Public Service focuses on achieving results and managing performance’. There is a broad range of reform initiatives that support this statement.

Table V.i History and objectives of performance management in Australia

<i>Initiatives</i>	<i>Year</i>	<i>Objectives</i>
Expenditure control framework	1980s	Expenditure overview for the next three years
Financial Management Improvement Programme (FMIP)	1984	Focus on outcomes and efficiency, Programme Management and Budgeting (PMB), Corporate planning, Performance information, Systematic programme evaluation
	1984	FMIP Diagnostic Study recommended the introduction of performance-oriented management
Budget Reform Statement	1984	Paper on government’s reform priorities including budget priority setting, emphasis on programme objectives and improved performance
Programme management and budgeting	1987–8	Extended programme budgeting to shift emphasis from managing financial information to programmes as a whole. Established running cost flexibility
Programme Performance Statements to Parliament	1988	Reporting of performance information to Parliament
Performance appraisal formalised	1989	For senior executive service and senior officers Guidelines issued 1990. Designed to ensure compliance with agency goals
Task Force on Management Improvement	1992	Evaluation of decade of management reform
Performance pay introduced	1992	For senior executive service and senior officers (latter wound back)

Table V.i Continued

<i>Initiatives</i>	<i>Year</i>	<i>Objectives</i>
Fixed term appointments for departmental secretaries	1994	Greater flexibility and choice over appointments
Accrual reporting for documents	1995 (decision)	Obtain more informative, complete and accurate financial information. Implemented 1998
Departmental secretaries	1996	Performance review
Workplace Relations Act 1996	1996	Provision for agencies to make individual agreements with staff Agencies responsible for using certified or workplace agreements in 1997
Commonwealth Authorities and Companies (CAC) Act Financial Management and Accountability (FMA) Act Auditor-General Act	1997	Key requirements on financial management, audit (including performance audits), corporate governance and accountability
Charter of Budget Honesty Act (the Charter)	1998	Designed to guarantee that the executive remains accountable and transparent in the budget process for Parliament and public
Department of Finance and Administration (DoFA)	1998	Integration of management, finance and common administrative services in one department
Public Service Act	1999	Legal framework for employment, personnel management, leadership, authority, tasks, responsibility of agency heads, Public Service Commissioner and Merit Protection Commissioner Framework for politically neutral, efficient and effective public service
Accrual-based outcomes and outputs budgeting and reporting framework	1999– 2000	Framework focusing public decision-making process and public accountability on outcomes, outputs and administered items, and performance indicators (decision taken in 1996) Delegation of financial, performance, and risk management to agencies Provide agencies with sufficient flexibility to contribute to efficient and effective outcomes Increase transparency by providing information on cost and performance
State of the Service Report	1999–	Annual report by Public Service Commissioner that monitors implementation of agenda
Australian Securities and Investments Commission Act	2001	Establish new institutional arrangements for setting Australian Accounting Standards

Table V.i Continued

<i>Initiatives</i>	<i>Year</i>	<i>Objectives</i>
Performance management in the APS	2001	A strategic framework plus survey of individual experiences
Generalised performance management framework	2002	Consolidated strategy and activity to match objectives and performance at the level of organisations, teams and individuals
Budget estimates and framework review	2002	Assessed budget estimates and advice system and examined ways to improve budget estimates and framework system Implementation of recommendations 2002–5
Reviews of performance management	2003–7	ANAO (2003, 2004, 2007), APSC (2006) and Senate (2007)
<i>Sharpening the Focus: Managing Performance in the APS</i>	2006	Australian Public Service Commission guide to improvement (reflect, review and refine approaches)

From the early 1980s public sector reform was on the agenda in Australia. A key initiative in this context was the Financial Management Improvement Program (FMIP), which also included a savings agenda. The purposes of this programme were twofold. On the one hand the objective was of strengthening the expenditure control framework. This framework included a three-year horizon in the budget plans and reports to government (forward estimates system), a decentralisation of budget preparation to portfolio ministers, and more financial management responsibility and flexibility for managers. On the other hand, the FMIP's ambition was to have a firmer link between funding and results through Program Management and Budgeting. Decision making, management, and policy evaluation were all focused upon performance against programme objectives. For that purpose programme structures, performance measurement systems and systems for policy evaluation were developed. Other important initiatives in the 1980s were corporate management and the reporting of performance information to Parliament using programme performance statements.

In the 1990s reforms built upon those of the 1980s and focused upon modernising financial legislation and regulation and the accrual-based outcomes and outputs framework with a dual focus: first, improving internal management of agencies by creating a more comprehensive financial framework that incorporated more extensive corporate governance and control and reporting systems; second, improving external reporting of agencies to government, and an enhanced and transparent accountability to parliament and citizens.

An initial approach to performance appraisal was unsuccessful, but new efforts in the 1990s were more productive with implementation at agency level. Staff appraisals were judged to be a 'useful management tool to align individual performance with organisational objectives' (TFMI 1993: 186).

Performance pay for SES emerged during this decade, and individual agreements for senior staff became the norm under the workplace relations and public service legislation.

The 2000s have been a decade of consolidation and refinement, involving significant changes to the framework (other than discarding unsuccessful experiments with the capital charge and interest on agency cash balances).

Actors involved in measurement and management of performance

Politically, the Minister of Finance and Administration has a key role. Two other portfolio ministers assist him, the Parliamentary Secretary to the Minister of Finance and Administration and the Special Minister of State.

Administratively, the Department of Finance and Administration (Finance) is central and has four key outcomes in the portfolio budget statement (PBS) 2005–6:

- 1 sustainable government finances;
- 2 improved and more efficient government operations;
- 3 efficiently functioning parliament;
- 4 effective use of information and communication technologies by the government.

Finance has a horizontal responsibility in matters of performance measurement, and is responsible for performance budgeting and the accrual-based outcomes and outputs framework (Table V.ii).

The Department of the Prime Minister and Cabinet (PM&C) is responsible for policy coordination and implementation and has a general responsibility for the public service.

Table V.ii Actors involved in managing performance

<i>Actor</i>	<i>Role</i>
Department of Finance and Administration	Responsible for the general implementation and maintenance of the accrual-based outcomes and outputs budgeting and the related reporting framework.
Department of the Prime Minister and Cabinet	Responsible for policy coordination and implementation and has a general responsibility for the public service.
Departments	Responsible for reporting on their performance
Australian National Audit Office	Responsible to parliament for performance and other audits of the executive. Actively provides recommendations and guidelines on managing performance.
Joint Committee of Public Accounts and Audit	Role is to scrutinise the performance of all Commonwealth agencies in spending the funds appropriated to them by parliament. To assist in ensuring that agencies are held to account for their use of public money.

The Management Advisory Committee is a forum of departmental secretaries and selected agency heads established by the 1999 Public Service Act to provide advice to the government on public management reform.

The Australian Public Service Commission gives general advice and support to the government on public management, and more specifically on performance management, HRM and leadership in the Australian Public Service. It has a horizontal competence for performance information in personnel matters and is responsible for the personnel policy of top civil servants including the Senior Executive Service.

The Australian Bureau of Statistics' mission is to 'assist and encourage informed decision making, research and discussion within governments and the community, by leading a high quality, objective and responsive national statistical service'.

Within the Parliament there is the Joint Committee of Public Accounts and Audit (JCPAA), which explicitly supported the agenda to move towards accrual-based budgeting, accounting and reporting. There is also the Senate Standing Committee on Finance and Public Administration.

Finally there is the Auditor General's Australian National Audit Office (ANAO) which is the traditional 'watchdog' and is responsible to parliament for performance and other audits of the executive, and also is actively involved in the performance-focused management reforms by researching reform, providing recommendations and publishing handbooks.

Measuring performance

Criteria for a good indicator and measurement system

Criteria for performance measurement

In its guide *Specifying Outcomes and Outputs*, the Department of Finance and Administration expresses some requirements for a good indicator. A distinction is made between indicators for outcomes, outputs and administered items (which include transfers and subsidies).

Output indicators should (DoFA 2000b: 48):

- apply to goods and services delivered by agencies to external individuals or organisations;
- be clear and identifiable;
- be defined in terms of services and products delivered and not in terms of functions;
- contribute to planned outcomes;
- be directly or indirectly controllable;
- consist of the following elements:
 - price per unit of output;
 - quantity of output to deliver;

- quality of output (timing, frequency, location);
- contribution of outputs to planned outcomes.
- define outputs and output indicators in such a way that current output providers are comparable to potential and future providers;
- cover all activities of the agency, directly as part of outputs, or indirectly as overheads that contribute to the realisation of these outputs.

Outcomes and outcome indicators should (DoFA 1998):

- reflect the objectives and priorities of government;
- be formulated in terms of societal impact;
- have a specific target group that is clearly demarcated;
- be realisable within a specific timeframe;
- have the capacity to be monitored and assessed;
- be based on a causal link between actions of government and outcomes;
- be distinct from the agency's strategy;
- be defined clearly and unambiguously, be fit for reporting.

Outcomes cannot be too general, otherwise it becomes difficult to develop and collect performance data that provide a link between activities, outputs, and outcomes. 'While high level outcomes can be useful in providing context and high level meaning to agency operations, they have limited value for planning, accountability and performance management.' On the other hand outcomes should not be too detailed since then the risk is to be focused too much on activities and not on effects for society. 'While low level and intermediate outcomes are important for planning and monitoring, they are usually not sufficient to provide a clear view of what the agency is trying to achieve' (DoFA 1998).

Criteria for performance management

Three main criteria were used by a review of performance management: alignment, credibility and integration (Management Advisory Committee 2001). They have subsequently been employed by the Australian Public Service Commission in its annual State of the Service Reports (APSC 2004, 2005).

Individual performance

The APS Values, specified under the Public Service Act accord centrality to effective performance in APS management by requiring a focus on 'achieving results and managing performance'. Performance management is regarded as 'the effective use of inter-related strategies and activities to improve the performance of individuals, teams and organisations. An effective performance management approach would integrate and align organisational,

Table V.iii Criteria for performance

<i>Alignment</i>	<i>Credibility</i>	<i>Integration</i>
<ul style="list-style-type: none"> • Outcomes sought by government • Consistency with APS values and legislative framework • Nature of the business • Client and stakeholder expectations • History with performance management • Maturity of systems • Organisational values • Industrial climate 	<ul style="list-style-type: none"> • CEO and executive commitment • Review and simplicity • Fairness and trust • Multi source feedback • Addressing rhetoric-reality gap • Dealing with under-performance • Reporting of outcomes • Management buy in • Staff ownership of system 	<ul style="list-style-type: none"> • Line of sight between corporate and individual goals • Embedding in a system of organisational performance management • Progressive and iterative approach • Link to training and career development • On-line delivery
<p>Evolving factors:</p> <ul style="list-style-type: none"> • Integrating organisational values with output-based performance • Achieving alignment in outsourced functions 	<p>Evolving factors:</p> <ul style="list-style-type: none"> • Constructing reward and recognition strategy – especially for teams 	<p>Evolving factors:</p> <ul style="list-style-type: none"> • Performance measurement and reporting

Source: Management Advisory Committee 2001: 35

business and individual planning and performance'. It can also be used for handling both good- and under-performance of staff (APSC 2002: vii).

Under the Public Service Commissioner's directions, minimum standards for realising APS values are stipulated with those relating to results and managing performance covering specific measures:

- organisation capacity to achieve outcomes;
- culture and priorities to deliver outputs;
- reports on effectiveness of outputs;
- prioritising to achieve outcomes;
- fair and open performance management system.

(APSC 2002: 2)

An integrated performance management framework was envisaged. Meeting the requirements for an effective performance management system will be assisted by implementation of an approach that integrates organisational, business and individual planning and performance, including:

- planning and clarifying performance objectives and linking individual and business plans with organisational plans;

- regular feedback on performance and appraisal of individual and team performance against the achievement of objectives;
- recognition and reward for performance;
- counselling and effective management of poor performance;
- learning and development to build individual and organisational capability;
- evaluating the contribution of individual and organisational performance.

(APSC 2002: 3)

Within policy parameters for agreement making the APS agencies can develop performance-linked remuneration based on linking salary movement to an assessment of staff performance. Several approaches to performance-linked remuneration are available to agencies, including performance pay.

Process of measuring and managing performance

The process of looking at performance is clearly connected to the budgetary process as is demonstrated in Table V.iv.

The responsibility for performance measurement is in principle with the departments and agencies. The Department of Finance and Administration formulates general guidelines for implementation. The development, collection, analysis and reporting of data and information is at the level of agencies.

The Financial Management and Accountabilities Act 1997 defines the general framework of all departments and agencies. This law determines that the Chief Executive is responsible for the efficient, effective and ethical use of allocated resources (1997 art. 44). However, the responsible minister has the ultimate responsibility for the effects of a policy.

For public enterprises, performance measurement and reporting is arranged in the Commonwealth Authorities and Companies Act.

Government achievements may be affected by external factors. Crucial changes in the environment may require corrective changes in outcomes and outputs. When an agency wants to adjust its outputs as determined in the portfolio budget statements it needs an agreement with the competent minister. When an agency wants to adjust the agreed upon outcomes, an agreement of the Minister of Finance and Administration is needed as well.

According to Chan *et al.* this framework of outcomes and outputs strengthens the reporting, transparency and effectiveness of the budgetary process. However, it also seems the case that shifting to outcomes for appropriation, delegating competencies, and weak outcome data might weaken reporting and accountability. The budgetary process follows the logic of reviewing, funding and delivering outcomes and outputs as in Figure V.i (Chan *et al.* 2002: 47).

Table V.iv Process of integrating performance information

<i>Period</i>	<i>Document</i>	<i>Content</i>	<i>Focus</i>	<i>Responsible actor</i>
Jan.-Feb.	<i>Portfolio budget submissions</i>	Outcomes department and administration new policy measures (activity)	Outcomes and outputs	Departments and agencies by portfolio
May	<i>Annual Appropriation Bills</i>	Appropriating resources at outcome level for administration and by agency for department (national outcome splits)	Outcomes	Department of Finance and Administration
May	<i>Portfolio budget statements</i>	Sources and uses of resources, outcomes, outputs performance indicators	Outputs and administered items	By portfolio: department and agencies
Oct.	<i>Annual report</i>	Yearly report with realised outcomes, outputs and administered items, and financial statements	Outcomes, outputs and administered items	Agencies
Nov.	<i>Senior Ministers Review</i>	Budget strategy and priorities	Outcomes, programmes and new measures	Ministers

Focus: what is being measured and main models used

Initially, the Australian system of performance measurement was predominantly focused on outcomes or societal effects. The objective of the Programme Budgeting Initiative in the 1980s was to connect inputs and outcomes. This was more about an effect-oriented programme budget than an output oriented performance budget. The implementation of an accrual-based outcomes and outputs framework in the 1990s triggered a higher focus on outputs. The purpose was to link inputs, outputs and outcomes.

In its guide for performance measurement the Department of Finance and Administration focused therefore on outcome indicators, output indicators and indicators for administered items.

Outcomes are defined as results, impacts or consequences of actions of the public sector on society. Within this category of outcome indicators two types are distinguished, indicators of achievement of outcome, which look

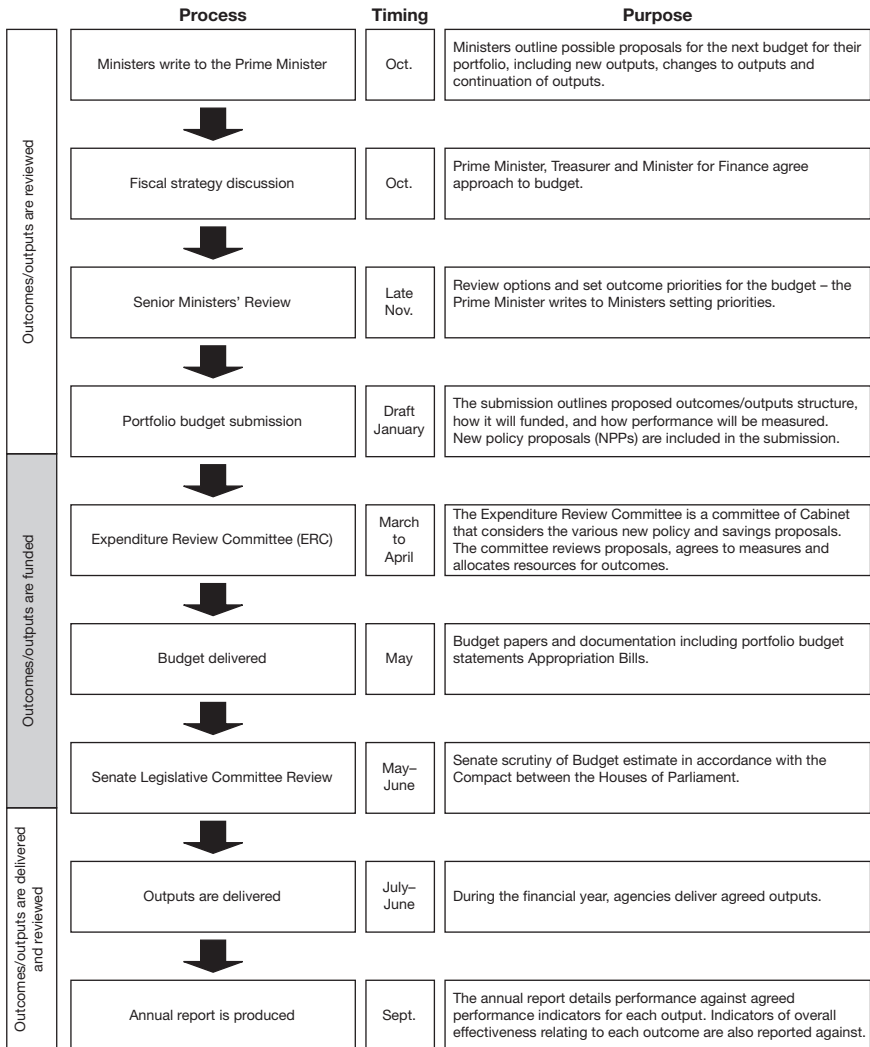


Figure V.i Australian budget procedures

Source: Chan *et al.* 2002

at general policy effects, and indicators of contribution of outputs to outcomes, which look at the specific role and contribution of an agency in reaching these policy effects.

Outputs are defined as goods and services that agencies deliver to external organisations or individuals, as well as those delivered to other public sector organisations. Output indicators measure price, quantity and quality.

Administered items are defined as ‘expenses, revenues, assets or liabilities, managed by agencies on behalf of the Commonwealth that fund third party outputs’. Examples of these subsidies and transfers are childcare assistance, family payments, export and industry subsidies and art and cultural foundation funding. To monitor *administered items* indicators need to be developed to measure the degree of realisation of objectives linked to these transfers and subsidies.

The Department of Finance and Administration developed a central accrual information management system (AIMS) to support the accrual-based outcomes and outputs framework. AIMS consolidated data provided by agencies from their Financial Management Information System and has now been replaced by the Central Budget Management System (CBMS). CBMS is Finance’s centrally administered integrated budget management system which merges major areas of budget formulation processes into one system.

On one hand reporting performance information from the outcomes and outputs framework should lead to better accountability of the executive to the legislative. However, on the other hand, there is a concern that the societal effect outcome level, which is the level for appropriation, is too aggregated and does not contain sufficiently detailed information for the purposes of MPs. ‘The trend seems to be for agencies to consolidate outputs into fewer categories. The desirability of this trend is questionable on transparency and accountability grounds’ (Webb and Richardson 2003: 2).

Even with the intention of increasing transparency by allocating budgets at the level of strategic lines, there seems to be a need for more detailed financial and non-financial information. Parliament can require agencies to provide further information where gaps are identified in agencies’ portfolio budget statements. The trend has been for agencies to provide more information in response to requests from parliamentary committees (Webb and Richardson 2003: 3). However, the usefulness of performance information has been criticised as limited, in part because of difficulties with measuring agencies’ contribution to outcomes (Webb and Richardson 2003: 37).

In the outcome appropriations of the Budget Bills envelopes are allocated per policy field to outcomes. Subsequently, in the Portfolio budget statements the scheduled outputs or subsidies are described to materialise these societal effects. In the annual reports performance information is used to report on the efficiency and effectiveness per policy field.

Figure V.ii provides the basic model of this performance information architecture. The Department of Finance and Administration has proposed the illustrated information structure for the outcomes and outputs framework. However, departments may develop their own structure.

Audit and quality control of measurement and management

Traditionally, quality control of performance measurement and management follows the sequence of internal control, internal audit and external audit. This is also the case in Australia.

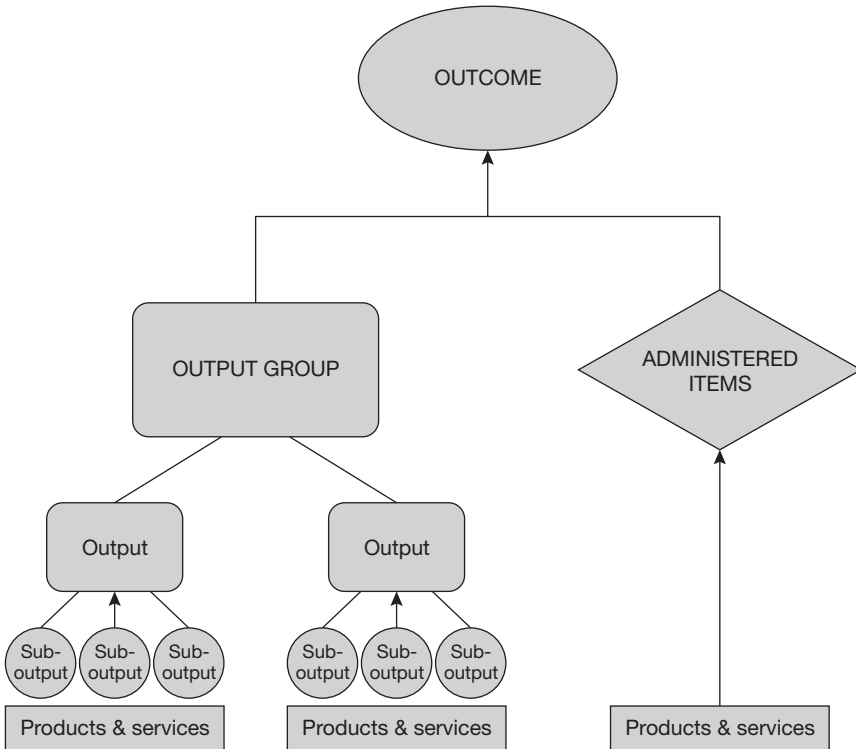


Figure V.ii Basic model of outcome and output structure

Source: DoFA 2000b: 9

External audit

The external audit of performance measurement systems and performance data belongs to the discretionary competence of the Auditor General. The Australian National Audit Office (ANAO) has the competence to implement value-for-money audits to assess the quality of these systems and their data and information. Since the Auditor General decides autonomously on the selection of efficiency and effectiveness scrutinies, there is no structural guarantee of a yearly and comprehensive audit of performance measurement systems and the data and information they generate.

The Auditor General, as well as parliamentary committees have criticised the reporting of performance information. Portfolio budget statements (PBS) performance information was said to be too aggregated to be useful. There was a lack of government-wide indicators and performance trend data, and insufficient links between outputs and outcomes and between portfolio budget statements and annual reports. Effect indicators were not measuring outcomes, and there were insufficient or too vague targets.

A common limitation in the performance information related to effectiveness indicators which did not actually measure outcome performance. In particular, outcome effectiveness indicators were often influenced by factors beyond the agencies' control.

(ANAO 2001b: 14)

As well, performance information in PBS 'did not always include targets or the targets that were provided were often vague and/or ambiguous' (ANAO 2001b: 14).

The ANAO produces an integrated range of audit reports. Their main products are financial statements and performance audits, audits of financial control and administration, assurance control and assessment audits and protective security audits as are shown in Figure V.iii.

Commencing from the 2002–3 financial year, the financial control and administration audit reports, and the assurance and control assessment audit reports have been replaced by new Business Support Process (BSPs) audit reports. BSPs examine business processes that support the delivery of outputs

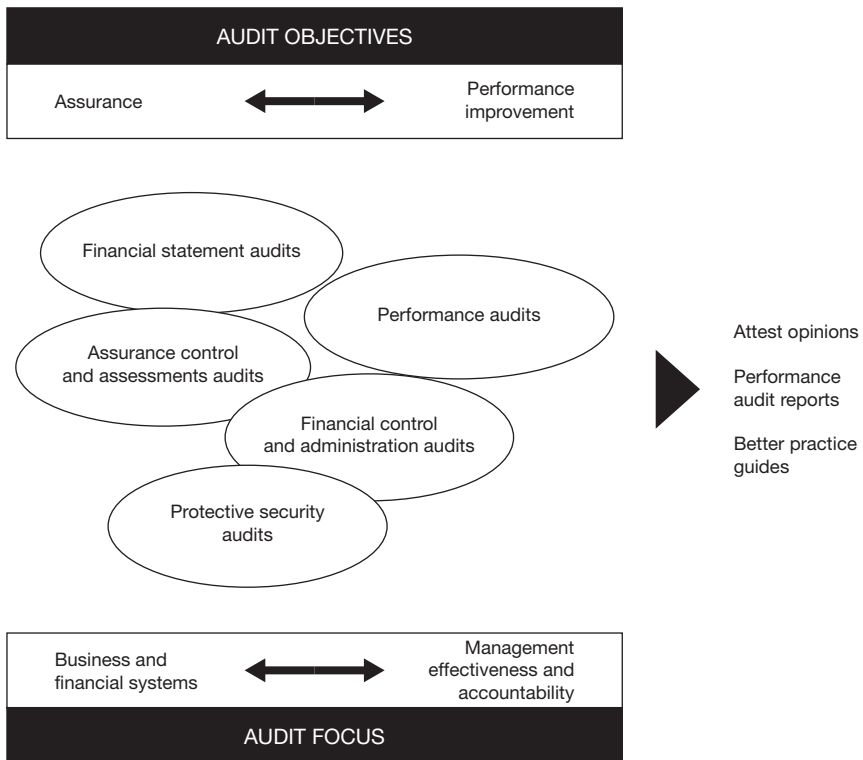


Figure V.iii The public sector audit objectives and focus

Source: ANAO 2001a

provided by public sector agencies. The focus of BSP audit reports is essentially the efficiency and effectiveness of the accountability, control and compliance mechanisms operating within public sector entities. Seven BSP audit reports were tabled during 2004–5 (ANAO 2005: 47–8).

The performance audits and related products have become the most prominent of ANAO's services. About 60 per cent of the personnel and one third of the financial resources were being used for performance audits by 2003. During the fiscal year 2004–5, the ANAO produced forty-eight performance audit reports.

In the last decade, the ANAO has extended its advisory role. In addition to making recommendations in its audit reports, ANAO has issued since 1996 a range of Better Practice Guides (BPGs) to assist public sector agencies improve their public administration by recognising and promulgating better practices. So far fifty-five have been released on themes ranging from accountability and governance to financial management and control.

ANAO staff seek to ensure that agencies are fully informed about, and understand each stage of a performance audit, that is, from the first contact to the final report. This approach helps ensure the audit recommendations are practical and therefore capable of implementation and also have a degree of acceptance from the agency concerned.

ANAO aims to ensure that their audit services assist public sector organisations to improve their performance and accountability and better manage their functions and/or business. In order to meet the clients' changing needs, ANAO has moved towards a more strategic, risk-based audit approach. This means that the audit work of ANAO focuses more on topics that are of strategic importance to the audited organisation and on topics involving a large risk in terms of materiality and probability.

Internal audit

Internal audit is the responsibility of the audit committee. The Financial Management and Accountability Act 1997 requires that each agency has an internal audit committee which, among other things, is responsible for auditing performance measurement systems and performance information.

The secretary of the agency decides about the internal audit role, which may be described as to:

- provide the Secretary with assurance that the agency's operations are efficient, effective and in accordance with the law;
- initiate action to address any weaknesses that may arise;
- promote better practice and improvement across the agency.

The traditional role for internal audit centres on the examination, evaluation and monitoring of the adequacy and effectiveness of an organisation's control structure. The contribution by internal audit is potentially of major importance in ensuring that a control structure:

- improves accountability;
- promotes ethical and professional business practices;
- advances risk management;
- enhances communications, decision making and performance reporting;
- contributes to quality outcomes or results.

Increasingly though, the internal audit role is being more broadly prescribed to encompass a stronger performance orientation through ‘business partnerships’, independent advice and consulting activities.

Consulting activities include supporting organisational re-engineering; control self-assessment and the implementation of control programmes; quality improvement, including systems development reviews and participation in problem-solving task forces; and performance self assessment.

Internal control

Control is a process conducted by the governing body of an agency, senior management and other employees, which is designed to provide reasonable assurances that risks are managed to ensure the achievement of the agency’s objectives. It is the responsibility of all staff to ensure that controls are operational and effective. However, the ultimate responsibility for control rests with the governing body (ANAO 1997).

The control structure is made up of five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring and review.

Incorporating performance information

Tools for anchoring measurement and management practices

Implementing the accrual-based outcomes and outputs framework contributes to the modernisation of financial and control procedures by linking performance and societal effects, reduction of control complexity, improved quality of decision making, increased transparency of control and enhanced accountability using performance information (DoFA 2000a: 6). The accrual-based outcomes and outputs framework was legally anchored into the system in 1997 by the Financial Management and Accountability Act. This law establishes the accounting framework, the financial management and the Chief Executives’ competencies for agencies with legal personality. It was implemented in 1999.

In the field of human resources management it was predominantly the Public Service Act that created a legal framework for personnel management and that determined the responsibilities of heads of agencies.

The need for reform was not just at the level of adjusting appropriation rules in the financial cycle. The results focus was also to be reinforced because

programme budgeting, which was part of FMIP, did not pay sufficient attention to policy outcomes:

The framework was introduced to encourage agencies to focus on ends and not on means. Program budgeting, which preceded the Outputs & Outcomes Framework, grouped outlays into identifiable programs . . . A criticism of program budgeting was that it focused too much on inputs and outputs and not enough on the reasons for producing outputs.

(Webb and Richardson 2003: 12)

Three logical steps were taken. First, performance information on outcomes and outputs was linked into a framework; second, cost data were imbedded in the accrual budgets; third, the framework was linked to this budget.

The purposes of the outcomes and outputs framework were internal and external (Webb and Richardson 2003).

The generalised performance management framework initiative (2002) put the outcomes and outputs framework (1997) in the broader perspective of an integrated results-oriented management at different organisational levels. The objective was to have a closer link between objectives and results at the political level, the organisation as a whole, parts of the organisation, and individual civil servants. Figure V.iv shows the integration between different levels of policy and control.

From about the mid-1980s reforms started to focus on efficiency, effectiveness and customer orientation. A turning point in the discussion arose from two White Papers – Reforming the Australian Public Service (1983) and Budget Reform (1984) – resulting in the Financial Management Improvement Programme (1983–4). Other related initiatives were programme management and budgeting, a system that emphasised programme effectiveness, rather than input control (DoFA and DFACS 2002: 2).

Planning and reporting also became part of the range of initiatives identifying relevant efficiency and effectiveness indicators. Programme evaluation was also part of that strategy. All this fitted the managing for results philosophy and triggered a process of delegation of power and responsibility from central agencies to implementing agencies.

In the beginning of the 1990s there was an increasing concern that a cash-based resource management system was insufficient. In order to get more informed, complete and accurate financial information, departments were forced to report on an accrual base from 30 June 1995 on. This requirement was phased over three years. In 1996 the federal government committed itself to move to an accrual budget. Parliament, through its Joint Committee of Public Accounts and Audit had long sought to evolve to accrual-based budgets, accounts and reports (DoFA and DFACS 2002).

The need for a more transparent and accurate presentation of expenses was acknowledged from the late 1970s. Only in 1997 did the government agree to have an accrual-based budget for the 1999–2000 Commonwealth Budget within an outcome-output framework.

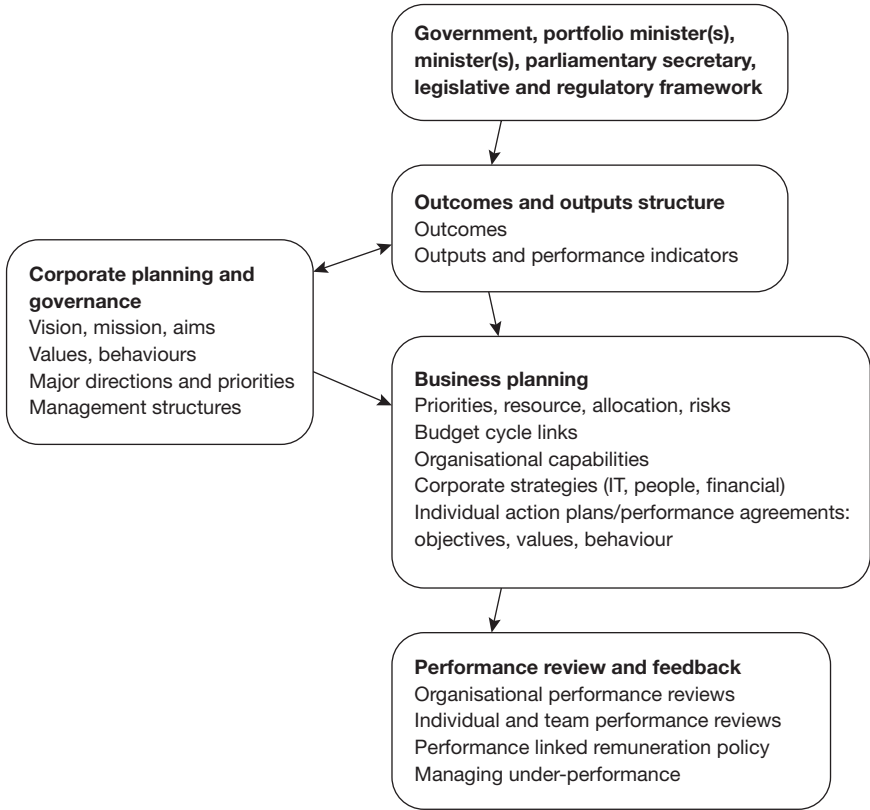


Figure V.iv Generalised performance management framework

Source: MAC 2001

The purpose of accrual budgeting is to ensure that resources are allocated to priorities of the government, and that outputs produced and outcomes realised are justifying their costs. The underlying assumption is that by way of this budgeting agencies are able to benchmark their resources allocated with the related outputs and qualities delivered, vis-à-vis other public sectors, or even the private sector. According to Carlin and Guthrie (2003: 148):

In the official literature, accrual budgeting is most often not highlighted as an end in itself, but rather, as a means of shifting the emphasis of the budgetary process away from cash inputs, towards outputs and outcomes, in the hope that this will result in greater management efficiencies, and hence, better outcomes for Governments and the communities they service.

(2003: 148)

Accrual budgeting was introduced in combination with the outcome-output framework and a delegation of financial management responsibilities to agencies. It was to allow the agencies to have sufficient flexibility to obtain results. Figure V.v demonstrates this logical framework.

Effective and efficient service delivery is guaranteed by ensuring that managers are authorised and responsible for their activities. Also, they need a full communication and accountability framework vis-à-vis Parliament and citizens for their planned and realised performance (Verspaandonk 2000: 1).

The outcomes and outputs framework is a decision and reporting context which allows a connection between on the one hand objectives and strategic decisions on societal effects, and on the other hand operational decisions and reports on resource allocation and outputs. In order to know whether and to what extent this framework has an impact on the decision making and the functioning of the control cycle, it is necessary to link it with the financial cycle in general and the budget process in particular (Figure V.vi).

The outcomes and outputs framework is a dynamic and flexible hierarchy of decision making with the following questions: what are the objectives (outcomes); how should these be reached (outputs and administered items); how does one know if objectives have been realised (outcome indicators, output indicators, administered items indicators).

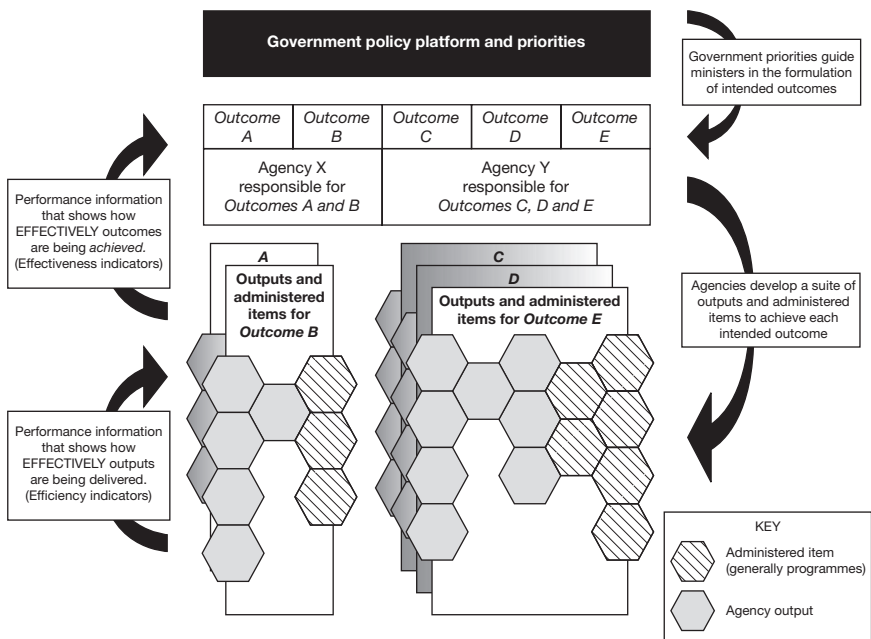


Figure V.v Outcomes and outputs framework in an agency context

Source: DoFA 2006b

In linking a planning and reporting cycle to a yearly budget cycle performance management is very tangible. The competent minister decides, after consultation with the relevant agencies, on outcomes and which effects he wants to cause in society. Consequently, Parliament approves the Outcome Statements of the Budget Bills per Outcome. This allows the agencies to spend a budget that delivers outputs and transfers to reach these outcomes.

Performance and subsidies, as provided by agencies to realise societal effects, are described in more detail in the portfolio budget statements.

Annual reports are submitted three months after closing the budget year to parliament and provide feedback on performance. These reports need to respect the requirements as defined by the Department of the Prime Minister and Cabinet. They are approved by the Parliamentary Joint Committee of Public Accounts and Audit as determined by the Public Service Act 1999.

In 1997 the Department of Finance and Administration defined guidelines to develop performance indicators by agencies. These indicators should respect the following performance management principles:

- use for external accountability and internal management: ‘Performance information is most effective and meaningful where it is integrated with internal management processes and accountabilities within an agency and can be utilised to meet external requirements’;
- equilibrium and transparency: comprehensive, equilibrated, clear and yielding;

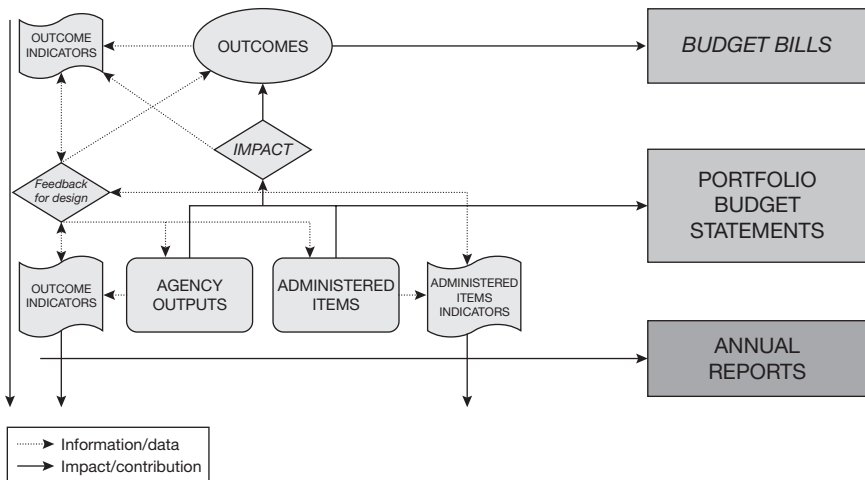


Figure V.vi The outcomes and outputs framework in relation to the budget process

Source: DoFA 2000b: 4

- strategic information supported by more detailed management information;
- quantitative or qualitative norms or target-setting;
- reporting on effectiveness (outcomes) and efficiency (outputs and administered items);
- possibility of continuous improvement.

Performance management and appraisal

Under the Public Service Commissioner's directions, agency heads are required to implement a performance management system (frequently termed an appraisal scheme) in their organisation.

High performance and organisational capabilities

The Public Service Commission identified the characteristics of leaders, managers and staff in high-performing agencies. Its *People and Performance in the APS* (PSMPC 1999) guide was designed to improve the staff contribution to achieving agency outcomes. The subsequent human resources capability model provides a tool for linking human resources to organisational strategy in which performance is a significant component (Figure V.vii). The performance component focuses on 'achieving high quality business results' through applying business acumen to HR decisions, driving for results and managing risk, and evaluating outcomes (including consideration of business implications and integration of results into the performance improvement cycle) (APSC www.apsc.gov.au/publications01/hrmodel.htm).

Using performance information

General use of performance

The Australian National Audit Office outlined better practice principles for performance information:

- 'Performance information is evidence about performance that is collected and used systematically' (1996a: 6). It can be collected at many levels depending on the purpose and on the structure of each agency.
- 'Performance information is the currency of accountability' (1996a: 5–6).
- 'Performance information is a tool for program management and performance improvement. It identifies where we are heading, how we will get there, whether we are heading in the right direction and whether we are using resources in the most cost effective manner. As well as providing a basis for informed decision making it is also an early warning system enabling managers to undertake preventative action' (1996a: 5).



Figure V.vii Human resources capability model

Source: Australian Public Service Commission 2003

The outcome and output structure of the performance measurement system has a potential for several management functions. Obviously the linking of departments and agencies also has a potential through this framework.

External use, *ex ante* and *ex post*, from the administration and government to Parliament is also structurally available through documents in the budget cycle, such as portfolio budget statements and departmental annual reports.

Ideally, performance information for internal purposes should be the base for external reporting. According to the Australian National Audit Office performance information that is collected and used internally results in an awareness of its use and an extra motivation for external reporting (ANAO 2001b).

As mentioned earlier (see Figure V.iv), performance information is running through the management and policy cycle in the different stages of design, decision, implementation and evaluation, and the related financial stages of budgeting, accounting and auditing.

However, the degree to which agencies have such an integrated performance management framework available differs significantly. A report by the

Public Services Commission indicated that about 80 per cent claimed to have a performance measurement and performance management framework in which business planning is coupled to reporting on outputs and at the level of the organisation. Systems where there is a comprehensive integration, i.e. where planning, personnel management and performance management at all levels are linked to objectives with performance at the level of individuals, teams, and the global organisation are still rare (Public Service and Merit Protection Commission 2002: 70).

A 2001 survey proved that 93 per cent of the agencies experienced performance management as positive for the individual as well as for the organisational performance. 'The agency's performance management arrangements have contributed to improved individual and organisational performance through improved role accountability and work planning, increased alignment to agency outcomes and improved individual capability' (Public Service and Merit Protection Commission 2002: 70).

Reporting of performance

Understanding reporting requirements and practices is only possible within the context of the measurement focus and the framework of a performance measurement system. It also should be put in the context of a sequence of documents, which should have a cyclical coherence. In the Australian case Outcome appropriations are linked to portfolio budget statements, which are linked to the Annual reports.

Outcome Statements: societal effects at portfolio level

Outcomes are defined as the intended and expected impact of the public sector on a particular policy field. Outcomes are at the same strategic level as the mission of an organisation, but are supposed to be more external and less value laden. Outcomes are the results and consequences of the activities of government and other organisations on society. Since different actors and factors influence the ultimate societal effect, it may be difficult to distinguish the public sector's influence (Webb and Richardson 2003).

In the Australian Commonwealth system outcomes are crucial since this is the appropriation level. The number of outcomes and the size of the related and appropriated budget differ significantly within and between policy fields or portfolios. Also, the stability of the outcomes categories, and the related measures, is variable. There is a list of requirements to have a good outcome description.

Portfolio budget statements: outputs and administered items at portfolio level

DoFA provides minimum requirements for the portfolio budget statement. It is the department, together with the agencies, that provides the more detailed

and additional information on the outputs and the administered items to the Appropriation Bills (Webb and Richardson 2003).

Portfolio budget statements should respect the following general principles:

- contain sufficient information, explanation and clarification for Parliament to understand which objectives are stated;
- have relevant information which satisfies the information needs of Parliament and the public;
- emphasise agency performance;
- choose a transparent format, within the requirements of DoFA.

(ANAO 2001b: 12)

Agency annual reports

Criteria for annual reports are determined by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit (under the Public Service Act 1999). According to these criteria annual reports should include the following elements:

- review of the preceding year by the departmental secretary;
- overview of the department's role and functions, organisational structure, and outcome and output structure;
- report on performance:
 - review of department's performance in terms of efficiency of outputs and effectiveness in achieving planned outcomes;
 - report actual results against PBS performance standards for outcomes and outputs;
 - report on performance of purchaser/provider arrangement against PBS targets;
 - analysis and interpretation of performance information;
 - financial results and implications for the future;
 - tables with resources per outcome.
- management and accountability covering corporate governance, external scrutiny, asset management, contracts;
- management of human resources, in terms of effectiveness and capability and including performance pay; and
- financial statements.

(Department of the Prime Minister and Cabinet 2006)

Administering, managing or governing performance

System assessment

Australia has been more committed to performance management than most OECD countries (see OECD 1997a), pursuing this agenda since the mid-

1980s with increasing elaboration and refinements to a comprehensive approach. The current official model has a fully developed performance management system based on an outcomes and outputs framework covering individual and organisational dimensions and their management inter-relationships. Australia fits within the Performance Management ideal type. This is of course a federal level conception – which does not capture the national public sector without including how each of six states and two territories use to varying extents performance management at their levels – although increasing downwards performance management in some sectors is nationalising federal control.

Since moving from inputs within traditional public administration, a sequence of two generations of performance management can be distinguished (Halligan 2003b; McKay 2003), the first centred on program management; the second on outcomes and outputs. In the first (1987–97) the elements of performance management were initially developed through the Financial Management Improvement Programme (FMIP), which dominated reforms in the 1980s. The Australian focus on results, outcomes and performance-oriented management dates from this time. The centrepiece of FMIP was programme budgeting and management, which had the purpose of assisting managers with assessing how well programmes had been developed and implemented relative to objectives.

The second stage (from 1997) was based on the outcomes/outputs framework, devolution to agencies, principles instead of formal requirements, and an emphasis on performance information. The framework introduced in 1999 changed financial management and reporting through budgeting on a full accrual basis; implementation of outputs and outcomes reporting; and extended agency devolution to inter alia budget estimates and financial management. Departments and agencies were now expected to identify explicit outcomes, outputs and performance measures. Agency heads were clearly assigned responsibility and accountability for performance. Reporting now occurred through budget plans (portfolio budget statements) and financial year results (annual reports). The limitations of this new framework led to reincorporation of departmental programs, a renewed emphasis on cash accounting and improvements to cash management, budgeting and programme reporting and financial information systems.

In the first generation the elements of performance management were developed within a centralised and top-down approach driven by the Department of Finance. The second generation featured devolution to agencies; the central agency fading in significance, and the Australian National Audit Office partly filling the vacuum. The new initiatives in the 2000s meant enhancing the central Department of Finance's role and its capacity to oversee financial management and information, and to provide advice to government.

The strengths of the first stage were institutionalised performance management elements and the requirement for formal evaluations. The weaknesses were the reliance on evaluations that were mandatory (and imposed top-down

by a central agency) and the quality of programme objectives and performance information. There were questions also about programme budgeting (Wanna *et al.* 2000), because although a programme framework was used as a flexible instrument for managing and reporting on programmes, this did not lead to budgeting by programmes with a direct link to appropriations. The strengths of the second stage were systemic review by central agencies, the strong ownership by departments and the reliance on managing through. The weaknesses included insufficient information for parliamentary needs and for sound management, inconsistent departmental support for good evaluation, and the subjectivity of performance assessment. These limitations have produced continuing reassessment of some aspects of current performance management practices.

Australia has a fully operational performance model that works reasonably well in incorporating and using performance information. The early programme and results focus laid the foundation for evolving towards a more comprehensive system. Outputs were recognised in the early days, but were not measured until the outcomes/outputs framework, when they were introduced to measure service delivery for external stakeholders. The quality of financial information has improved as a result of the outcomes/output framework in registering government preferences (intentions and results) and by allowing performance indicators to be explicitly identified (DoFA 2006b). However, measurement of outcomes has continued to provide difficulties despite its centrality to the resource management framework. Output information is considerably better, performance measures are generally more appropriate and measurement more reliable than those for outcomes measures (McPhee 2005; Wanna and Bartos 2003).

As for how performance information is used, the picture is one of improvements and continuing shortcomings, including considerable variation among agencies in how they engage performance. First, budget information is now 'more comprehensive, based on external reporting standards, and provides better alignment between appropriation Acts, PB Statements and agency annual reports' (DoFA 2006d: 11). The outcomes policy provides for agencies to use performance information in budget decision making, but the potential has not been realised because of the variable influence of this information on decisions and resource allocation during the process. Note also that most of the annual appropriations do not relate to outcomes (departmental outputs, 18 per cent, and administered programs, 73 per cent, appropriated outside annual appropriations (i.e. by special or annual appropriations) are not appropriated against outcomes, leaving 9 per cent that is: DoFA 2006c: 13). Second, with regard to reporting, outputs and outcomes are generally appropriately specified in annual reports, and the quality of performance reporting has improved substantially since the introduction of accrual-based budgeting. Nevertheless, improvements in annual reporting frameworks have been urged to enhance accountability and transparency to stakeholders, particularly parliamentarians, because of shortcomings in the presentation

and analysis of performance information in annual reports (ANAO 2003, 2004; DoFA 2006c).

A review of the application of the outcomes and outputs framework (ANAO 2007), reported variability in descriptions of outcomes and outputs, outcomes and outputs structures, operational integration and use of this information in decision making.

In summary, the official Australian model readily fits within the Performance Management type. In practice, the implementation of the model has not been fully realised, and work continues on how to attain more effective performance management.

Canada

Context of a performance-based system

Historical antecedents and purpose of reform

Table V.v History and objectives of performance management reforms in Canada

<i>Initiatives</i>	<i>Period</i>	<i>Objectives</i>
PPBS	1960s – 1970s	Planning, programming and budgeting performances
Policy and expenditure management system (PEMS)	1981	Improving quality of policy and management Multi-year revenue expenditure plan
Increased ministerial authority and accountability	1986	Improve quality of accountability of policy and management
Shared management agenda programme	1986	Yearly agreement between Secretary to the Treasury Board and each Deputy Minister on strategic priorities
Public Service 2000	1989	Second wave on improving quality of policy and management and its related accountability
Expenditure control plan	1990	Comprehensive review of expenditures
Expenditure management system (EMS)	1994	Combined initiatives related to hard budget constraints, business planning, improved reporting, and increased results orientation
Government-wide performance reporting	1994	Synthetic reporting on performance in several departments and development of government-wide performance indicators
Program Review	1994	Policy and management reviews

Table V.v Continued

<i>Initiatives</i>	<i>Period</i>	<i>Objectives</i>
Improved Reporting to Parliament Project I	1994	Agencies have to inform Parliament about their planning and their results by means of reports on plans and priorities and departmental performance reports
Getting Government Right	1996	Increased citizen's participation and improved service delivery Setting priorities for twenty-first century challenges Making role of federal government more transparent
Planning, reporting, accountability structure (PRAS)	1996	Basic architecture for planning and reporting documents of agencies and departments Reformatting activities into business lines with objectives Development of performance measurement strategy
Financial information strategy (FIS)	1997	Improved tools for financial management Accrual accounting by 2001
Performance reports	1997	House of Commons requirement (1997) for estimates document to distinguish reports on plans and priorities from departmental performance Most departments/agencies submitted reports (1998)
Performance management programme for executives	1998	Separate programme for Deputy Ministers also introduced Develop framework for consistent and fair performance assessment for top civil servants Aligning government priorities, organisational priorities, individual objectives and competencies
Performance management framework	1999	Performance management for federal executives Rewarding results linked to corporate priorities and leadership
Portfolio management		Strengthening policy coherence within ministerial portfolios by exchanging information, sharing managerial practices and ensuring the involvement of relevant units in policy development.
Results for Canadians	2000	Management framework for the federal government: citizen focus, public service values, results oriented, responsible spending and value-for-money
Modern comptrollership	2000	Linking financial and non-financial information and ensuring integrated performance information. Effective control systems. Integrated risk management. Sound ethics and values
Improved Reporting to Parliament Project II	2000	TBS establishes IRPP phase 2: enriching reporting with new performance information
Canada's performance report	2001	Established as annual report on whole of government, integrated performance information and context for review of RPPs and DPRs

Table V.v Continued

<i>Initiatives</i>	<i>Period</i>	<i>Objectives</i>
Results-based management lexicon	2002	TBS develops a lexicon with standardised terminology for results management and reporting
Policy on alternative service delivery	2002	Guide departments in developing appropriate arrangements for service delivery so all forms have appropriate governance and accountability structures
Service improvement initiative	2002	Commitment to achieve 10 per cent increase in client satisfaction with key, significant direct service delivery activities by 2005
Review of non-statutory programmes	Budget 2003	Systematic review of all non-statutory programs over five-year cycle on relevance, effectiveness, resources and management; reallocation of \$1 billion to high priorities
Public Service Modernisation Act	2003	Preservation of merit based, non-partisan public service More flexible, modern staffing regime to help departments compete for skilled employees More cooperative working relationship with bargaining agents to support healthy, productive workplace Integrated framework for learning to develop and retain employees through a Canada School of Public Service Fully implemented by 31 December 2005
Management and accountability framework (MAF)	2003	Provide deputy heads and all public service managers with list of management expectations that reflect different elements of current management responsibilities. Three-year implementation.
Public Service Employment Act	2003	Major renovation of human resources that delegates Public Service Commission authority to deputy heads to make appointments according to needs. Applied from 31 December 2005
Comptroller General	2004 2004	Office of the Comptroller General re-established Strengthening public sector management
Management, resources and results structure	2005	MRRS replaces PRAS (planning, reporting and accountability structure 1996) from 1 April
Federal Accountability Act	2006	Action plan to strengthen accountability and increase oversight and transparency of government
Expenditure management system	2006	Government announces intention to review EMS in May 2006 budget plan

Canada is distinguished by its early acceptance of new management ideas and its constant innovation with new approaches and techniques (see Table V.v). The origins of modern management can be traced to the 1962–4 Glassco Royal Commission on Government Organisation (regarded as the Canadian counterpart of the US Hoover commissions). Several phases of

reform initiatives since can be distinguished: the early commissions from Glassco to Lambert of the 1960s to 1970s (which are not detailed in Table V.v) to management and accountability initiatives of the 1980s; the more ambitious Public Service 2000; the Program Review of the mid-1990s; and the moves towards a sustained and comprehensive programme of management improvement that has evolved over the last decade culminating in major legislation, reorganisation and framework development in the 2000s.

The brace of initiatives cover roles of central agencies, human resource management, and the management and accountability framework. New legislation has covered the Public Service Modernisation Act 2003, regarded as the most extensive changes to legislation in four decades (OAG 2005a), which was fully implemented with the Public Service Employment Act 2005. The management and accountability framework (MAF), was introduced in 2003, and the management, resources and results structure replaced PRAS in 2005 as the basis for departmental reporting.

This comprehensive overall of the public management system is at the implementation stage, and the performance management elements are central to current activity to institutionalise new approaches that work.

Actors involved in measurement and Managements of Performances

Many actors are involved in the measurement and management of performance, but an overview of the main actors and their system-wide roles in issues of performance measurement and management – leaving aside the political actors, such as the Prime Minister’s Office and parliamentary committees – is centred on the Treasury Board and its Secretariat. The Privy Council Office has a role in general management reform initiatives, and the Clerk of the Privy Council reports annually to the prime minister on the public service. Also relevant are the human resource agencies: the Public Service Commission, the new Canada Public Service Agency and the Canadian School of Public Service (the successor to the Canadian Centre for Management Development, 1988 to 2004). External oversight is provided by the Office of the Auditor General and standing committees of parliament.

The Treasury Board of Canada is one of five ministerial committees of Cabinet decision making. The Treasury Board has operated since 1997 as a management board responsible for strategic management change. The Board is chaired by a cabinet member, the President of the Treasury Board. The Treasury Board is responsible for supporting the general management of the government’s financial, human and material resources (Financial Administration Act) and is supported in its function by the Treasury Board Secretariat.

The Treasury Board of Canada Secretariat (TBS) is a central agency with government-wide management responsibilities that cut across the operating departments and other organisational entities. TBS is active in the areas in Table V.vi (TBS 2006a). The TBS is organisationally structured as follows:

Table V.vi Actors involved in managing performance

<i>Actor</i>	<i>Role</i>
Treasury Board of Canada Secretariat	Expenditure management: preparation of government's expenditure budget, monitoring programme spending Human resources management: report to Parliament Financial and information management: setting the policy framework with respect to accounting, audit and evaluation, contracting, financial management, information technology, etc.
Privy Council Office	General role in general management reform initiatives Provides annual report to the prime minister on the public service
Departments	Responsible for reporting on their performance
Auditor General of Canada	Responsible for performance and financial audits of the executive Provides independent information and advice to parliament regarding government accountability
Standing Committee on Public Accounts	Reviews and reports on public accounts, Auditor General reports on plans and priorities and annual performance reports, and other matters

- Expenditure Management: the Expenditure Management Sector was created in 2005 by integrating Expenditure Policy, Analysis and Information, and Expenditure Operations and Reporting sectors into one organisation. The sector provides a central focus within TBS for the range of core functions required for supporting and strengthening its role in the broader expenditure management system.
- International Affairs, Security and Justice.
- Corporate Services.
- Office of the Comptroller General of Canada: the re-establishment of the Comptroller General of Canada within the TBS has been important for strengthening cross-government comptrollership and oversight, particularly with financial management and audit.

Whereas the departments are responsible for reporting on their performance, the TBS is responsible for reporting overall performance to Parliament. The departments submit their reports on plans and priorities and their departmental performance reports to the Treasury Board Secretariat, which integrates the reports in the main estimates to submit to Parliament:

The performance management initiatives have been strongly driven by the [TBS] with formal requirements placed on departments and agencies. There have also been some elements of encouragement and facilitation,

rather than direction by the Treasury Board Secretariat and some bottom-up initiatives.

(Talbot *et al.* 2001)

Statistics Canada is the organisation responsible for the collection and analysis of official Canadian statistics on population, resources, economy, society and culture. It is a federal organisation that collects statistics for the whole of the federal government and for each province. Statistics Canada organises a census every five years and conducts about 350 surveys. Statistics Canada publishes an annual report with key indicators about Canada, *Canada at a Glance*. This report includes key statistics on the economy, the labour market, income, demography, education, health, justice, housing, travel, finance and foreign trade. It also contains an international comparison of a set of key indicators on population, GDP, expenditures on health, etc.

Two parliamentary committees are most relevant. The first is the Standing Committee on Public Accounts (PACP), which reviews and reports on Public Accounts of Canada, all reports of the Auditor General, OAG reports on plans and priorities and annual performance reports, and other matters referred. Auditor General reports tabled in the House of Commons are automatically referred to PACP. The Committee selects the aspects to scrutinise and calls public servants to explain the findings. In recent parliaments, most of the PACP's time (90–95 per cent) was spent on Auditor Generals' reports.

The Standing Committee on Government Operations and Estimates (OGGO) was established in 2002 to strengthen parliamentary control on performance reporting by the executive. The Committee's government mandate primarily addresses:

- the effectiveness of government operations;
- expenditure plans of central departments and agencies, commissions, selected Crown corporations and organisations;
- new and emerging information and communications technologies;
- other programmes and foundations funded by the Canadian government.

OGGO has a specific mandate to examine named organisations with cross-government operational responsibilities, such as central agencies (e.g. the Privy Council Office and Treasury Boards Secretariat), HR agencies (e.g. Public Service Commission) and other organisations and commissions.

Finally, there is the Office of the Auditor General of Canada (OAG) which is the traditional 'watchdog' and is responsible for performance and financial audits of the executive, and is actively involved in performance-focused management reform by researching reform, providing recommendations and publishing handbooks. OAG provides independent information and advice to Parliament regarding government accountability. Under the action plan of the Federal Accountability Act 2006, the Auditor General's role is strengthened and appropriate funding ensured.

Measuring performance

Criteria for a good indicator or measurement system

The Office of the Auditor General is required to assess the fairness and reliability of performance information against corporate objectives for several agencies. The Office has developed a set of audit criteria; the 2006 version is in Table V.vii.

Table V.vii Audit criteria for 2006 assessment of fairness and reliability of performance information

<i>Criteria</i>	<i>Sub-criteria</i>
<p>Relevant Performance information reports in context, tangible and important accomplishments against objectives and costs</p>	<ul style="list-style-type: none"> • Programme context includes: <ul style="list-style-type: none"> • mandate, strategic outcomes and objectives in corporate plan/RPP • programme structures • key horizontal initiatives and partners used to deliver results • discussion of external environment and key issues • Reported results are focused on outcomes with related programme activity types and outputs identified • Cost and financial information on the resources used and revenues received in delivering the results is presented
<p>Meaningful Performance information tells a clear performance story, describing expectations and benchmarks against which performance is compared</p>	<ul style="list-style-type: none"> • Expectations set out are: <ul style="list-style-type: none"> • clear and concrete, identifying amount and direction of change, target groups, timeframes and accountabilities • focused on outcomes with relevant activities and outputs identified • consistent with the strategic outcomes • Comparisons are provided between reported accomplishments (actuals) and expected performance with a realistic interpretation of the gap between the two • Comparisons are provided with relevant benchmarks, such as similar activities, programmes or organisations, or trends over time, and the significance explained • Key lessons learned about past performance and resulting changes are discussed
<p>Attributable Performance information demonstrates why the programme made a difference</p>	<ul style="list-style-type: none"> • Contribution that has been made by the programme to the reported results is demonstrated in a plausible fashion, including evidence regarding attribution • Role of key partners and other external factors is discussed

Table V.vii Continued

<i>Criteria</i>	<i>Sub-criteria</i>
Balanced	
A representative yet clear picture of the full range of performance is presented, which does not mislead the reader	<ul style="list-style-type: none"> • Both strong and weak accomplishments are reported as are significant unintended impacts • There is coverage of all objectives • There are no distortions of information through presentation or tone, or through omission of information or context • The emphasis on information presented is proportional to its importance and materiality
<i>Reliability criterion</i>	
Accurate	
Performance information adequately reflects facts, to an appropriate level of accuracy	<ul style="list-style-type: none"> • Valid and consistent/comparable measures of performance are used • Reliable data are used
Performance accomplishments and conclusions are supported by adequate evidence, including sources of information	<ul style="list-style-type: none"> • Appropriate methods of data collection and analysis have been implemented • Limitations of data collection, analysis and presentation are explained • Basis for confidence in the reliability of the information being reported is disclosed

Source: OAG 2006a

Process of measuring and managing performance

Much of the initial performance monitoring and evaluation initiatives were either input driven from a savings perspective (e.g. Program Review) or Treasury Board agendas. Initially, processes have been top-down and centralised. Most reform measures were based on guidelines and principles rather than on law-based processes, procedures or rules (for the expenditure management system, or to generate new documents such as performance or plans and priorities reports). Unifying structures (e.g. PRAS and MRRS) have had to be used by departments and approved by TBS.

Focus: what is being measured, including main models used

Every department and agency has to negotiate a policy accountability structure that is used to plan and report on performance and to structure the organisation. Departments and agencies have to demonstrate how their programme results and resources contribute to their strategic outcomes. The departmental performance reports are structured along the hierarchy of objectives of strategic outcomes, key targets for strategic outcomes and overall results, programmes, resources and results linkages, and management practices.

For each strategic outcome and programme, resource allocations and performance indicators have to be defined. However, reporting on outcomes has been difficult. An assessment of departmental performance reports of 2001 showed that only thirty-one of the eighty-four reports examined were focused on outcomes, but many of these could be classified as outputs produced by the department and focused on activities under its control. The assessment of the departmental performance reports of 2002, showed a stronger focus on outcomes, although many reports were still largely concerned with activities, outputs and immediate or intermediate outcomes (TBS 2002, 2003).

Government's performance report

Whereas the departments and agencies have to report to Parliament about the results achieved in their policy area, the Treasury Board Secretariat is responsible for reporting to Parliament about performance measurement, reporting on results-based management at a government-wide level.

The TBS has published an annual report since 1995 on the performance of the government of Canada. With this government-wide report the TBS has sought to build trust and to encourage citizen's engagement, to increase the transparency and accountability to Parliament and to encourage modern management focused on results. The report is built around twenty to thirty quality of life indicators in the areas of economy and innovation, health, environment and the strength and safety of communities. Most data used to report on the quality of life indicators are provided by Statistics Canada. The report also provides a gateway to departmental performance information by means of electronic links to reports on plans and priorities and departmental performance reports. Table V.viii gives an overview of how performance is presented annually by three policy sectors, thirteen outcome areas and thirty indicators for 2006 (see also Figure V.xiii below).

Citizens First Survey

In 1998 the Canadian Centre for Management Development and the Treasury Board Secretariat conducted a survey on service delivery. More than 2,900 Canadians gave their opinion about service needs, expectations, degree of satisfaction and priorities for service improvement. The results of the survey showed that Canadians rate public services in the same range as private sector services. Federal services were given an average rating of 6.0 out of 10, whereas private sector services were on average rated 6.2 out of 10.

Audit and quality control of measurement and management

The Canadian Government has made performance information available to the public by means of both government-wide publications, e.g. annual

Table V.viii Canada's performance categories 2006: sectors, outcome areas and indicators

Economic affairs	
<i>Outcome area</i>	<i>Indicator</i>
Income security and employment for Canadians	Employment Income security
Strong economic growth	Real gross domestic product (GDP) Cost-competitiveness Natural resources sustainability Green economic practices
Innovative and knowledge-based economy	Innovation Educational attainment Literacy
Clean and healthy environment	Air quality Water use Biodiversity Greenhouse gas emissions
Fair and secure marketplace	Barriers to entrepreneurship
Social affairs	
<i>Outcome area</i>	<i>Indicator</i>
Healthy Canadians	Life expectancy Self-rated health status Healthy life styles Waiting times Patient satisfaction
Safe and secure communities	Safety Housing
Diverse society that promotes linguistic duality and social inclusion	Attitudes toward diversity Attitudes toward linguistic duality Volunteerism Political participation
Vibrant Canadian culture and heritage	Participation in cultural and heritage activities
International affairs	
<i>Outcome area</i>	<i>Indicator</i>
Safe and secure world through international cooperation	Armed conflicts
Global poverty reduction through sustainable development	Official development assistance as % of GN income
Strong and mutually beneficial North American partnership	Merchandise trade
Prosperous Canada through global commerce	Canada's investment position

Source: Treasury Board Secretariat 2006d: Appendix

‘Canada’s Performance’ reports (TBS 2006d) and departmental performance reports (DPRs) by which about eighty departments and agencies report to Parliament annually on the achievement of their objectives.

Departmental performance report

Every department and agency has to report annually on the departmental performance of the past year. Departments and agencies submit their reports to the Treasury Board Secretariat, which includes the documents in the budget document or the main estimates for the coming year, and submits them to Parliament. The Treasury Board gives departments and agencies instructions about the structure and content of the performance report. The structure of a DPR has the following sections and reporting categories (TBS 2006e):

I Departmental overview

- Minister’s message: summarise performance against plans and priorities in the RPP and how department contributed to government-wide objectives;
- management representation statement;
- program activity architecture;
- departmental performance.

II Analysis of program activities by strategic outcomes

III Supplementary information

- organisational.

IV Other items of interest

- e.g. corporate services.

The Treasury Board Secretariat commissioned a review of the departmental performance reports of 2000–1. The study did not assess the factual content of the report, but tested the reports against the Treasury Board Secretariat reporting principles. The conclusion of this review was that most departmental performance reports focused more on outcomes than outputs and that the central concept of strategic outcome was well adopted. However, important challenges remained with costing of outcomes, description of departmental contexts, and making a logical connection between activities and strategic outcomes.

The Auditor General Act gives the Auditor General the statutory authority to examine the performance measurement systems of departments. When the Auditor General finds that the procedures to measure and report the effectiveness of programmes are not established satisfactorily, then this lack of performance measurement systems is brought to the attention of the House of Commons. The Auditor General is thus not systematically auditing the departmental performance reports systems, but is only auditing the performance information in a selection of programs (OECD and World Bank 2003; Talbot *et al.* 2001).

The Auditor General conducted an overall assessment of the departmental performance reports in 1997 and 2000. The Public Accounts Committee recommended that the Auditor General undertake random audits of the information in departmental performance reports (Standing Committee on Public Accounts 2001). In response, the Office of the Auditor General developed a model for rating departmental performance reports. This model was first implemented in 2003 when the Auditor General assessed the quality of performance reports of nine departments and agencies representing expenditure of \$19.3 billion or 12 per cent of total government expenditures for 2001–2 (OAG 2003a).

Departments and agencies also play a role in the quality control of performance information. Departments conduct internal audits and evaluations of their programmes in which they might control the system of performance measurement.

The criteria for rating departmental performance reports (Figure V.viii) continue to be used by OAG (2005b).

According to the Treasury Board Secretariat, there was:

a tendency to use the vocabulary of results-based management and performance reporting without applying the performance paradigm and

	Level 1 basic	Level 2 fair	Level 3 good	Level 4 very good	Level 5 excellent
1. Organisational context and strategic outcomes are closer	Planned strategic outcomes at each level are increasingly aligned in logical sequence with the department's operating environment, its legislated mandate, mission and relevant risks. They indicate how the department and its key partners will contribute to the strategic outcomes				
2. Performance expectations are clear and concrete	Statements of performance expectations are increasingly expressed as outputs and outcomes with a direction, an amount of change, a timeframe and a strategy for achieving planned targets				
3. Key results are reported against expectations	Key results are increasingly expressed as outputs and outcomes that contribute to each of the planned strategic outcomes with results that are aligned with performance expectations. They are increasingly accompanied by challenges, attribution and resource information				
4. Reliability of performance information is supported	Performance information is increasingly supported by reliable sources and information on data quality. The performance information presented includes a balance between success and shortcomings				
5. Use of performance information is demonstrated	Performance information is increasingly used to manage and improve further improvements				

Figure V.viii Model for rating performance reports

Source: OAG 2003a: Exhibit 1.1

its focus on outcomes. The organisation of the report is by business line and what is reported are activities rather than results . . . The focus is on what was done or initiated in the past year, while the outcomes that should be reported on may have started a number of years earlier.

Figure V.ix gives the average score on each of six reporting principles: reliability (1); balanced and coherent picture (2); focus on outcomes (3); performance against commitments (4); departmental role and operating context (5); linking outcomes to resources (6) (TBS 2003).

The results of the OAG's (2003a) application of its model for rating departmental performance reports indicated that departments and agencies scored on average 'good' on defining the organisational context of the department and setting the strategic outcomes clearly and 'fairly good' at reporting the key results as outputs and outcomes that contribute to the expected strategic outcomes (Figure V.x). However, they had more problems with expressing the performance expectations in a clear and concrete way, that is as outputs and outcomes with a direction, an amount of change, a timeframe and an action strategy. Another difficulty was provision of reliable and credible performance information that gave a balanced view of achievements. The use of performance information in departmental decision-making remained at a basic level and seemed to be the greatest challenge for good departmental performance reporting. The OAG concluded that many challenges needed to be addressed and that progress was too slow.

The TBS assessment of 2002 departmental performance reports showed that smaller departments had more difficulties with performance reporting

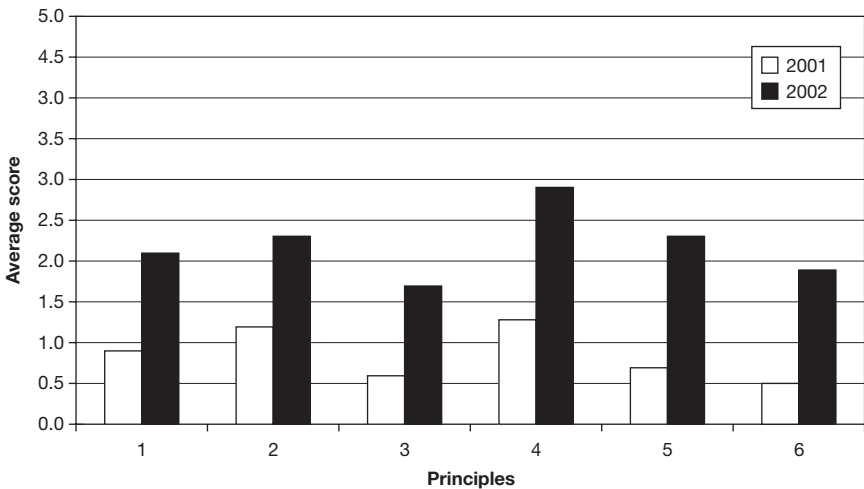


Figure V.ix Average score on reporting principles for 2001 and 2002

Scoring scale: 0=No evidence; 1=Poor/weak; 2=Needs improvement; 3=Satisfactory; 4=Very good; 5=Outstanding/excellent.

Source: (TBS 2003)

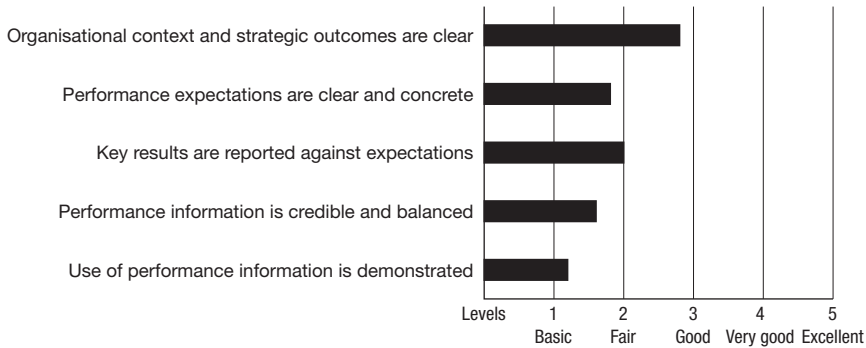


Figure V.x Assessments of departmental performance reports 2002

Source: OAG 2003a: 6

and made less progress in performance reporting than larger departments. The average overall score of all large departments was 2.5 whereas the average overall score for the smaller departments and agencies was 2.1. A number of organisations were rated by an independent review as having very good departmental performance reports. A few organisations were rated excellent for parts of their performance reporting, for example, for the relation of resources to outcomes (TBS 2003).

The OAG (2005b) returned to the quality rating of departmental performance reports but somewhat inexplicably focused on only three departments (in the field of environmental protection). Although proclaiming that it was not possible to generalise from the findings, the OAG still felt able to express concern about the overall quality of reporting and to suggest that significant improvements might take decades. The details of the exercise indicated that over nine years (until 2003–4) modest or mixed improvements occurred, and over the last two years quality improvement had been marginal for the three departments.

Internal control pyramid: external, internal audit and internal control

The control pyramid for the federal government consists of two oversight agencies and the departments and agencies. The external auditor is the Office of the Auditor General of Canada. The Office of the Comptroller General within the Treasury Board Secretariat has government-wide responsibilities. Internal audit is performed at the level of departments and agencies. This centre makes up part of the central organisation responsible for management issues and departmental budgeting, the Treasury Board Secretariat. Internal control systems are established by departmental comptrollers.

In 2004, the Canadian government re-established the Office of the Comptroller General to strengthen comptrollership and oversight. The Office focuses on financial management and internal audit, as reflected in current priorities for strengthening these areas. Its functions include promoting financial and audit controls, standard-setting, oversight of government spending and other management and advisory activities.

External audit

The Auditor General Act directs the Auditor General to address three main questions. The first question is ‘Is the government keeping proper accounts and records and presenting its financial information accurately?’ This is called ‘attest’ auditing. Every year, the Government of Canada publishes the Public Accounts of Canada, which contain the government’s annual financial reports. Included in the financial statements of the government is an aggregation of the financial results of all departments, agencies, crown corporations and several large special funds. In addition, some agencies and crown corporations publish their own financial statements. The Auditor General examines these statements and expresses an opinion on their fair and consistent presentation.

The second question is ‘Did the government collect or spend the authorised amount of money and for the purposes intended by Parliament?’ This is called ‘compliance’ auditing. The auditor asks if the government has complied with Parliament’s authorisation. The third question is ‘Were programs run economically and efficiently and does the government have the means to measure their effectiveness?’ This is called ‘value-for-money’ or performance auditing. The auditor asks whether or not taxpayers got value for their tax dollars.

Table V.ix gives an overview of the types of audit performed by the Office of the Auditor General and the costs of operations for each type of audit. About half of the expenditure was allocated to conducting performance audits. Almost one third is spent on conducting financial audits. Specialised activities accounted for the remainder apart from the \$7.4 million spent on professional practice (e.g. methodology development and knowledge sharing: OAG 2006b).

The Office of the Auditor General has paid attention to aspects of performance in audit reports since the late 1950s. The Auditor General received the statutory authority to conduct value-for-money audits in 1977 when the Auditor General Act was formally enacted. Now termed performance audits, these are mainly focused on the programme or entity level. Government-wide audits of horizontal issues are less common.

The Office of the Auditor General plans and reports the same way as other departments and agencies. The Report on Plans and Priorities explains how the Office of the Auditor General expects to make a difference by outlining the commitments and plans of action. This report is submitted to the Treasury Board of Canada Secretariat in the spring of every year. The departmental

Table V.ix Office of Auditor General programme activity for legislative auditing
2005–6

	<i>Actual spending</i>	
	<i>CAD millions</i>	<i>%</i>
Performance audits and studies	42.6	49.3
Financial audits of crown corporations, territorial governments and other organisations	23.5	27.2
Audit of the financial statements of Government of Canada	4.8	5.6
Special examinations of crown corporations	4.6	5.3
Sustainable development monitoring activities and environmental petitions	2.4	2.8
Assessments of agency performance reports	1.1	1.3
Professional practices	7.4	8.6
Total	86.4	100

Source: OAG 2006c: Table 4

performance report explains what the Office of the Auditor General did in the previous year, what it was trying to achieve, and whether it met the performance expectations. This report is submitted to the Treasury Board of Canada Secretariat in the fall of every year.

Internal audit

The first steps towards the establishment of a departmental internal audit function were taken in the 1960s. It was thought that departmental management should install proper systems of internal audit to review and appraise the soundness, adequacy and application of all accounting, financial and operating controls. In 1973, the Treasury Board decided that all departments and agencies should have financial audits performed. Whereas only financial audit was mandatory, the scope of the internal audit activities varied from pure financial audit to operational auditing. However, several reviews concluded that the internal audit practices were largely ineffective, and the Office of the Comptroller General was established within the Treasury Board Secretariat, and Standards for Internal Financial Audit were issued.

During the 1980s, the government understood that it was time to broaden the scope of the internal audit towards operational auditing. This resulted in the publication of the ‘Standards for Internal Audit in the Government of Canada’ in 1982. However, a decade later the Auditor General concluded that the internal audit and evaluation functions were generally not meeting expectations and that the information could be better integrated with the management information. This conclusion came at the beginning of a decade of downsizing. The Program Review of 1994 resulted in a reduction of between two-thirds and three-quarters of the federal government audit and evaluation population.

The importance of internal control and internal audit was reassessed at the end of the 1990s, e.g., the Review Panel on the Modernisation of the Comptrollership (1998) and the Results for Canadians Initiative (2000). In 2000, the Treasury Board conducted a Study of Internal Audit in the federal government and recommended developing a new policy, establishing new professional standards and addressing the issues of human resources. In 2001 a Revised Policy on Internal Audit became effective, repositioning internal audit as a provider of assurance. In the same year, a Center of Excellence for Internal Audit was established within the Treasury Board Secretariat to provide support to departments implementing the new policy.

The attention on internal audit increased after the outbreak of the sponsorship scandal in 2003. The Auditor General conducted a government-wide audit of sponsorship, advertising and public opinion research. This audit confirmed that there were serious problems in the federal government's management of the Sponsorship Program, which was situated within the Department of Public Works and Government Services Canada. The programme was run in a way that showed little regard for Parliament, the Financial Administration Act, contracting rules and regulations, transparency and value-for-money. Over a four-year period, the programme expended \$250 million with over \$100 million of that amount going in fees and commissions to communications agencies (Office of the Auditor General of Canada 2003b). There were artificial invoices and contracts and sometimes there was no written contract at all.

As a consequence of these and other factors, in 2004 the government launched an action plan, Strengthening Public Sector Management, which stated that internal and evaluation capacity and activity must be increased. The President of the Treasury Board Secretariat announced a multi-year initiative to encompass revisions to internal audit policy including:

- strengthening internal audit capacity across government for staffing and skills;
- enhancing effectiveness of audit committees by adding an independent member;
- defining the role of departmental chief audit executives;
- rigorous monitoring of performance through departmental audit inspection protocol;
- introducing uniform operating processes for departmental internal auditing (TBS 2004).

A new Policy on Internal Audit took effect in 2006, replacing the 2001 policy, and is being phased in over three years. It is designed to strengthen and professionalise the internal audit function; increase the independence of the function; provide a comprehensive government-wide approach; and enhance oversight, monitoring and reporting. The new policy provides for the appointment of a chief audit executive in all departments and agencies

and departmental and audit committees with a majority of members from outside the federal public service (TBS 2006f). Under the Federal Accountability Act 2006, there is meant to be a strengthening of auditing and internal audit capacity.

Internal control

In the federal government of Canada, several initiatives have been taken to improve management practices and to introduce sound internal control systems. The most important recent reform initiatives have been:

- results for Canadians (2000);
- integrated risk management framework (2001);
- management and accountability framework (2003);
- strengthening public sector management action Plan (2004);
- re-establishment of Office of the Comptroller General (2004).

Modern comptrollership is a reform focused on the sound management of public resources and effective decision making. In 1997, the Independent Review Panel on Modernizing Comptrollership set out a vision to modernise comptrollership across Government. In 2000, *Results for Canadians: A Management Framework for the Government of Canada*, was issued by TBS.

What is modern about comptrollership? Traditional comptrollership focuses primarily on financial information. Modern comptrollership supports the effective stewardship of resources of all types throughout the federal government with greater attention to results for Canadians. Modern Comptrollership is intended to provide managers with integrated financial and non-financial performance information, a sound approach to risk management, appropriate control systems and a shared set of values and ethics.

The integrated risk management framework provides guidance to departments and agencies in order to advance the use of a more corporate and systematic approach to risk management. It proposes a set of risk management practices and tools that departments and agencies can adopt, or adapt, to their specific circumstances and mandate.

In 2004, the Canadian federal government was coping with the serious scandal concerning the Sponsorship Program, outlined above. This was one of the reasons for establishing new actions to improve internal controls. The major objectives of the Strengthening Public Sector Management Action Plan were strengthening comptrollership and oversight; establishment of the Expenditure Review Committee; assuring accountability, transparency, good governance and an enhanced role for Parliament; and building public service capacity (TBS 2006b).

The Treasury Board Secretariat developed the management and accountability framework in 2003 to provide deputy heads and managers with a list of expectations reflecting different elements of management responsibilities.

It builds on the work of *Results for Canadians*, and integrates several management initiatives including government on-line, human resource modernisation, modern comptrollership and service improvement (Dupuis 2006). The building blocks of the management and accountability framework are discussed in the next section.

Incorporating performance information

Tools for anchoring measurement and management practices

Designing an architecture of information to be used in documents guarantees a standardised approach to incorporate performance information in management and policy cycles. Three consecutive models have been used in the Canadian case. Until 1988 the operational plan framework (OPF) was used to structure the mostly operational performance information. From 1996 to 2005, the planning, reporting and accountability structure (PRAS) was used to present results over time to parliamentarians as a basis for scrutiny. The standardised format consisted of three sections: introductory overview by the deputy minister; departmental overview of mandate, mission statement (and vision), strategic objectives (and priorities), and a listing of business lines; one to two pages per business line (and constituent service lines) on objectives, description, key results that will be reported (and a performance measurement strategy), and the accountability for the business line results (including departmental positions accountable for individual results). However, PRAS policy was found to be not necessarily consistent with how departments were managed and did not indicate alignments between results and programmes and resources (Scratch 2005). Following the further development of cost accounting systems, the PRAS infrastructure was redesigned into a more output and activity-based information architecture.

PRAS was replaced by the management resources and results structure (MRRS) in 2005 in order to establish the link between results and results of programmes that connect with departmental management and structure. MRRS contains performance information at a more detailed level and is linked to cost data. MRRS consists of three elements for a department:

- 1 Strategic outcomes (SOs): long-term benefits resulting from a department's mandate and vision, the measurable difference a department will make.
- 2 Program activity architecture (PAA): the basis for MRRS providing an inventory of all programme activities (PAs) of departments in relation to their strategic outcomes.
 - Actual and planned resource information: financial and non-financial information;
 - Performance measures: indicators providing information on whether a policy, programme or initiative is achieving its outcomes.

3 Governance structure: processes and structures for exercising decision making in a department.

For 2005–6, departments have been asked to align SOs and the relevant PAs with GoC (Government of Canada) outcomes (Scratch 2005; TBS 2006e). The current review of the expenditure management system is addressing how government planning processes should be focusing on results. MRRS is regarded as a building block for factoring results into decision-making processes (Moloney 2006).

Finally, the management accountability framework (MAF) creates the broader framework to anchor the performance focus (Figure V.xi). The objective of the MAF is to provide deputy ministers with a tool to assess and improve their management practices. The building blocks of the model are ‘governance and strategic directions’, ‘public service values’, ‘learning, innovation and change management’, ‘policy and programs’, ‘citizen-focused service’, ‘people’, ‘risk management’, ‘stewardship’, ‘accountability’ and ‘results and performance’ (TBS 2006b). MAF is being further developed as a self-assessment tool and communication instrument to motivate deputy ministers to get better management practices and internal control systems. Until now, this model has been used internally within the administration.

The evolution of MAF has proceeded through three rounds (Fonberg 2006):

- 2003–4: 27 assessments and suite of indicators in a successful process of engagement (although indicators ‘panned’);
- 2004–5: coverage of up to 50 organisations with improved indicators;
- 2005–6: 100 organisations and 41 indicators.

The objective is to move TBS oversight role from transactions to strategic and to strengthen departmental ownership of MAF. The results are not yet available publicly.

Using performance for reporting

Using performance information in different policy and management cycles

Financial cycle

The Canadian main estimates are structured as a traditional programme budget, but since 1995 departments and agencies report on their plans and priorities in the main estimates to inform Parliament about the outputs and outcomes they want to achieve with the authorised resources. Including output and outcome information in the budget, however, does not necessarily mean that this information is used in the budget process.

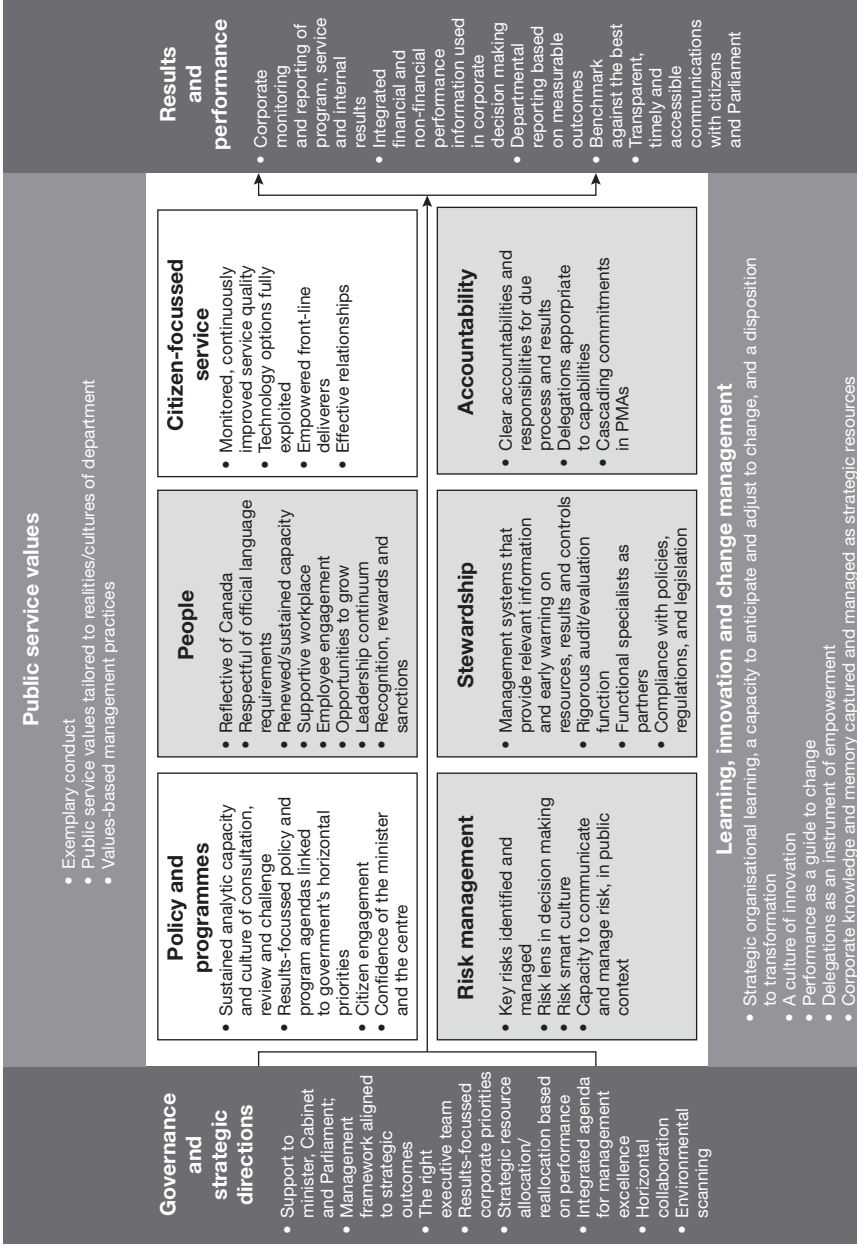


Figure V.xi Management accountability framework

The reporting cycle in 2006 shows how reports providing performance information relate to the calendar and the estimates (Figure V.xii).

According to the OECD and World Bank Survey on Budget Practices performance information is used in determining budget allocation within ministries and within programmes for less than 25 per cent of the programmes (OECD and World Bank 2003). Expenditures were linked to output and outcome targets for less than 25 per cent of the programmes. Performance targets seem to be mainly used internally within departments in the process developing the budget submissions. Performance information was used to allocate resources between and within programmes, to set programme priorities, to change work processes, to set individual staff performance plans and to adopt new programme approaches (OECD and World Bank 2003).

Policy and management cycle

Similarly, the Joint OECD-World Bank Survey showed that performance information was not commonly used in political decision making. This observation was confirmed in several assessments of DPRs: the departmental performance reports showed very little indication of use of performance information for the making of decisions (Office of the Auditor General of Canada 2003a; TBS 2003).

The success of performance reporting seems to be positively correlated with evidence that the information is used for decision making or programme improvements. A study by the Treasury Board Secretariat indicated

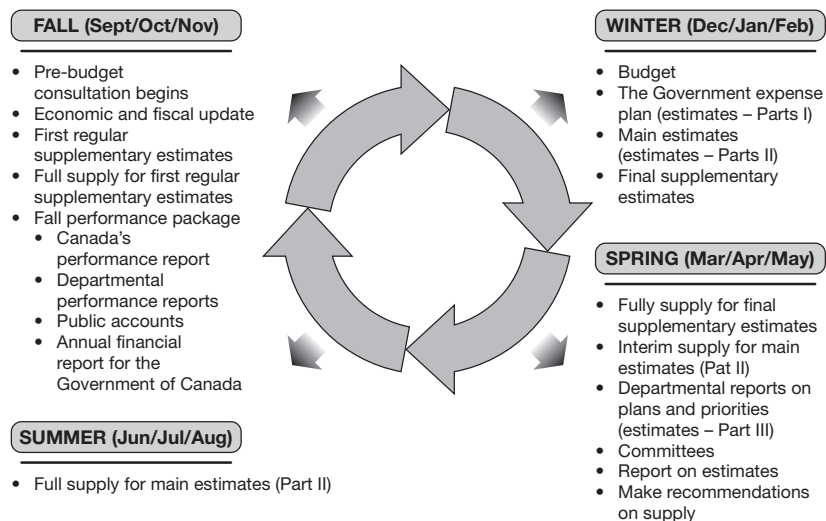


Figure V.xii Reporting cycle

Source: www.tbs-sct.gc.ca/audience/pp_e.asp

that departments with satisfactory to very good departmental performance reports scored high on the use of performance information for learning and for decision-making. ‘In most of these cases the performance information has a strategic quality to it . . . and the focus is on outcomes, with a clear indication of the logic between what the department does and produces and how this contributes to the outcomes’ (TBS 2003: 2.1).

Reporting of performance

The reporting guides for reports on plans and priorities (RPPs) and departmental performance reports (DPRs) have been integrated for the 2005–6 reporting cycle to ‘reinforce the complementarities between the two documents and their parallel reporting requirements’ (TBS 2006e: 1). The RPP presents ‘planned spending information on a strategic outcome and program activity basis’, and covers priorities, expected results and resourcing for a three-year period. The DPR records ‘accomplishments and results achieved in the most recently completed fiscal year against performance expectations’ in the corresponding RPP, with explanations of progress made towards strategic outcomes (TBS 2006e: 9).

The report may be structured in a way suitable for telling the performance story of the department, but consistency is needed across government and between reporting documents, and departments must use three mandatory sections for both RPP and DPR (departmental overview, analysis of programme activities by strategic outcome and supplementary information). The departmental overview includes the program activity architecture.

The TBS annually sets the guidelines for plans and priorities and departmental performance reports based on reporting principles, such as those for 2005–6 Estimates below. The performance reporting rating model developed by the Office of the Auditor General (see Figure V.viii) to assess the quality of departmental performance reports is not related one-to-one to this approach but the criteria are broadly consistent with TBS reporting principles.

Principles for effective reporting to Parliament

The TBS has proposed that RPPs and DPRs should be based on a set of integrating principles that reflect key elements highlighted in previous guides and reflect their complementary features. The combined documents are designed to:

show the link between plans, performance, and achievements and they demonstrate departmental commitments to managing for results. Fundamentally, the comments of these reports should be relevant, reliable, balanced and comparable to provide parliamentarians and Canadians with a comprehensive and effective picture of the government’s plan and use of taxpayers’ money.

(TBS 2006e: 9)

- 1 Focus on the benefits for Canadians, explain the critical aspects of planning and performance, and set them in context:
 - focus on programme activities and expected results (as per PAA);
 - describe the operating environment and strategic context;
 - identify important horizontal linkages and government-wide initiatives;
 - highlight main delivery mechanisms.
- 2 Present credible, reliable, and balanced information:
 - importance of coherence and balance in overall performance in DPR;
 - positive and negative aspects of performance.
- 3 Associate performance with plans, priorities, and expected results, explain changes, and apply lessons learned;
- 4 Link resources to results.

(TBS 2006e: 9–14)

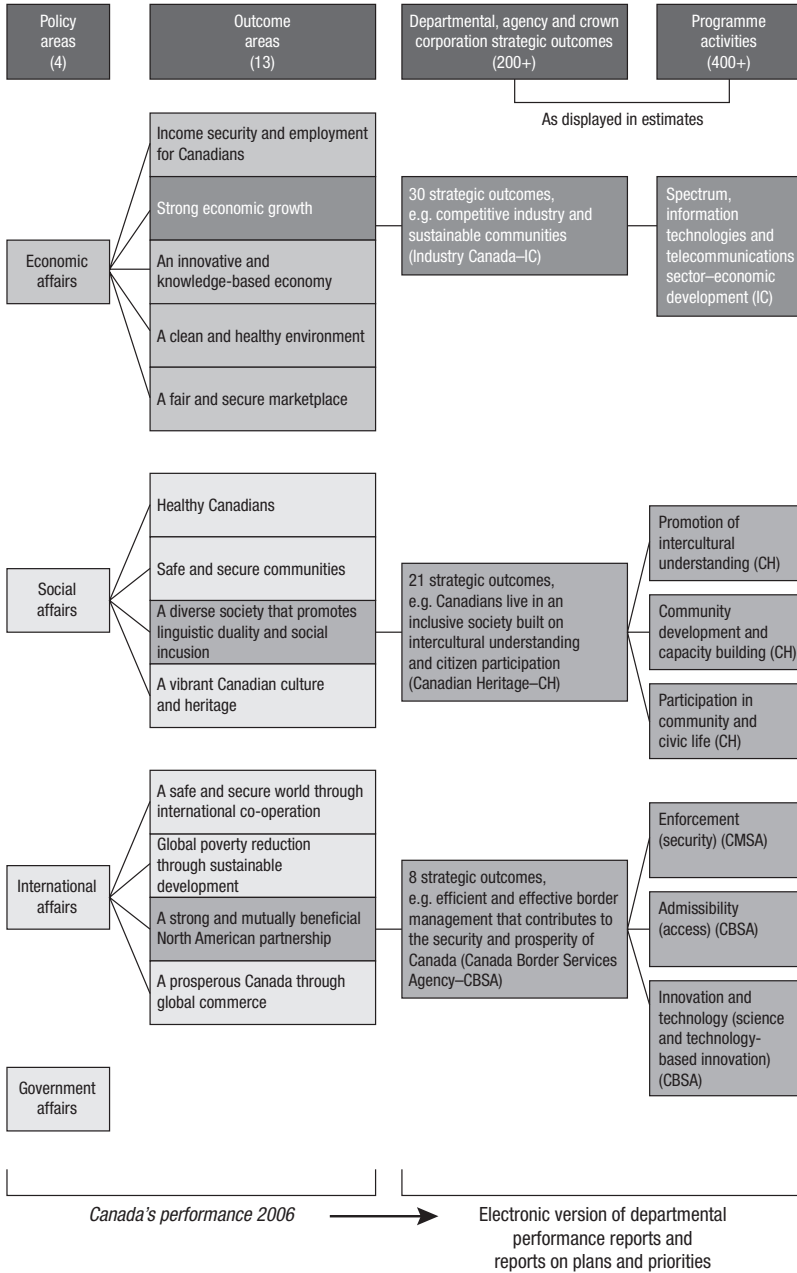
Accountability to Parliament

A major impetus to develop performance measurement systems has been the need for increased accountability to Parliament. The strong emphasis since 1994 on reporting to Parliament has provided an important public accountability and governance dimension to performance reporting in Canada. The Improved Reporting to Parliament Project aimed at giving members of Parliament more information on the planned and realised results. However, the use of performance information in parliamentary oversight had not become important by the time of the joint OECD-World Bank (2003) survey as budget performance information was not being used by members of Parliament.

A substantial investment has been made by the Treasury Board Secretariat over more than a decade in the two phases of the improved parliamentary reporting exercise and a new division on Parliamentary Reporting and Accountability (from 2006). The Federal Accountability Act 2006 is expected to encourage scrutiny of programme performance. Nevertheless, the Canadian process has been fragmented with responsibilities divided between two central budget agencies and an odd split between budget and estimates documents (Kelly 2000). Several issues are salient in the mid-2000s with six major reports tabled during the expenditure management cycle but insufficient connections with the whole-of-government plan and between documents. It is expected that MRRS will assist with enhancing the reporting system and that there will be improved reporting on plans and performance and the incorporation of accrual information (Wilson 2006).

Whole-of-government reporting

The whole-of-government planning and reporting framework provides a comprehensive overview of resources and results (Figure V.xiii). The



*Federal organisations that support all departments and agencies through the provision of government services (e.g., the Treasury Board of Canada Secretariat, the Public Service Commission of Canada, Public Works and Government Services Canada).

Figure V.xiii Whole of government framework

framework is based on MRRS and can therefore be linked to the performance data collected through MRRS. The link between the framework as expressed through the annual reports on *Canada's Performance* and *Plans and Priorities* and *Departmental Performance Reports* are shown in Figure V.xiii (TBS 2006c, 2006d, 2006e).

Administrating, managing or governing performance

System assessment

Canada now has a developed performance management framework, which it continues to actively evolve and refine. This framework readily fits within our performance management model. The level and efficacy of implementation remains unclear at this stage. This unprecedented development for Canada needs to be put in context.

Canada has been the most enigmatic of the Anglo-American systems with a public service system that reflects both the Westminster tradition and the influence of the US, but retains an administrative tradition and public service that remain distinctively Canadian.

In terms of management reform, two features are well established: the innovative, creative quality that has produced many significant management ideas over the decades; and the lack of assurance when it comes to implementing new initiatives systematically.

Canada was one of the first countries to explore management reform but was slow to incorporate and institutionalise it. In some respects the public service remained unmanagerialised; yet, despite having never fully embraced managerialism, the Canadian public service exhibits many standard management features and has experienced the tensions and conflicts produced by attempts to change the administrative culture. New public management was not introduced rapidly or through a sustained reform programme at the national level. The Audit Office often filled the vacuum left by lack of sustained leadership from senior politicians and lead central agencies.

The verdict in 2000 was damning (Aucoin 2001; Holmes 2001): slow progress in using information on results; weaknesses in management reform process; divided responsibility for human resource management; and limited parliamentary review compared to other jurisdictions. The OAG continued to raise issues 'about the quality of financial data, the lack of focus on outcomes, problems of coverage of performance data, and information from new forms of service delivery' (Talbot *et al.* 2001). By the mid-2000s, these questions had been responded to, if not yet convincingly addressed in practice. The Canadian approach to integrating human resources management has required six agencies instead of four (OAG 2005a). There appears to be a shortage of independent analysis, although scepticism about performance management and the mandatory federal agenda abounds (Clark and Swain 2005; Thomas 2004).

Having languished in Managements of Performances for a long time, there is now a strong sequence of models of aspiration. The current model was preceded by a sequence of initiatives that produced an ambitious scheme for departments. Given Canada's reputation for weak implementation, recent initiatives seem to be more promising, but their impact has been unclear. The approach is heavily top-down featuring central agencies, particularly the government's 'management board', the Treasury Board Secretariat.

The performance indicators have been expanding in recent years and are under review with the intention of rationalising and reducing them. There has been a developmental logic that is cumulative at this stage, but the Canadian system appears to have reached a turning point where answers to questions are required. When to release performance information publicly? When and how much to devolve? (Fonberg 2006). The lack of fuller information makes it difficult to form a firmer judgement on practice.

In terms of tolerance of variance, Canada appears to be at the stage where the mandatory and centralised approach to management improvement is unsympathetic to variation. This is both by comparison with the past where departments had considerable autonomy and with expectations for the future as centralised controls are relaxed.

A Canadian lesson, learnt from using performance information, is that 'there is no end point on results based management – persistence over many years is required and you never get it "right"' (Curristine 2006).

The Netherlands

Context of a performance-based system

Historical antecedents and purpose of reform

The Netherlands has a long tradition of performance measurement initiatives and policy evaluation. The Commission for Development of Policy Analysis worked in the 1970s on performance budgeting initiatives (1971–8). It was only in the 1990s that central, government-wide performance initiatives were comprehensively implemented. The main objective of these initiatives was to include performance indicators in the budget documents. The use of performance information in the budget steadily increased over time and the focus shifted from input-, process-, output- and outcome measures towards efficiency and effectiveness measures. These initiatives finally led in 1999 to the development of a new outcome-oriented budget structure. The initiative ‘from policy budget to policy accountability’ (VBTB) aimed at making the budget and annual reports more transparent and more policy-oriented in order to increase the accountability to Parliament. The new budget is divided into policy lines (formulated as policy objectives) and departments have to explain the allocation of resources by means of strategic and operational objectives and efficiency and effectiveness measures. The policy budgeting and reporting reform has been enacted in the 2001 Government Accounts Act. While implementing this reform, the need for a clear set of standards to guarantee the quality of the non-financial information in the budgets and reports became obvious and resulted in a political discussion, also in Parliament. Therefore the Ministry of Finance developed the Regulation on Performance Measurement and Policy Evaluation (RPE 2001). At the same time, departments were developing internal information systems to support the reporting of non-financial information in the departmental budgets and reports. In 2004 VBTB was evaluated. As a result of the discussions between Parliament, the Minister of Finance, and the Court of Audit the Periodic Evaluation Investigation and Policy Information Regulation (RPE 2006) was simplified.

Table V.x History and objectives of performance management in the Netherlands

<i>Initiative</i>	<i>Period</i>	<i>Objectives</i>
Commission development policy analysis (COBA)	1971–8	Comprehensive management linking policy and financial management
Vonhoff Committee	1980	Committee on Change of Structure of National Government recommending more policy evaluation
Agency model	1991–	Result-oriented management model through an agency model
Government decision on policy evaluation	1991	Policy evaluation needs to be a permanent element of every policy process
Key figures manual	1994	Central Government financial information and administration manual (Hafir A2.6): departmental budgets have to include price and volume measures
Lower house proposal	1997	Dutch Parliament wants to accelerate the process of financial accounting and improve its quality (political start of VBTB)
Efficiency indicators	1997	Departmental budgets have to include efficiency measures
Framework for evaluation tools	1998	Central Government Financial Information and Administration Manual (Hafir A5.5): reference framework
Report: The Annual Report in the Political Arena	1998	Final report from the working group on quality of financial accounting to the States General
Report: The Budget in the 21st Century	1998	Interministerial working group report Melkert resolution
Van Zijl working group	1998	Parliament can specify in the budget the policy objectives on which departments have to report by means of performance measures Working group preparing VBTB
From policy budget to policy accountability (VBTB)	1999 (decided) 2002 (implemented)	Make departmental budgets and accounting more transparent and more closely related to policy goals, by linking objectives, performance and resources to one another RPE 2001: performance data and evaluative studies regulation
	2001	Ministry of Finance issues VBTB based quality guidelines for performance information in budgets and annual reports and accounts Guidelines on the evaluation function in departments and agencies Replaces Hafir A2.6 and Hafir A5.5

Table V.x Continued

<i>Initiative</i>	<i>Period</i>	<i>Objectives</i>
Quality plan audit function	2002	Transformation of Departmental Accountant Offices into Departmental Audit Services (DAD) that would also conduct operational audits besides their traditional financial audit mandate
Manual: Policy planning and performance measurement	2002	Step-by-step guide to formulate policy goals and to develop performance measures
Governments Accounts Act 2001	2002	Start implementation of results-oriented financial management (VBTB) into the Governments accounts
Motion Van Walsem	2002	Parliamentary request to develop a practical framework to test the reliability of policy information
Evaluation VBTB (and RPE)	2004	The Interministerial Consultations for Financial and Economic Affairs (IOFEZ) conducted an evaluation of the VBTB initiative. The central question was: to what extent have the objectives of policy budgets and policy accountability been achieved and where is there room for improvement?
Change of DAD	2004	Departmental Accounting Services are further transformed into Departmental Audit Services (DAD) with responsibilities toward policy information
Report: Inter-departmental investigation (IBO) on regulation pressure and control pyramid	2004–5	Report proposing measures to reduce internal regulation based pressure by reorganising the control pyramid (internal control, internal audit); closely linked to the VBTB evaluation
General debate on adjusting VBTB	2005	Several documented debates between Second Chamber (Motion Mastdijk on Pilot for accrual accounting; Motion Douma on Comply or Explain absence of policy information, and on Single Audit; Motion Vendrik on relevant information in annual reports), Court of Audit and Minister of Finance
RPE 2006: Periodic evaluation research and policy information regulation	2006	Replaces RPE 2001. Applicable as of 1 January 2006 for next budget and annual report. Distinction between financial and non-financial information Focus on policy information. Requirement of <i>ex ante</i> and <i>ex post</i> evaluation

Actors involved in measurement and management of performance

Table V.xi gives a short overview of important actors in performance management issues. The Dutch actors have a tradition of open intense debates.

Ministry of Finance

The Ministry of Finance is the main actor responsible for setting the general performance management policy. The Budget Directorate sets the general budgeting policy, prepares budget legislation as the 2001 Government Accounts Act and issues regulation as the annual Budget Instructions. The Finance ministry was also responsible for supporting the departments in the implementation of the outcome budgeting initiative VBTB, e.g. for the development of the Regulation on Performance Measurement and Evaluation (RPE 2001 and RPE 2006).

The Ministry of Finance has also fulfilled over the last couple of years the role of knowledge broker. For example, it has issued several manuals for agencies that are useful to applicant agencies during their process of change (Van Oosterom 2002: 106).

Court of Audit

The Court of Audit is the Dutch supreme audit institution (SAI), supporting parliamentary control of the executive branch. Therefore the Court of Audit

Table V.xi Actors involved in managing performance

<i>Actor</i>	<i>Role</i>
Ministry of Finance	Leading the discussion about the accounting system, the audit quality, and on performance data and evaluation research Implement VBTB, and RPE Participate in working parties on quality improvement of the annual reports
The Netherlands Court of Audit	Participate in the working parties that develop VBTB Follow up and monitor the implementation of the reforms, test departmental VBTB implementation Inform Parliament on the results of VBTB Develop knowledge by means of reports and manuals
Public Expenditure Committee	Budgetary oversight function Public accounts legislation and budget reforms Strongly involved in the VBTB reform (several parliamentary motions: Van Walsem, Mastdijk, Douma) Contact with the Court of Audit

conducts financial audits and performance audits. It played an influential role in the VBTB process, both in the development and implementation of the new system. The Audit Court, for example, formulated advice on the new 2001 Government Accounts Act, examined and commented on the budget documents, formulated recommendations for improvement and tested departments on their VBTB implementation level.

Public Expenditure Committee

It is clear that this committee has been actively involved in the discussions. MPs propose Motions that the Minister of Finance needs to take into account. Important Motions that have influenced the debate are Motion Van Walsem asking the government to develop a framework to judge the quality of policy information, Motion Mastdijk on insisting on a pilot project for accrual accounting, and Motion Douma asking for relevant policy information in annual reports or the 'comply or explain' rule. This means that the minister can decide not to comply with the requirement to include performance information as long as he or she explains why.

Central Bureau of Statistics (CBS)

The Central Bureau of Statistics (CBS) is the official organisation responsible for the collection and publication of official statistics. The focus of the CBS statistics collection is very broad. The decision has been made to transform the CBS into an autonomous agency (ZBO) from 1 January 2004 because of the importance of independent statistics collection. The CBS is under the authority of the Ministry of Economic Affairs. The programme of statistics collection is set by the Central Commission for Statistics. This independent commission has to watch over the impartiality, independence, relevance, quality and continuity of the statistical programme (Centraal Bureau voor de Statistiek 2003a). Both within departments and within Parliament there is an increasing need for statistics to inform policy making. Therefore the CBS has established a Centre for Policy Statistics. This unit provides departments with policy statistics and supports departments in the collection of performance data. This is crucial in the context of RPE 2006 for *ex ante* and *ex post* evaluation, and the related policy information.

Measuring performance

Criteria for a good indicator and measurement system

The Ministry of Finance developed a set of quality standards for performance information in the Regulation on Performance Measurement and Policy Evaluation (RPE 2001), which was confirmed in 2004. The initial Regulation on Performance Measurement and Policy Evaluation distinguishes between regular performance measurement systems on the one hand and evaluation

studies on the other hand. Performance information contained in the annual report has to be collected respecting the appropriate quality standards of validity, reliability, accuracy and usefulness. Performance measurement systems have to be set up according to the following quality standards (Ministerie van Financiën 2002a):

- validity of the system;
- clear orientation to demands for information;
- well-specified concepts;
- well-designed system;
- multi-annual comparability to guarantee stability;
- adequate selection of units and reliable and valid measurement;
- valid techniques to analyse, draw conclusions and recommendations.

Every department has specific needs concerning performance measurement and therefore it is important to develop policy area specific quality standards. The Regulation on Performance Measurement and Policy Evaluation (RPE 2001) sets the initial general framework for quality standards. Departments may develop more concrete quality standards by means of internal regulations. Motion Van Walsem (2002) triggered a new debate.

A major issue in performance measurement is the high cost of collecting valid, reliable, accurate and useful performance information. This issue is recognised in the regulation stating that performance measurement system costs may not be higher than the benefits. Departments may decide not to implement a performance measurement system and not to report performance information when they think that costs outweigh benefits, but they have to explain their decision to Parliament in their departmental report.

As a consequence of the 2004 VBTB evaluation a policy shift occurred.

In RPE 2006, definitions and standards are provided for policy information. Policy information gets a very specific definition. It is this information related to policy and management that is part of the policy line items in budgets and annual reports. This information is derived from departmental systems, sources from third parties, and evaluations (*ex ante* and *ex post*) and management investigations.

Policy information needs to respect the following criteria:

- within the department, this information has been established in an orderly, controllable, and solid way. This is the case when responsibilities and competencies are clearly defined, the process for producing can be reconstructed, this information is entirely and correctly included in the budget and annual report, and when policy and management evaluations have been established in an independent way;
- it is not contradicting financial information in the budget and annual report;
- the sources are clearly mentioned.

It is remarkable that the RPE 2006 rather looks at the process of data collection than at the quality of the information as such. The new regulation no longer includes the requirement that performance information should be valid, reliable, accurate and useful. However, these are crucial characteristics of high quality performance information.

Since the fiscal year 2006, the 'comply or explain principle' has been put into force. This means that the minister can decide not to comply with the requirement to include performance information as long as he or she explains why it is not useful or relevant to include performance information.

This regulation has been subject to discussions between Parliament and its Court of Audit, and the minister.

In the Van Walsem Motion (2002) Parliament was asked initially to elaborate on and operationalise the concept of an 'adequate level of reliability' of policy information, based on the quality standards of validity, reliability and usefulness. However, the 2004 VBTB evaluation concluded that these suggestions were not useful according to RPE 2006. This operationalisation would lead to 'bureaucratic deterioration', and 'risks of perverse' effects: for example, easy and worse information will be preferred to better and more difficult policy information. At that point, several changes occurred on issues of criteria for good policy information.

First, a distinction is made between financial and non-financial information. It is the position of the Minister of Finance that financial information should be presented solidly, and should be produced lawfully. This is not the case for non-financial information. Societal effects and realised performance are information of another nature. As a consequence auditors are not able to form an opinion on the correctness and comprehensiveness of this information.

Non-financial information is policy information in budgets and annual reports, except financial information. Financial information is narrowly defined as commitments, expenses, receipts and the like. Technically speaking cost information is therefore non-financial information, as is explicitly mentioned in RPE 2006. Policy information as non-financial information is a weaker form of data with a set of procedural criteria that may be audited by the Court of Audit, but not necessarily. Parliament, according to the Minister, may always ask for an audit of policy information. For that purpose the Minister intends to change the relevant articles in the 2001 Government Accounts Act where the Court of Audit must audit policy information into the possibility of auditing this.

Process of measuring and managing performance

The 2001 Government Accounts Act specifies the responsibilities of ministers concerning performance measurement. Hereby a distinction is made between monitoring policy on the one hand and monitoring management on the other hand. Ministers are first of all responsible for the effectiveness and efficiency

of their policies which they periodically examine and report on to Parliament and the Audit Court (Tweede Kamer der Staten-Generaal 2002b: art. 20). Second, ministers are also responsible for running their departments in an efficient way. Therefore, ministers have to examine periodically and report to Parliament and the Audit Court on the efficiency of their department's management (Tweede Kamer der Staten-Generaal 2002b: art. 21). Ministers have to report to Parliament on their policy achievements and managerial performance by means of a departmental performance report. The performance report has to be submitted to Parliament on the 1 March.

Within the departments the responsibility for performance measurement is split between the Finance Directorate and the policy directorates. Every Minister is supported in the preparation and execution of the budget by a central finance directorate (Tweede Kamer der Staten-Generaal 2002b: art. 27). The Finance Directorate is the 'financial conscience' of the department, implementing the policies set by the Ministry of Finance. Often, the departmental finance directorates are staffed by former employees of the Ministry of Finance. The finance directorate has to set up and support the general framework for performance management within the department, but the policy directorates have the final responsibility for the collection of performance data.

In 2002 the Ministry of Finance provided each Departmental Accounting Service (DAD) of a Ministry, which later was transformed into Departmental Audit Services, with a practical toolkit to check performance data in ten steps (Tweede Kamer 2002a, 26 573, nr. 70, p. 17):

- 1 Organise a pre-audit discussion with management to determine an orderly and controllable production of performance data in the budget. Use RPE 2001 instructions.
- 2 Determine how the chosen performance data in the budget implementation process will be monitored. Register this in a checklist file for control purposes.
- 3 Include in the checklist file the main features of the systems that need to provide the performance data.
- 4 Follow-up of the changes which were agreed upon in the parliamentary process.
- 5 Select, after discussion with management, which performance measurement systems will be audited more thoroughly. Communicate about the criteria for this check.
- 6 Organise this audit and check according to RPE regulations.
- 7 Check whether performance data that figure in the budget are also in the annual report.
- 8 Confirm that performance data in the annual plan have been established in an orderly and controllable way. (Use steps 5 and 6 for this purpose).
- 9 Judge whether performance data is compatible with financial information in the annual report. Inform management if necessary.

10 Follow up the way in which performance data are used in the parliamentary process of décharge.

In general, the interactions and the procedures are shown in Figure V.xiv. There are two mutually re-enforcing initiatives: VBTB which is focusing on efficiency and effectiveness of policies, and the Audit Quality Plan, which aims at improving the internal audit systems.

Guidelines for performance management

The performance management guidelines on reporting on efficiency and effectiveness in the budget and the annual report, are enacted in the 2001 Government Accounts Act. The Minister of Finance sets more detailed guidelines on the use of performance data in the budget in the annual Budget Instructions.

The Ministry of Finance also published in 2002 a manual on ‘Policy Planning and Performance Measurement’, consolidating all regulations and guidelines on performance management. The manual contains a step-by-step-process of performance management to fine-tune and improve the formulation of policy goals and performance measures supporting the policy line structure. Figure V.xv illustrates this step-by-step process (Ministerie van Financiën 2002b).

Obviously the budget process also has relevance for performance-related issues, especially since VBTB has been linked to the budget in the 2001

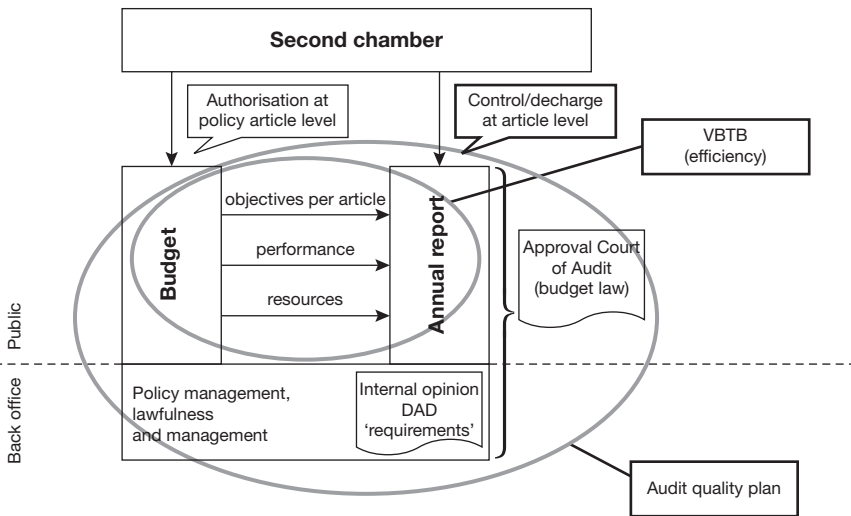


Figure V.xiv Interaction and procedures between relevant actors in processing budgets and annual reports

Source: Tweede Kamer 2005a, 29 949 and 29 950, nr. 4, p. 2

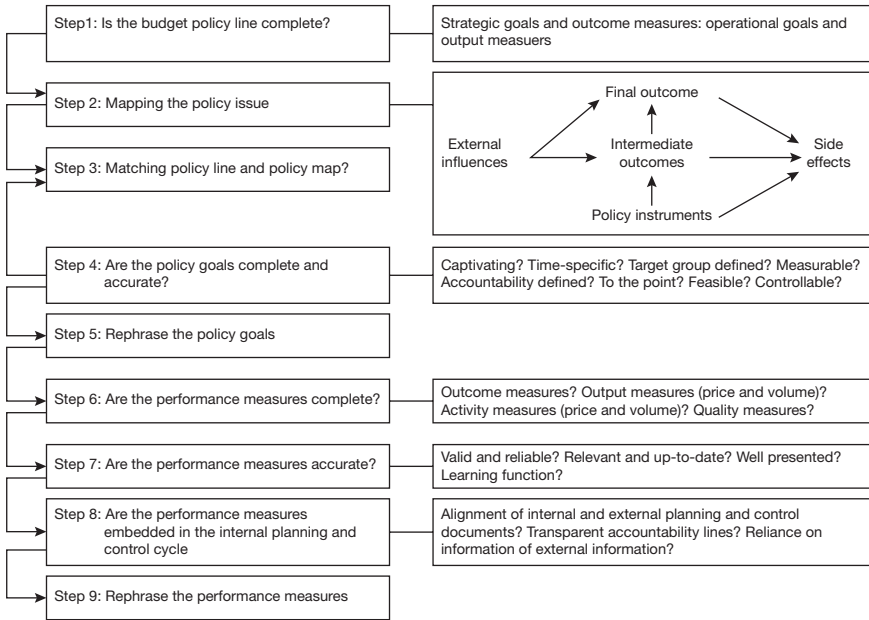


Figure V.xv Step-by-step process of policy planning and performance measurement

Government Accounts Act. Implementing VBTB has implications for the budget format and the related accountability, but also changes procedures in the financial cycle. In order to emphasise the political accountability on the policies implemented, the deadline for submitting the annual report has been fixed earlier in the procedure. Also, Parliament authorises policy-based articles. The budget is supposed to be more compact, more transparent and more policy oriented allowing MPs to authorise on main budget lines. One of the objectives of VBTB is to shift the discourse from an input orientation to a policy orientation.

For that purpose effects and evaluations are important. In article 8 of RPE 2006 policy evaluations for general and operational objectives are integrated in the policy cycle. Policy investigations should be synthetic and scheduled in the budget. Such a policy investigation should include the following components:

- describe and analyse the problem that triggered the policy;
- describe and motivate the role of central government;
- describe the policy objectives;
- describe the policy instruments used and the related societal effects; and
- describe the budgets used.

This policy investigation should be based on modular investigations of the efficiency and effectiveness of policy, and the efficiency of management. The previously required and compulsory five-year evaluation is adapted to an intention to review every four, five or seven years.

Article 9 of RPE focuses on *ex post* effect investigations. The purpose here is to look at the effects of policies, and the possibility of effectiveness.

Focus: what is being measured, including main models used

The performance measurement requirements as set by the 2001 Government Accounts Act are rather ambitious. Performance measurement concerns the policies of departments as well as departmental management. Reporting output and outcome information is not sufficient: departments are obliged to report on effectiveness and efficiency measures. However, departments seem to focus mainly on output measurement.

In RPE 2001 a model was proposed which structured the required performance information. It includes inputs, throughput, output and outcomes and derives four ratios (economy, efficiency of management, effectiveness of policy and efficiency of policy) as shown in Figure V.xvi.

The RPE 2006 has changed the standard model for policy information as shown in Figure V.xvii.

Several elements have changed in comparison to the 2001 model. A first difference is the distinction between net effects or effects from the policy as such and gross effects as outcomes which result in the set goals to be attained, or not. This change should allow statements to be made on whether the objective was attained, to what extent this outcome was determined by the policy itself and/or by external issues. A second difference is that throughput is not included anymore. As a consequence the link between input and

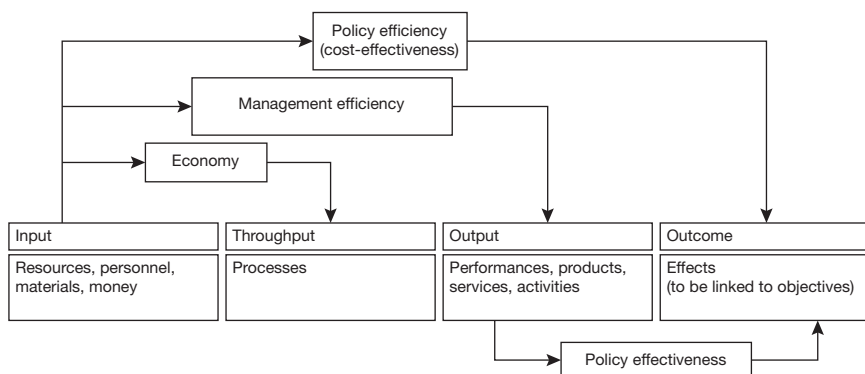


Figure V.xvi Model and conceptual framework for policy and management information

Source: RPE 2001 (Ministerie van Financiën 2001: 19) (own translation)

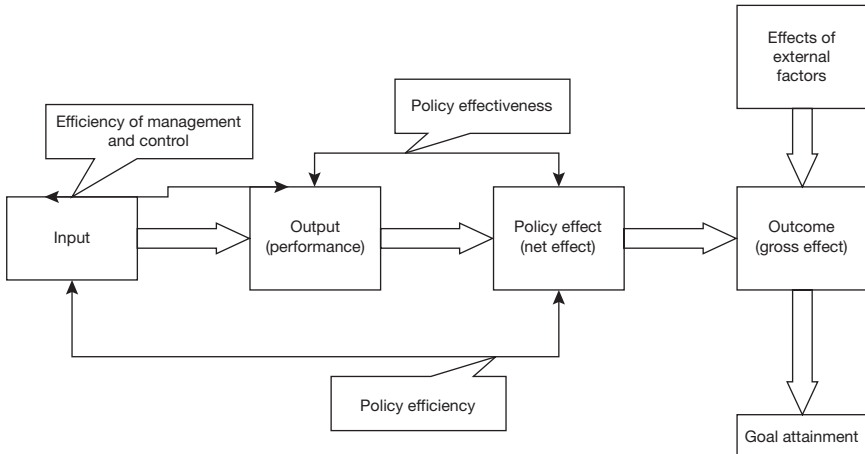


Figure V.xvii Model and conceptual framework for policy information

Source: (RPE 2006) (Staatscourant (2006) 83: 14–16) (own translation)

throughput, which was defined as economy, is not part of the model anymore. Three types of links are part of the analysis: management efficiency, policy effectiveness and policy efficiency. Finally, the requirement for providing policy information has also been qualified from 2006 on. In principle departments should comply. However, there is a possibility not to provide policy information in budgets and annual reports. In that case there is a requirement to explain. The ‘comply or explain’ rule (derived from the Douma Motion) is resulting in a decrease in compliance as will be shown later on.

The Court of Audit examined the use of performance information and the VBTB compliance rate several times. For the departmental 2002 budgets the Court of Audit made a classification of the performance information (Table V.xii).

This study shows that 2002 departmental budgets report mainly output measures in their budget documents. The Audit Court also examined the use of performance information in the 2002 performance reports, combined with an examination of the 2003 departmental budgets. The conclusion of this study was that departments mainly report information about expenditures and outputs, whereas information about outcomes was rather rare (Algemene Rekenkamer 2003).

In 2006 the Court of Audit published a report on the use of policy information in the budgets and annual reports and on the coverage by indicators of the three key questions (Figures V.xviii, V.xix and V.xx):

- Objectives: what do we want to achieve?
- Performance/output: What will we do to achieve it?
- Resources: What will we allow it to cost?

Table V.xii Share of input, activity, output and outcome measures in 2002 departmental budgets*

<i>Number of indicators</i>	<i>Input (%)</i>	<i>Activity (%)</i>	<i>Output (%)</i>	<i>Intermediate outcomes (%)</i>	<i>Outcome (%)</i>	<i>Final outcome in society</i>
Foreign affairs	115		90			
Justice	220	30	40			
Interior affairs and kingdom relations	75			33		33
Education, culture and science	240			60	25	15
Finance	65		50			40
Defense	230	25	60			
Housing, regional planning and environment	130		40			33
Transportation and water management	175		35		35	24
Economic affairs	110	15	45		30	
Agriculture, nature management and fisheries	85		40			
Social affairs and employment	145		20	45		15
Public health and sports	70		30		17	23

Note: * >15% are not included

Source: Algemene Rekenkamer 2002

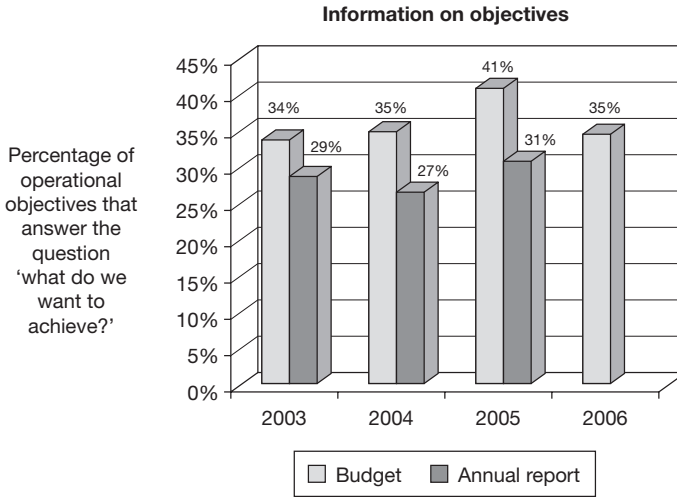


Figure V.xviii Concrete policy information on objectives in budget and annual reports

Source: Tweede Kamer 2005–2006, 30 550, nr. 2

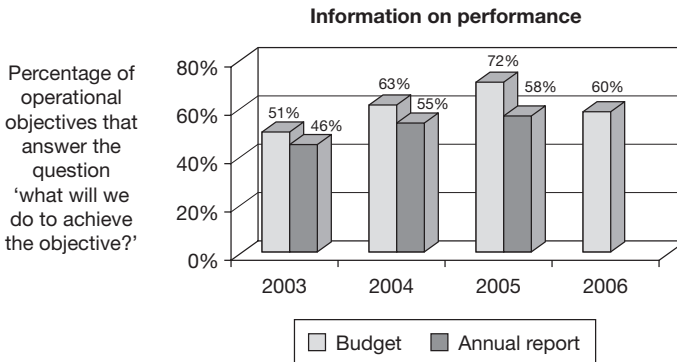


Figure V.xix Concrete policy information on performance in budget and annual reports

Source: Tweede Kamer 2005–2006, 30 550, nr. 2

Audit and quality control of measurement and management

The importance of valid and reliable performance information is enacted in the 2001 Government Accounts Act (art. 58): ‘The policy and management information contained in the departmental report has to be collected, analysed and reported according to information quality standards.’

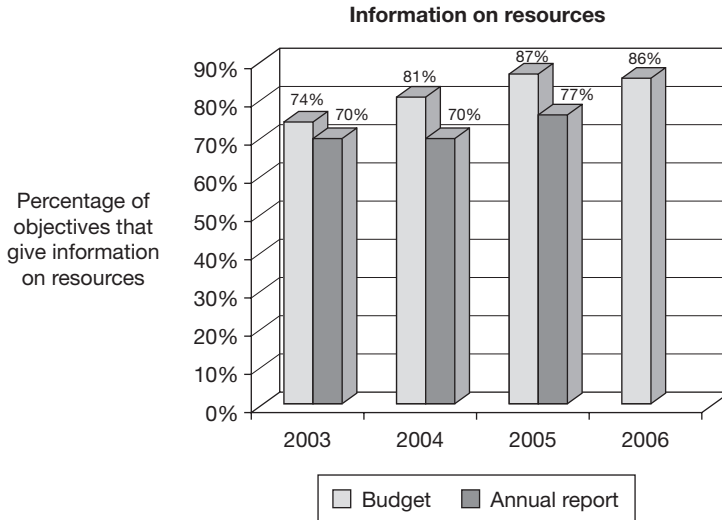


Figure V.xx Concrete policy information on resources in budget and annual reports

Source: Tweede Kamer 2005–2006, 30 550, nr. 2

External audit

The Audit Court has the statutory authority to examine annually whether the performance information contained in the performance report respects the information quality standards (art. 82 (e)). However, these articles are subject to discussion as a consequence of RPE 2006, where the role of the Court of Audit toward policy information is weakened.

The Netherlands Court of Audit aims to audit and improve the regularity, efficiency, effectiveness and integrity of central government and the institutions associated with it. Article 85 of the Government Accounts Act requires the Court to investigate the efficiency and effectiveness of the implemented policy and the related financial management. The Court has been paying more and more attention to questions of this kind in recent years. The work of the Court of Audit encompasses much more than just financial auditing. Specifically, its areas of work are those shown in Table V.xiii.

In its Strategic Plan 2004–9 the Court of Audit indicated that its work will be organised into two pillars. The first pillar, ‘Accountability and Supervision’, will contribute to a transparent government that accounts for what it does. The second, ‘The Link Between Policy and Implementation’, is concerned with the effectiveness of government.

The main activity of the ‘Accountability and Supervision’ pillar is the annual regularity audit: the approval of central government accounts and audits of the annual reports prepared by the ministries. Policy information

Table V.xiii Publications of Dutch Audit Court per objective* in 2001, 2002 and 2003

<i>Objective</i>	<i>2001</i>	<i>2002**</i>	<i>2003</i>
Regularity audits	36***	30***	34***
Performance audits	15	8	12
Audits of legal entities with statutory duties	5	2	1
Audits related to Europe	1	3	2
ICT audits	1	0	2
About the Netherlands Court of Audit	1	3	1
Total	59	46	52

* Those are the objectives from the strategy 1998–2003.

** In 2002, the Netherlands Court of Audit published relatively few reports. The reason for that was the two periods of an outgoing Cabinet. In such a situation, the Court is reserved about publications. This also had implications in the beginning of 2003.

*** Inclusive 24 reports as part of the audit of the financial accountability.

Source: Algemene Rekenkamer 2004

is important in the context of accountability and, as the ‘from policy budgets to policy accountability’ (VBTB) operation progresses, will increasingly be integrated into the ministries’ annual reports, on which the Court expresses an opinion each year. Policy information is also important in the policy cycle: it clarifies whether the policy needs adjustment or not. The Court expresses an opinion on both these functions of policy information. The activities in the second pillar focus on policy and its implementation by central government and the institutions associated with it (Algemene Rekenkamer 2003).

The Audit Court examined the use of performance information in the departmental budgets of 2002 and 2003 and in the departmental annual reports of 2002 (Algemene Rekenkamer 2003). The conclusion of this study was that most departments include information about outputs in their budgets and their annual reports, but that they do not link outputs to expenditures and thus do not report on the efficiency of their programs. Information about the final outcomes achieved as a result of the departmental policies is lacking. Another important conclusion was that the information about expenditures, outputs and outcomes was insufficiently compared over time. Departments did not focus enough on the differences between the planned outputs and outcomes and the achieved outputs and outcomes. There might be several explanations for these problems:

- the complexity of the policy area: no direct relationship between expenditures and outcomes, influence of external factors, cross-cutting issues, international context;
- high costs of measuring efficiency and effectiveness;

- learning process: lack of experience with performance measurement, lack of historical data, lack of incentives as the performance information is insufficiently used in the budget process;
- selective data reporting because of the need for conciseness.

(Algemene Rekenkamer 2003)

Internal audit

Reforms like VBTB have increased the need for audit services, which are broader than the traditional tasks of the departmental accountants services, which were focused on financial control. The departmental accountants services have been transformed into Departmental Audit Services (DAD) and now serve as an internal tool for top management. Operational audits now have a much more important position in the work of the services. The internal audit examines whether the department has a well-developed and effective internal control system. The internal audit units examine whether the performance information has been produced in a correct way, but do not audit the quality of performance indicators. Full implementation was initially foreseen by the end of 2004. However, the evaluation of VBTB has resulted in a policy shift, also for the DAD competencies and priorities.

The job responsibilities and the activities of the Departmental Audit Services are geared to the kind of activities and processes of the department. The quantity and quality of the DADs is influenced by the expected need for studies executed by the audit service. This is determined by the level of quality of the departmental processes and the expected evolution herein.

On behalf of the top management, the audit function is at least responsible for:

- accountants control (certifying function);
- studies of operational management and policy.

These tasks take place on a regular basis. The studies of operational management and policy are aimed at providing assurance for top management about the quality of operational management and policy as well as providing recommendations. Top management bears the final responsibility for the quality of the total management control system of the department and therefore needs independent judgements.

As a consequence of the 2004/5 interdepartmental report, 'IBO': Regulation Pressure and Control Pyramid', DAD's role will be more focused on financial issues and lawfulness and less on policy information.

Role of the internal control

The role of the internal control is to:

- provide assurance on a regular basis about the quality of operational management and policy at a decentralised level;

- provide on a regular basis advice for improving operational management and policy;
- perform on request specific operational management studies and policy evaluations at a decentralised level.

Accountability about the steering and control of the departmental processes is given by means of a management statement. The statement has been introduced in the departmental annual report of 2002 (Ministerie van Financiën 2003).

The statement on the operational management requires the ministry to have a management control system that responds to the most important requirements. The organisational processes must be ‘in control’, which means that there is an internal steering and control system which guarantees the quality of the operational management. Especially since 2006 where the responsibility for good management and lawfulness is with the minister (and with top management) a management paragraph in the annual report becomes very visible and important. In this context the departmental audit service gets a special responsibility for checking information on the quality of management and policy. To streamline these efforts, there is an attempt to move to a ‘single audit’ (Motion Douma) (Tweede Kamer 2005).

The management statement deals with all the organisational processes that contribute to the realisation of the policy objectives, thus also the operational management of the executive and autonomised organisations. There is, however, a difference between the internally autonomised organisations (agencies) and the externally autonomised organisations (ZBOs). The Minister has full responsibility over the operational management of the agencies. The ministerial responsibility concerning the ZBOs depends on the way the delegation of powers is outlined (Ministerie van Financiën and Directie Begrotingszaken 2001).

The policy shift which is being implemented by government is driven by an agenda to reduce pressure for internal regulations linked to the control pyramid. It is related to reviewing the complementary requirements (or non-complementary according to the Court of Audit) for ministers, secretary-generals, and the internal audit, to moving to single audit procedures, to risk-based audits, to distinguish between financial and non-financial information (with a different quality control), and to comply with regulations or to explain if there is no compliance.

Incorporating performance information

Tools for anchoring measurement and management practices

Performance-based management and measurement has been anchored in practice through standardising the format of budgets and of annual reports.

The span of the total VBTB project (from policy budget to policy accountability) has been anchored in practice using the 2001 Government Accounts Act, and the RPE (2001 and 2006).

Format of policy budget

The policy budget should answer the three so-called ‘what’ questions: What do we want to obtain? What do we need to do for this? What is it allowed to cost? For that purpose the Government Accounts Act has been adapted to shape a new budget format (Tweede Kamer 1999: 11–20; Tweede Kamer 2002b: art. 5) Key components are the ‘state of the budget’ (what are the authorising expenses) and the ‘explanatory note’ which consists of the policy agenda, policy line items, a management paragraph, and an agency paragraph. It concludes with in depth annexes. The authorisation is at the level of policy line items/articles. Table V.xiv gives an example of the policy line items of the Department of Economic Affairs.

In the VBTB version of the ‘State of the Budget’ income, expenses and commitments, as well as accrual information on agencies, are summarised in one table. This increases a transparent presentation.

The explanatory note starts with a compulsory policy statement that introduces the policy agenda and the related policy line items. The purpose is to have clearly recognisable and homogeneous policy fields that allow for a linkage between the policy, its resources and its performance.

The policy agenda describes the policy objectives, instruments used for that purpose, performance delivered and the level of means budgeted. If the policy agenda has a level of generality, the related policy articles should be more detailed.

Table V.xiv Policy line items/articles from economic affairs

Policy articles

1	Well-functioning economy and markets in the Netherlands and Europe
2	Stimulating innovation
3	A competitive investment climate
4	Efficient and sustainable energy use
5	International economic relations
6	Vital concerns in times of crisis
7	Management of mineral resources
8	Economics analysis and prognosis
9	Meet the social need for statistics
10	Electronic communication and mail

Non-policy articles

General
Nominal and unforeseen
Former commitments

Whereas previously the main logic of the budget format was organisational, the new Government Accounts Act connects instruments and resources to policy objectives. Each policy article has a section on operational expenses, which is the managerial part, and one on programme expenses, which are the policy instruments. This allows for responsibilities to shift within the two sections and create a degree of freedom.

In case policy objectives are inter-departmental, departmental budgets provide for overview tables.

To increase the comparability of policy articles, the following format has been proposed (Tweede Kamer der Staten-Generaal 1999: 14).

General policy objective: The ultimate policy effect is the starting point. This includes the target group, timing and standard levels of policy. It is acceptable that intended effects do not necessarily need to refer to societal effects. It also may be effects linked to the public sector organisation itself. (Tweede Kamer der Staten-Generaal 1999: 15).

Operationalised policy objectives: These operationalisations may refer to intermediate effects or to ultimate effects. Target group and target values are made explicit, ideally with a perspective and a range between year $t-2$, intermediate years and the last multi-annual figure for $t+4$ (Tweede Kamer der Staten-Generaal 1999: 15). This allows for a judgement of policy effectiveness, using performance information or evaluations. If it is not possible to measure intended effects or to quantify these, activities and outputs are acceptable.

Budgetary consequences of policy: Per policy article commitments, expenses and income are listed for the year $t-2$ till $t+4$. There is a distinction between expenses for management and for the policy programmes as such.

Explanatory performance based information: The intention is to link the estimated financial amounts and the performance information as closely as possible. Program expenses are estimated, if possible, by multiplying volume and price indicators. Management expenses are corroborated by using efficiency indicators and cost per output type of measures (Tweede Kamer der Staten-Generaal 1999: 17).

Budget flexibility: This paragraph refers to the level of the budget that is still subject to control. Contracts, legislation and international commitments that inhibit the degree of freedom of the level of expenses are listed here. This budget flexibility is expressed as a percentage of total estimated expenses within a multi-annual time frame. There is also a comment on the way the remaining and available budget will be spent (Tweede Kamer der Staten-Generaal 1999: 17).

Assumptions in effect and goal attainment, efficiency and estimates: All known assumptions which are needed to realise a policy are listed in this section. Parliament is informed on the societal and administrative context which is needed to have a successful policy, as well as on the degrees of freedom to adjust policies.

The management paragraph is an extended financial management section which is indispensable for ministerial accountability on implementation. The agency paragraph refers to the contribution of agencies to general policy. This is elaborated in annexes.

'Each ministry has an average of 10 budget articles per budget that are worked out systematically. Almost everywhere it was possible to categorise policy, performance and financial details systematically in a single *policy article*. This means that more than 800 articles from the entire national budget have been reduced to around 140 budget articles. This shows that all ministries have made substantial progress in applying the requirements of Policy Budgets and Policy Accountability to their budgets' (Interministerial Consultations for Financial and Economic Affairs 2004: 11).

For the 2004 evaluation it seems that compliance with VBTB requirements to include policy information has increased as shown in Table V.xv.

However, in an assessment of the Court of Audit (Figure V.xxi) it becomes clear that there is a significant variance of objectives that are covered by concrete indicators from almost 20 per cent (Health, Well Being and Sports) to about 80 per cent (Economic Affairs).

Format of annual report

The format of the policy accountability document has been aligned to the budget document's format. The related questions are therefore: 'Have we reached what we intended to reach?', 'Have we performed what we intended to perform?' and 'Was the cost corresponding to what we have calculated?'. The departmental annual report follows the same structure as the budget document (state of accountability, policy agenda, policy articles, management statement, agency paragraph, annexes).

State of accountability: There is one accountability statement that refers to all amounts mentioned in the budget, with qualifications on implementation in the annexes.

In the policy statement the general links between policies and articles are mentioned. This is more detailed in the policy agenda and the policy articles.

Table V.xv Compliance of budget formats with VBTB requirements (1997–2004)

	1997 <i>budget (%)</i>	2004 <i>budget (%)</i>
1 Do the objectives comply with quality requirements?	5–10	66
2 Do the policy articles comply with the quality requirements?	5–10	61
3 Is there information on performance on results of policy?	10–15	51
4 Will there be any insight into efficiency?	n.a.	50

Source: Interministerial Consultations for Financial and Economic Affairs 2004: 11

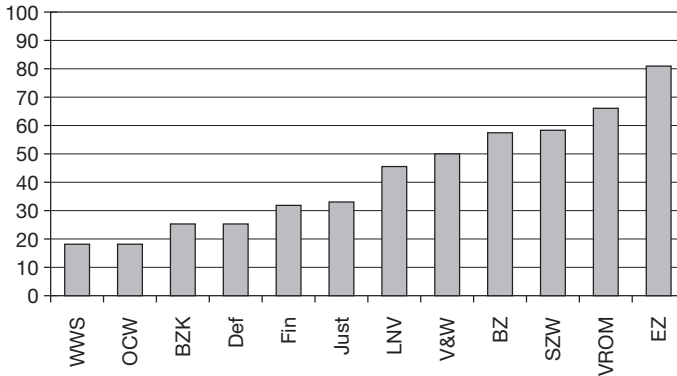


Figure V.xxi Availability of policy information: percentage objectives in 2005 budgets with concrete indicators, per ministry

Source: Tweede Kamer 2004–2005: 29 949 and 29 950, nr. 4, p. 9

The policy agenda provides a summary of results obtained in general. Next to a general overview of the degree of realisation and budget implementation, there is a reference to policy accelerations and reductions.

The policy articles provide the detailed level for linking general and operational objectives and the level of performance generated. If possible a time line from $t-4$ till t are provided. For year t an explicit comparison is provided between intended and realised effects. Differences are explained as extensively as possible (Tweede Kamer der Staten-Generaal 1999: 23).

In the management paragraph there is reporting by exception. The Court of Audit has suggested to the Ministry of Finance that it provide a frame or reference to describe this management section, which is about financial management, and stock but also efficiency. Management is broadly defined and includes guidance and control for key processes as well as for subordinate processes (personnel, ICT, organisation, finances, facilities). Planning and control cycles are included.

It is clear that the VBTB project and its implementation strategy is also anchoring the performance-based management and policy approach.

As part of this implementation trajectory, the Ministry of Finance has developed a Frame of Reference for Management which is an operationalisation of article 21 of the 2001 Government Accounts Act which makes the minister responsible for an efficient management and a recurrent investigation of the department's management practices.

According to RPE 2001 which is implementing article 38 of the 2001 Government Accounts Act this includes prescriptions on:

- an integrated approach to evaluation instruments;
- making trade-offs in using *ex ante* evaluation research;

- comprehensiveness and completeness for *ex post* evaluations;
- methodological and technical requirements for a qualitative set of evaluation instruments, and the process to generate policy relevant information;
- the procedure to inform administrative and political responsibilities of results of periodic evaluation research;
- the responsibilities within a department to implement the above.

(Ministerie van Financiën 2001: 9)

In making this reform applicable to the whole of government VBTB becomes also anchored within the public sector. This comprehensiveness is a key element of anchoring implementation.

However, a changing implementation trajectory has been observed. In 2001, when VBTB was launched, the ambitions, comprehensiveness, and implementation rigour was more pronounced than it is now. An implementation Table of 2001 looks different in 2006, even from the point of view of the programme of instruments to be implemented, such as comprehensive accrual accounting and budgeting (Ministerie van Financiën, Beleidsgroep Begrotingsstelsel 2001: 53).

Linked to the conceptual model, RPE 2006 confirms that three types of analyses are organised: efficiency of management; efficiency of policy; and effects of policy. For that purpose a pragmatic *ex ante* and *ex post* evaluation programme is established and mentioned in the budget.

Using performance information

General use of performance

One can conclude that the performance management system is a multi-functional system: performance information is used in accountability to Parliament, in policy planning, in budgetary decision making and in internal management. The question arises whether the performance information is used for these several purposes and by these several actors to the same extent. To what extent do the performance data influence the budgetary decision making? To what extent is Parliament using the performance information in the exercise of its parliamentary control function?

A condition for use is obviously having sufficient policy information available.

In the budgets the key components are the policy agenda, the management paragraph, and the policy line items/articles which include financial and policy information. This structure is replicated in the annual reports (where obviously the policy agenda turns into a policy report).

In the 2006 Second Chamber report a comparison is made of the correspondence and coverage of budgets and annual reports by concrete information for a time series from 2003 till 2005 for reports, and 2006 for budgets.

Since 2006 there has been a possibility of explaining why there is no information available and why there is no compliance.

This option between complying or explaining has resulted in a decrease in operational information for objectives and performance. Also, the level of information in the budget is higher than in the annual reports. Finally, the level of information decreases from inputs to outputs to objectives. From this point of view, a systematic use is seriously restrained.

The new 2006 model (Figure V.xvii) explicitly deleted throughput, activities and economy. Traditionally, the Dutch system, including the Court of Audit (Put 2005) has always been looking more at policy than at management. As a consequence there is less potential for using performance information for internal management functions. Cost is considered as non-financial information, and there is a reluctance to have accrual based accounting systems within the ministries (except for one pilot which the minister had to accept to fulfil the Motion Mastdijk).

Figure V.xxii demonstrates this again for the three 'W' questions linked to three issues of objectives, performance/outputs and resources.

Reporting of performance

Policy budget

The departmental budgets are structured along policy lines (*beleidsartikelen*) that should be formulated as policy outcomes. In the explanatory note on the budget, departments explain what they aim to achieve with the allocated resources, which actions they will take to achieve these outcomes and how

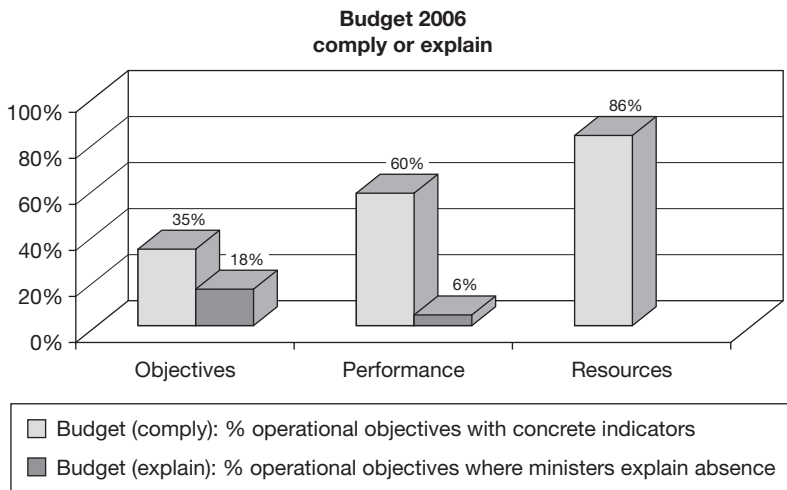


Figure V.xxii The 'comply or explain' principle in budget 2006

much these actions may cost. For each policy article departments have to provide the following information (Tweede Kamer der Staten-Generaal 2002b: art. 5):

- strategic objectives;
 - effectiveness measures.
- operational objectives;
 - effectiveness measures.
- instruments;
- multi-annual planning of programme expenditures (t–2 to t+4);
- multi-annual planning of administration expenditures (t–2 to t+4);
 - efficiency measures.
- multi-annual planning of commitments (t–2 to t+4);
- multi-annual planning of incomes (t–2 to t+4);
- information about the assumptions on effectiveness, efficiency and estimates.

Annual report

Agencies report on the implementation of the budget and their performance in a departmental report. Reporting on budget implementation includes the estimated and realised commitments, the estimated and realised expenditures and the estimated and realised incomes. The financial accounts are structured along policy lines. The departments report for each policy line on the achieved policy outcomes and managerial performance in an explanatory performance statement, containing the following elements:

- achievement of strategic goals;
- achievement of operational goals;
- instruments used to achieve the strategic and operational goals;
- multi-annual data about the programme expenditures, administration expenditures, commitments and incomes (t–4 to t);
- efficiency and effectiveness measures;
- statement on internal management.

The financial and non-financial information about the performance of the autonomous agencies (ZBOs) is integrated in the annual report and accounts of the parent ministry.

Government-wide level

The 2001 Government Accounts Act does not require the government to publish a government-wide performance report. Government-wide reporting of performance information consists mainly of statistical reports. The Central Bureau of Statistics (CBS) publishes annually a government-wide statistical report called 'The Year in Numbers'. CBS also developed a website with

general statistical information available to the public, www.statline.nl. CBS also reports statistical dossiers, as for example on health, the economy and immigration in the CBS annual report (Centraal Bureau voor de Statistiek 2003b).

Administrating, managing or governing performance

System assessment

The Dutch system always was more interested in policy assessment than in management. Comparing the UK National Audit Office to the Dutch Court of Audit clearly shows almost opposite strategies (Put 2006). In the UK managerial issues are priorities whereas policy evaluation is almost secondary. In the Netherlands it is almost the opposite. This is also visible in the Dutch academic capacity where evaluation capacity is much more significant than management capacity.

A second important introductory remark is that in issues of policy and effectiveness (but also lawfulness) the Court of Audit has the competence to 'follow the money'. This means that assessing central government is not just assessing the activities of central ministries, but also of those who receive money and implement policies such as autonomous agencies (ZBOs and RWTs), decentralised authorities (local government), or private legal persons which are important for education and health, especially in a pillarised society. Reference is made to the reform programme of the Ministry of Interiors (Programme Different Public Sector, PAO) and local government reforms.

Even if many initiatives have been taken and evaluation has been part of the culture since the early 1970s, VBTB was the first comprehensive and elaborate initiative to look at performance in a broader and more institutionalised perspective.

Initially VBTB was launched as an initiative to improve the presentation of budgets and annual reports. However, it triggered a broader reform process and became an instrument to promote an efficiency and effectiveness, to stimulate a more performing public sector.

The 2004 evaluation also focused on two key objectives of the project. The evaluation concluded that these two objectives, a more transparent budget/annual report, and stimulating a performing public sector, are not really compatible. 'Do not try to achieve the objectives of Policy Budgets and Policy Accountability with a single instrument' (Interministerial Consultation 2004: 53).

In 2005, a debate and implementation of a new strategy started. There are two simultaneous emphases. On the one hand there is a focus on the authorisation and control issue in order to have more transparent budgets and annual reports that provide substantial accountability. On the other hand there is a focus on promoting better policies by improving policy documents and having better evaluation programmes.

The first results are visible in the 2006 budget and 2004 annual report. RPE 2006 is an expression of this change of policy, which is very much driven by the conviction that internal regulation requirements need to be reduced, and that the control pyramid should be simplified. Handling policy information in a more pragmatic way is part of this policy change, which is not warmly welcomed by the Court of Audit.

The budget and annual report remain key documents for authorising expenses and providing accountability. Objectives remain prominent in the policy articles (line items). However, performance information needs to be relevant and make sense. This is combined with an improved focus on an improved evaluation programme (*ex ante* and *ex post*) at the level of general and operational objectives, and of investigations on effects (gross and net) of policies.

In order to make the budgets transparent as well as comprehensive, a stronger selection of performance information will be made. Internet-based solutions will be used to make the documents manageable since they need to be self standing. Policy objectives do not necessarily need to be quantified, but they need to be grounded (by e.g. *ex ante* evaluations). Operational objectives and choices of instruments need to have value added, which results in terminology, such as, 'relevant and having sense'. In principle information on outputs and outcomes should be integrated in the budget. However, if policy information on outcomes, or even on outputs, is not 'relevant or doesn't make sense' then it should not be offered. This is also the reason why there is a strict definition of what financial and non-financial information is.

Grounded policy objectives should refer to the three 'W' questions (What do we want? What shall we do? What should it cost?) of objectives, performance, and resources. Enhancing the preparation and design of policies requires the necessary complement of enhancing *ex post* evaluation. This requires substantial effect investigations. However, the objective is not to have a full coverage every five years. It also requires substantial *ex ante* evaluations which have been ignored up to now. Key terms here are 'useful and necessary'.

All these elements of a changing policy are expressions of pragmatism driven by an awareness of possible new bureaucracies, perverse effects, excessive new costs, and dysfunctionalities which are not solving problems of transparency, accountability and improved performance.

Policy objectives and the related policy information should be 'relevant and making sense'. If there is no compliance it should be explained ('comply or explain'). Evaluations should be 'useful and necessary'. Financial and non-financial information are different and should be treated differently. And administrative costs of performance-based policy management should be controlled and limited using single audits, risk driven measures and reduced internal regulatory arrangements on the control pyramid.

At this stage this programme is being implemented, even if the Court of Audit has some serious observations on the coherence of the proposals of

the control pyramid, the capacity of Parliament to authorise and to ask for accountability, and the quality of policy information. This whole process is very much steered from the Ministry of Finance.

From the shift in models it is clear that the internal (managerial) focus has weakened and the external (policy) focus has been strengthened (net versus gross effects, level of effects, impact of environment). However, this is combined with a more pragmatic check on the quality of this policy information, as non-financial information in the budget and the annual reports.

Implementation was and is varied. Coverage rates differ between ministries significantly. Even if there seems to be progress in coverage rates budgets are richer than annual reports. Finally, the ‘comply or explain’ rule seems to result in less information.

A crucial question is where there is a shift in the type and the level of discussions in for example parliament? A rare research exercise is visible in Table V.xvi. It seems that MPs’ questions are less about inputs, and more about outputs and outcomes. It is unclear how sustainable this data is.

Based on this information and assessment, it seems that the Netherlands have a policy management focus which is coherent but disconnected from the internal performance management focus. The Dutch central government case is therefore linked more to the Managements of Performances ideal type.

Table V.xvi Typology of written questions by MPs in the Dutch second chamber

<i>Written questions by MPs in 2001–2 (sample)</i>	<i>2001 (%)</i>	<i>2002 (%)</i>
Focused on input	61	45
Focused on output	30	41
Focused on outcome	6	10
Other questions	2	3
Focused on objectives	3	6
Focused on standards	5	5

Note: Since some questions may cover several topics, total percentages exceed 100%

Sources: Tweede Kamer 2002a, 26 573, nr. 70, p. 11

Sweden

Context of a performance-based system

Historical antecedents and purpose of reform

From the early 1990s Sweden had serious public finance difficulties. Its public debt doubled and the deficit quadrupled (12.3 per cent in 1993). Swedish authorities were convinced that the budget process itself had a key role in a deteriorating budget (Blöndal 2001: 28).

The Swedish system is extremely open and its civil servants are very active internationally. Nevertheless, management ideas were not always popular, although a performance focus became the key philosophy from the end of the 1980s through the Performance Management Initiative. The 'right of access' principle for all citizens for all public documents is crucial, which puts performance-based documents in a special context.

The Swedish government started at the end of the 1960s with programme budgeting and management by objectives but this reform was not perceived as fully successful (Regeringskansliet 2000b: 4). After some years this experiment was abandoned because moving away from a line-item budget (technically and culturally) seemed to be too difficult. However, this experiment was influential for later initiatives. The notion of management by objectives, a key concept in programme budgeting resulted in a gradual introduction of specific reporting requirements on results obtained by agencies. Another consequence was that budget allocations moved gradually and shifted from line-items to the well-defined objectives of entire agencies.

The introduction of a performance management system increased managerial and financial flexibility, reporting mechanisms, three-year budget estimates and performance auditing. In 1993 the government implemented an accrual accounting system to support the performance management reform by providing information on the costs per output.

The reforms that followed during the late 1980s and early 1990s, based on the concept of performance management, represented an attempt to restore, and make more explicit, the decision powers of the political

leadership. The government was required to provide a better description of what is expected from an agency and the budget horizon was prolonged. In return agencies were given extensive freedom when deciding on the use of administrative allocations, but were simultaneously required to deliver improved reports and analyses of their achieved results.

(Molander *et al.* 2002: 7)

During the first half of the 1990s, the need for stricter financial control dominated the public debate and results-oriented reforms were pushed into the background. This focus on financial control led in 1996 to the implementation of a new, top-down budget process with three-year expenditure limits. When public finances became more healthy in the second half of the 1990s, performance management regained attention. In 1997 a new performance-budgeting initiative was launched, the VESTA project, aiming at the integration of an activity structure in the budget and at the implementation of an accrual budget.

In 2000 a White Book on performance budgeting was published to confirm as well as to refine the steps towards more results-oriented budgeting. The government appointed in 1995 a commission to analyse the societal demands of state administration, today and in the future, and to find out the central issues for a public administration of the future. The conclusions of the commission were translated in the White Paper 'Central Government Administration in the Citizens' Service', and were approved by Parliament. Swedish central government administration should be accessible and obliging towards the public, have citizens' full confidence, give business and industry favourable conditions for work and growth and be successful and respected in its international cooperation (Gustafsson and Svensson 1999). To realise this aim the Swedish government developed four guidelines for modernisation: concentration on core activities and collaboration; quality and skills development; focus on performance; and effective provision of information. The White Paper contains a warning for using performance measurement as an instrument for financial control:

There is a danger that general savings measures on the cheese-paring principle may, in certain situations, become an ineffective instrument. The Government considers that further efforts to promote efficiency should be primarily focused on more systematically examining state commitments in one sector after another.

(Gustafsson and Svensson 1999: 165)

The White Paper confirms the importance of performance management as a tool for giving more responsibility to agency management on the one hand and as an instrument for policy steering and follow-up by departments on the other hand. The intention was formulated to report annually to Parliament on productivity trends in central government administration. The government

also made the commitment to ensure the accessibility of all relevant public sector data to the public, at reasonable cost and on equal terms for all groups in society. Quality and skills development are central principles to public sector modernisation. Therefore, a special agency, the National Council for Quality and Development was established in 1999 with the task of promoting and supporting the development of a high quality public administration with competent public servants.

A next stage was the reform of the audit institutions. There was a merger of the parliamentary audit office, which was very limited, and the independent audit organisation within the Ministry of Finance, into a traditional parliamentary supreme audit institution in 2003.

Table V.xvii gives an overview of the history of relevant performance management reforms in Sweden since the 1960s.

The objectives of the performance management initiatives are thus twofold. On the one hand the reforms aim to increase the efficiency of government operations by decentralising management responsibilities and creating financial management flexibilities. The responsibility for policy implementation is decentralised to executive agencies reporting to government about the results achieved with the appropriations. On the other hand, performance management reforms aim to increase the transparency of government and the accountability of the executive branch to Parliament and to the citizens (Swedish National Financial Management Authority 2003b). There have been pressures to develop and collect performance measures, from within central government administration, from the public and internationally: the increased need for government to focus on efficiency and effectiveness, the evolution of the instruction letters (or letter of appropriations) (*Regleringsbrev*) towards tools for performance planning, the diminishing trust of citizens in public administration, the increasing public demand for public statistics and the EU requirements to collect and report information.

Actors involved in measurement and management of performance

The Swedish administrative system has a central, a weak regional, and a strong local government and administration as depicted in Figure V.xxiii (The Swedish Agency for Administrative Development (Statskontoret) 2000: 10). Central agencies have regional and local impact. In 1994, 17.3 per cent of the civil service was central, 24.6 per cent in the 23 provinces, and 58.1 per cent in the 289 municipalities.

The operational autonomy of central agencies is constitutionally protected. This autonomy is mirrored in two ways. First, agencies are accountable to the whole cabinet, not to individual ministers. A portfolio minister cannot decide what needs to happen in an agency but first needs a formal agreement from the whole cabinet. Second, individual ministers cannot intervene in matters that concern citizens or companies.

Table V.xvii History and objectives of performance management reforms in Sweden

<i>Initiative</i>	<i>Date</i>	<i>Objectives</i>
Programme budgeting	End of 1960s	Implementing programme budgeting Management by objectives First effort to implement accrual accounting
Performance management	1988	Increase of financial and managerial flexibility for agencies Introduction of performance auditing
Accrual accounting	1993	Introduction of an accrual accounting system to support performance management by providing information about the costs per output
Budget and Fiscal Management Act	1996	New budget process with a top-down procedure, tri-annual expenditure ceilings and flexible appropriations
VESTA	1997	Accrual budgeting More results-oriented budget structure
White Paper Central Government: Administration at the Citizens' Service	1998	Guidelines for a citizen-oriented public administration based on service, quality, ethics and skills: <ul style="list-style-type: none"> • Concentration on core activities and collaboration with other players • Quality and skills development • Focus on performance • Effective provision of information
ESV Ekonomistyrningsverket National Financial Management Authority	1998	Focuses on the development of central government finances Provides a specific support to government offices, increasingly focusing on E-government applications
Statskontoret Agency for Public Management	1998	Responsible for governance and organisational issues
National Council for Quality and Development Statens kvalitets- och kompetensråd (KKR)	1999	Establishment of a special agency to promote and support quality and skills development
White Book on Performance Budgeting	2000	Introduction of an activity structure (policy areas, programs and sub-programmes) linked to the finance structure
Council for the Coordination of Official Statistics	2002	Establishment of an advisory council on issues of accessibility, quality and utility of official statistics
National Audit Office	2003	Establishment of a new SAI Riksrevisionen
Accrual budgeting proposal	2003	Proposal to move to an accrual-based budget The proposal will however not be implemented as there is currently no political support for it

Table V.xvii Continued

<i>Initiative</i>	<i>Date</i>	<i>Objectives</i>
Reorganisation of Statskontoret	2005–2006	Statskontoret is since 1 January 2006 fully responsible for evaluation studies
Verva, Verket för förvaltningsutveckling, Swedish Administrative Development Agency	2006	Advisory agency responsible for the coordination of central government and public administration development. Verva replaces KKR

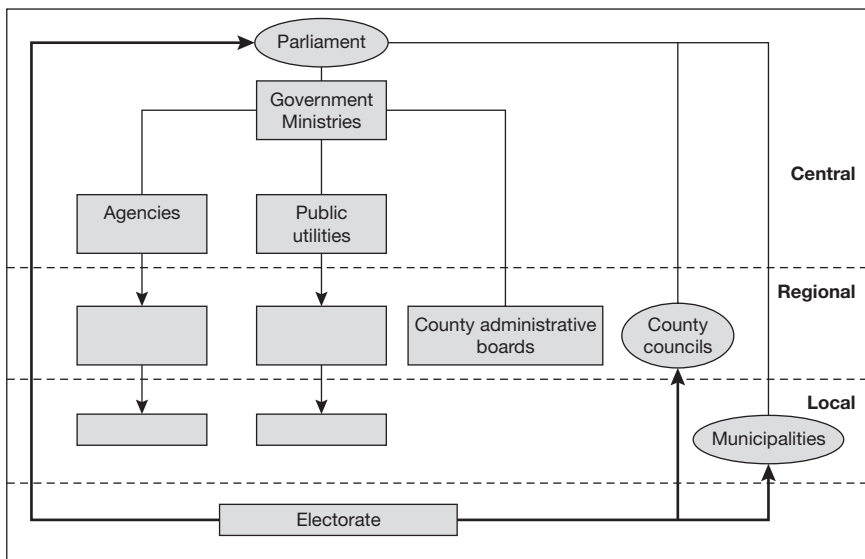


Figure V.xxiii The Swedish public sector system

‘Sweden has for almost 200 years built its state bureaucracy on semi-autonomous agencies. Only a small percentage of civil servants of the central administration are employed by ministries, the majority are with agencies or boards’ (Larsson 2002: 178). There are ten central ministries, each employing only a few hundreds of people. The ministries are responsible for policy preparation, planning and coordination. For the preparation and investigation preceding government bills, the government sets up ad hoc commissions of inquiry. There are about 300 agencies employing almost 200,000 civil servants. The agencies may range hugely in numbers of employment, from very small agencies with a handful of employees to very

large agencies with 25,000 employees. There are three types of agencies: administrative agencies, public enterprises and state-owned companies. Directors-general are appointed by cabinet decisions for a fixed-term period of seven years. These are considered non-political appointments and directors-general do not resign at the change of government. This ideal model is changing into a more politicised version.

The autonomy of agencies is constitutionally anchored in the principle that ministers cannot interfere in the operations of agencies for putting the laws adopted by Parliament into effect. Agencies have a significant flexibility in spending resources: annually they receive a lump-sum appropriation, they can carry over unspent resources to the next year's budget and they can borrow against next year's appropriation. Agencies have their own interest-bearing accounts, which give them incentives for good cash management. Agencies are also responsible for their own Human Resources Management within the overall requirements set and monitored by the Ministry of Finance.

The autonomous agencies are steered and controlled by means of several instruments (Swedish National Financial Management Authority 2003a: 4) (see Table V.xviii). First, agencies have to operate within the framework set in laws and regulations (e.g. the Government Agencies Ordinance, Budget Act, Financial Management Ordinances) and instructions about their duties and responsibilities. Second, ministries are responsible for the results-oriented steering and control of agencies by means of objectives set in instruction letters and reported on in annual reports and performance dialogues. According to the official policy liaisons between the ministry management and respective agency heads should be developed by means of regular performance dialogues. 'Performance dialogue is a supplementary control instrument within the framework of the budget process, and should be implemented regularly' (Ministry of Justice 2000: 8). The Ministry of Justice and the Ministry of Finance jointly monitor the progress of these dialogues. A third important steering instrument is financial: agencies have to submit their annual budget request to the mother ministry which decides on their appropriation. Finally ministries have kept the authority to appoint the directors-general of the agencies despite the decentralisation of the human resources management to the agencies. Ministries can also influence agencies by choosing the chairperson and members of the agency advisory boards.

Until 2000, when NAO became independent, ESV and the NAO were part of the Budget Department responsibility. ESV was founded in 1998 from the NAO. The split was organised for the following reasons:

- it became increasingly difficult to distinguish between audit and consulting;
- it was a first step to create an independent supreme audit institution;
- there was a lack of trust between the Ministry of Finance and the NAO.

Table V.xviii Actors involved in managing performance

<i>Actors</i>	<i>Roles</i>
Ministry of Finance	Developing and implementing budget reforms such as Performance Management and VESTA
National Financial Management Authority (Ekonomistyrningsverket ESV)	The ESV develops efficient financial management for central government agencies, and analyses and makes forecasts of central government finances. The ESV is a central administrative agency under the Ministry of Finance.
National Audit Office (NAO) (Riksrevisionen)	Implementing financial and performance audits
The Swedish Agency for Public Management (Statskontoret)	To promote the development of a just, democratic and efficient public sector. The Swedish Agency for Public Management provides support to the Government and Government Offices. Statskontoret conducts studies and evaluations at the request of the government.
Swedish Administrative Development Agency (Verva: Verket för förvaltningsutveckling)	Coordinates the development of central government

Ministry of Finance and Swedish National Financial Management Authority (ESV)

The Swedish National Financial Management Authority (ESV) is an expert agency of the Ministry of Finance responsible for performance and financial management in the central government sector and for business systems and human resources systems of central government agencies. It was established in 1998. The overall objective for ESV to achieve is that the government administration is characterised, in its entirety, by high levels of productivity, high quality and good service from which decision makers, citizens and trade and industry can derive advantage.

ESV develops financial management. This is the method used by government for the management and control of government agencies. ESV develops accounting rules and issue regulations and general guidance. The ESV is also responsible for generally accepted accounting principles in central government and is responsible for the development and administration of the central government accounting system, Hermes.

ESV offers government agencies cost-efficient administrative systems support for their business systems and human resource systems. To do this ESV concludes framework agreements with various suppliers.

The ESV also produces and analyses information on central government finances, makes regular estimates of the outcome of the government budget,

and publishes four budget forecasts each year. In these forecasts ESV calculates, among other things, government expenditure in relation to the ceiling on expenditure and the budget balance. The ambition is to identify any risks to public finances at an early stage.

ESV's operational concept is to develop and implement efficient and appropriate financial management with the aim of ensuring to:

- effectively control central government finances;
- allocate resources in accordance with political priorities;
- guarantee high levels of productivity and efficiency;
- be the government's expert in performance and financial management;
- be responsible for good accounting practices in central government;
- possess unique knowledge of central government finances;
- offer cost-efficient administrative support systems;
- work at all levels in central government;
- work in close cooperation with the Government Offices and government agencies;
- work internationally;
- monitor external developments continuously and to participate in major networks;
- have expertise in all aspects of financial management;
- have a comprehensive overview of the financial management field.

ESV runs extensive training, support and consulting activities. These activities are directed towards both government agencies and the government offices.

At the end of 2002, ESV conducted a survey on the views of customers on performance and financial management. ESV asked the agencies how well they consider the performance and financial management function and its responsibility for monitoring and developing financial management in central government. Fifty-six per cent of the respondents assessed the central performance and financial management function as 'good' or 'very good'. Only 3 per cent considered the financial and performance management function to be unsatisfactory (Swedish National Financial Management Authority 2003b: 9–10).

Verva

The Swedish Administrative Development Agency is the expert in the field of public administration development, promotes and supports the development of public administration, supports human resource development and strategic human resource management, and enhances coordination in government administration.

To meet challenges, the state, councils and county administrative boards must work towards a more efficient development of the public sector in many

different areas. They start out from the processes used in the organisation, listening to citizens and making sure that the knowledge obtained stays within the organisation as well as making strategic use of IT, which should enable them to create a platform for success. Verva has been instructed by the government (Ministry of Industry) to work towards the increased use of e-commerce in the public sector. This assignment was passed on to Verva in 2006 by the Swedish Agency for Public Management, which started working on it in 2003.

Office of Public Management (Statskontoret)

The Office of Public Management (Statskontoret) is an agency of the Ministry of Finance, responsible for governance and organisational issues in central government administration. The Office of Public Management was established in 1998 after a huge cabinet reshuffle. The participation in the 1998 election decreased to 81.4 per cent, the lowest figure since the 1950s (Gustafsson and Svensson 1999: 149). The low participation was perceived as an important sign of the decreasing confidence of citizens in government. Therefore, a new minister was appointed responsible for democratic institutions and public administration issues. By installing a new public management agency under the Ministry of Justice, the government hoped to shift the focus of reforms towards democracy and citizen involvement. Afterwards, the Office of Public Management became an agency under the Ministry of Finance again. The Office of Public Management plays an advisory and supporting role for ministries and agencies and is conducting evaluations and reviews.

Statistics Sweden

Statistics Sweden is a central government agency responsible for official statistics. The mission of Statistics Sweden is to develop, produce and disseminate statistics, to participate actively in statistical cooperation on an international level and to coordinate and support the Swedish system for official statistics by means of issuing guidance and advice on official statistics (Statistics Sweden 2003: 1).

Official Statistics are the statistics that are produced for use in policy planning and decision-making that are freely disseminated to the citizens. The conditions for producing official statistics are set out in the Official Statistics Act. The Official Statistics Ordinance of 2001 states which authorities are responsible for collecting official statistics in the different policy areas. Statistical authorities are agencies appointed to produce official statistics in their policy area. There are twenty-five statistical authorities each responsible for the collection and publication of official statistics in their policy area. Statistics Sweden is the official statistics authority for the broad areas of society, namely the labour market, the economy, business and prices,

population and welfare and housing and constructions. In 2002 a Council for Official Statistics was established to strengthen the coordination of Swedish official statistics. This council has an advisory function on issues such as the accessibility, quality and utility of official statistics. The Council also administers a website, SAM Forum, where official statistical authorities can find information, instruments and tools for collecting official statistics.

Ministries

Ministries are responsible for policy preparation and steering and control of the semi-autonomous agencies attached to the department. The departments define the broad policy objectives towards which the agencies' activities have to be oriented. The department also has to specify the performance information the agencies have to report on. Both the policy objectives and the reporting requirements are contained in the annual instruction letter or *Regleringsbrev*. Within each ministry a desk officer is assigned to plan and follow-up the policy implementation and execution by executive agencies. The steering and control of agencies lays a heavy burden on the ministries and the very small ministries often lack the capacity to fulfil this task. Desk officers responsible for the follow-up of the agencies are often junior civil servants, lacking experience in the policy area.

Agencies

Besides the ten central ministries, there are about 300 semi-autonomous agencies responsible for the execution of the law and the implementation of the policies as set by the ministries. According to the Verksförordning, a government decree regulating the organisation of agencies, agencies are obliged to coordinate activities with other agencies and policies, to evaluate their activities, to give good service to the public and to keep good accounts. Agencies are lead by a director-general appointed by the government and carrying out the following responsibilities as set out by the Agency Ordinance to:

- manage government funds efficiently;
- guarantee that the agency coordinates its activities with other agencies to the benefit of the government as a whole;
- constantly review and re-consider the agency's own activities, and – if required – take necessary measures;
- take into consideration requirements on the agency's activities implied by defence concerns, regional policy, an ecologically sustainable development and equality between the sexes;
- ascertain that the general public's and outside parties' contacts with the agency are characterised by good service and accessibility;

- ascertain that the agency is organised so that accounts, the administration of public funds as well as the agency's activities at large, are appropriately held and monitored.

(Molander *et al.* 2002: 74)

The director-general is most often supported in his/her function by a controller responsible for the development and follow-up of the management information system of the agency and an internal auditor.

Agencies with a specific monitoring and evaluation task

Since the millennium, two new agencies have been established with a specific evaluation and monitoring task, the Office of Labour Market Policy Evaluation and the Swedish Institute for Transport and Communication Analysis. The Office of Labour Market Policy Evaluation studies the functioning of the labour market and evaluates the effects of labour market policy by examining the activities of other labour market agencies. The Swedish Institute for Transport and Communication Analysis is responsible for carrying out evaluation studies, developing forecasting and planning methods and for collecting official statistics (Molander *et al.* 2002: 82).

Swedish National Audit Office (Riksrevisionen)

The Swedish National Audit Office (Riksrevisionsverket) used to be part of the executive branch as an agency of the Ministry of Finance. Parliament was supported in its oversight function of the executive branch by a group of parliamentary auditors. On 1 July 2003, a merger of the executive audit office and the parliamentary auditors led to the installation of an independent supreme audit institution reporting to Parliament. The audit institution is named the Swedish National Audit Office or Riksrevisionen. The Swedish National Audit Office is responsible for auditing the government ministries, agencies, the courts and administrative authorities, the administration of Parliament (Riksdag) and the authorities under the Riksdag. It is led by three auditors general and is organisationally divided into three performance audit and three financial audit departments on public safety, coordination and administration of finance; welfare and health; and education and development.

Measuring performance

Criteria for a good indicator or measurement system

The crucial guidelines for monitoring and control are set in the Ordinance on Annual Reports and Budget Documentation. This ordinance states that the annual report should give a true and fair view of the results of operations and of expenses, revenues and the financial position of the agency (Swedish National Financial Management Authority 2001a). The agency head or

director-general plays an important role in the development of a monitoring and control system. The director-general's responsibilities are specified in the Agency Ordinance. Besides the reporting guidelines, there are also specific rules for the collection of official statistics. These are specified in the Official Statistics Act, the Official Statistics Regulations and the Instructions of Statistics Sweden.

Process of measuring and managing performance

The Swedish performance management process is integrated in the budgeting process. Table V.xix illustrates the link between the budget cycle on the one hand and the reporting cycle on the other hand.

Crucial documents are therefore the budget, the performance report and the instruction letter.

Focus: what is being measured, including main models used

The information systems consist of an organisational dimension on the one hand and an activity dimension on the other hand (Figure V.xxiv). The

Table V.xix Budget process and reporting process in Sweden

	<i>Budget process</i>	<i>Reporting process</i>
January		
February		Annual report t-1
March	Budget request t+1	
April	Spring Fiscal Policy Bill (27 expenditure areas) presented to Parliament	Annual report Central Government Sector t-1
May	Decision making on appropriations to agencies	
June	Parliamentary approval Spring Fiscal Policy Bill	Six months report
July		
August		
September	Budget Bill presented to Parliament	Informal dialogue between ministries and agencies
October	Parliamentary approval Budget Bill	
November		
December	Annual instruction letter t+1 (Regleringsbrev)	Annual instruction letter t+1(Regleringsbrev)

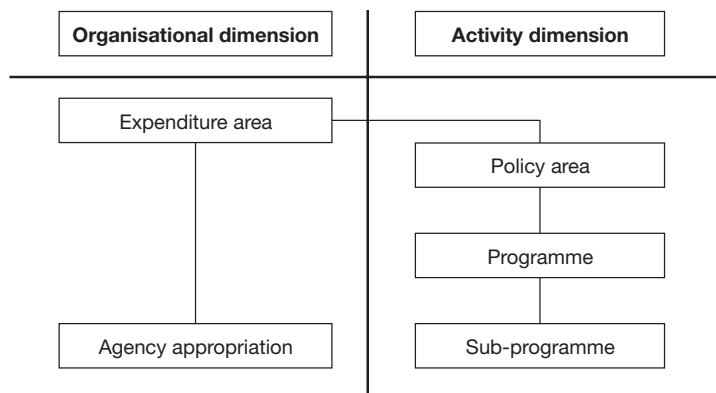


Figure V.xxiv Focus of performance information

organisational or financial dimension consists of twenty-seven expenditure areas for which expenditure ceilings are defined. These expenditure areas are derived from the division of parliamentary committees. Examples of expenditure areas are justice, education and university research, energy and international development cooperation. Within this expenditure ceiling agencies receive lump-sum appropriations to finance their operations. In the activity dimension, the twenty-seven expenditure areas are divided into forty-seven policy areas. These policy areas define the main themes in which the government is active. Examples of policy areas are effective public administration, labour policy and media policy. Some expenditure areas are not further divided into policy areas. In that case expenditure area and policy area are identical. Policy areas are further split up into cross-agency programmes. Programmes are further divided into sub-programmes for which only one agency can be responsible. For each policy area, programme and sub-programme performance goals and indicators are specified.

From a management point of view Statskontoret developed in 2005 a framework for assessing the performance of public management. The aim is to obtain a fuller and better-structured picture of the overall condition of modern government, as well as improving the governance of the development of e-government. The framework (Figure V.xxv) is based on the Swedish conception of a modern administration:

The modern administration is a coherent and transparent administration in continuous change composed of citizen and business centric agencies in an incessant process of development, creating benefits for citizens and business creating value by a high level of service and availability, excellent communication and high efficiency.

(Statskontoret 2005: 1)

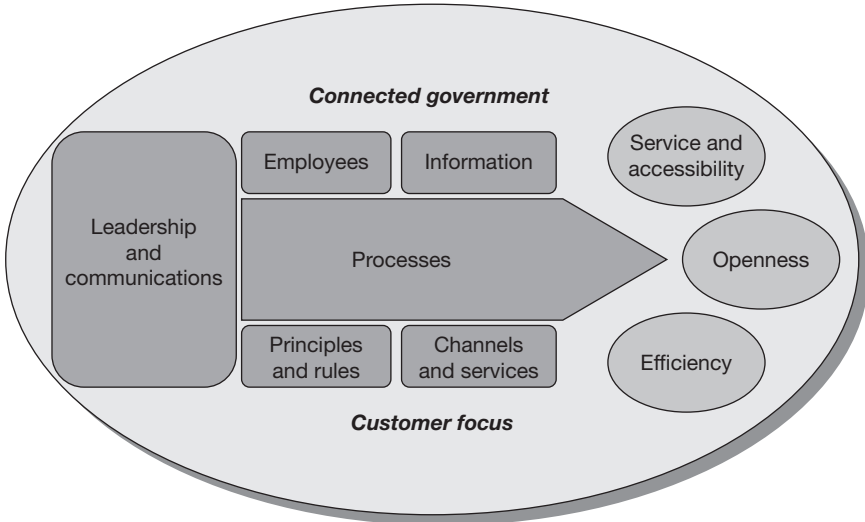


Figure V.xxv Service, transparency and efficiency: a framework for assessing performance

Source: Statskontoret 2005: 2

According to Statskontoret the indicators are based on the administrative policy goals and are grouped into three target areas: service and accessibility, openness, and operational efficiency. The other part, the enablers, deals with what is being done to achieve progress towards these goals.

According to Statskontoret to implement this model, there is a need for increased attention to public management matters and an elaboration of goals for the development of administrations. Policy makers need to share a common view of e-government and future priorities. Adjustments of laws and regulations should go on and an increased use of common solutions should be continuously encouraged. Interestingly, Statskontoret has recommended making this model mandatory in agencies' reporting back to government.

However, implementing this follows a very slow trajectory of feasibility studies (2005), a main study (2006) and probably voluntary implementation (Swedish National Financial Management Authority 2006).

Audit and quality control of measurement and management

External audit

On 1 July 2003, the new Swedish State Audit Institution, *Riksrevisionen*, was created. The new organisation replaced the Riksrevisionsverket (RRV) and the Parliamentary Auditors, which both ceased to exist.

Riksrevisionen is responsible for auditing the operations of the entire Swedish state and, in this way, promoting the optimum use of resources and efficient administration. The two main tasks of Riksrevisionen are to carry out annual audits of government agencies' accounts and administration (financial audits) and to audit the effectiveness and efficiency of government operations (performance audits).

Performance audits are to concentrate primarily on examining circumstances that affect the national budget, the implementation and results of government activities, and government undertakings. However, the audit may also cover government activities and investments in general. The audit aims to promote progress towards an efficient and effective return on government expenditure, seen in the perspective of the general public interest (Riksrevisionen 2003).

Nowadays, performance auditing is concerned increasingly with providing solutions, as opposed to merely identifying or passing judgement on the problems at issue. A survey of performance audits undertaken in recent years shows a steady rise in the number of central government regulatory funding audits (aimed at determining the effects of government grants to local authorities, private industry, etc.) and a decline in function- and task-oriented audits of individual agencies or organisations (Sandahl 2002).

When agencies submit their annual reports to the government they are obliged to send a copy of the report to the Swedish National Audit Office, which is responsible for auditing the quality of the financial and non-financial information in the annual report. The Swedish National Audit Office is thus systematically auditing the quality of the agency reports. The Swedish National Audit Office publishes its most important observations about the agencies' activities in its own annual report. The Swedish National Audit Office concluded in 1999 that the agencies' annual reports gave a lengthy overview of the activities and organisation of the agency rather than an explicit analysis of the achieved results (Swedish National Audit Office 2000a). The Audit Office gives its opinion about the general state of affairs of the central government administration. Negative comments on agencies' operations are made in the government's Spring Bill.

Internal audit

There is one internal audit unit – located in the Prime Minister's Office – that covers the Prime Minister's Office, the ministries and the Office for Administrative Affairs. The Government Offices Audit Unit, which is located in the Prime Minister's Office, examines all activities taking place at the Swedish Government Offices, including the activities of commissions and committees and of Sweden's diplomatic representation. The Government Offices form a single, integrated public authority comprised of the Prime Minister's Office, the government ministries and the Office for Administrative affairs.

However, the large Swedish agencies also have their own internal audit organisations. Most (big) agencies have an internal group of auditors monitoring what goes on within the organisation (Molander *et al.* 2002: 78) including all the operations run by the agency or for which the agency is responsible.

Internal control

Agency management establishes internal controls of operations in such a way that the objectives of administrative responsibility are covered. The responsibilities of agency management can be summarised in three sub-goals (Swedish National Audit Office 2000b):

- efficient operations as laid down in the objectives set by Parliament and government;
- compliance with the provisions and government decisions applicable to the operations (operations in accordance with the constitution); and
- reliable reports on the results of operations.

Efficient operations presume that the agency management has correct and appropriate information for its decisions. This makes it necessary for the agency management to develop methods in order to plan, budget and control activities, that the agency management has an adequate overview of potential risks and threats and that activities are regularly followed up with respect to results achieved and use of resources. A reliable use of funds, an economical use of resources and internal controls in the organisation with clearly defined responsibilities are fundamental requirements to ensure that the resources allocated are used in an efficient way and operations are directed towards the goals set by the government (Swedish National Audit Office 2000b).

Management control measures are the organisation, policies and procedures used to reasonably ensure that:

- programmes achieve their intended results and goals of the organisation are being met;
- resources are used consistent with agency mission;
- programmes and resources are protected from waste, fraud and mismanagement;
- laws and regulations are followed; and
- reliable and timely information is obtained, maintained, reported on and used for decision making.

(The Swedish National Audit Office 1998)

Management and control is directed less and less at resources and operations, and more and more towards management by results.

Given the goals and frames, agency management should be able to delegate responsibility and authority to managers at different levels, so that day-to-day activities can be directed independently. When authority is delegated, management must be able to control how it is used, so that it can be coupled with real responsibility.

A management process based on performance measurement has monitoring and *ex post* assessment as one of its cornerstones. This is the practical tool for ascertaining that the government gets value for money. The power of control is executed by way of review, monitoring and by legal means.

The current internal control approach is related to the internationally accepted COSO definition. This model states that internal control should be regarded as an integral part of management's control of activities and include all important activities, which are of direct or indirect importance when carrying out the administrative tasks.

Evaluations and audits of public programmes are also conducted by the Swedish Agency for Public Management (Statskontoret), which defines its mission as conducting studies and evaluations at the request of the government and government agencies. Within this agency, the Department of Evaluation makes comparisons nationally and internationally and benchmarks performance (Christensen *et al.* 2003).

The Swedish National Financial Management Authority (ESV) developed a set of criteria for performance reporting and compiled a survey on how

Quality changes 2002

Percentage

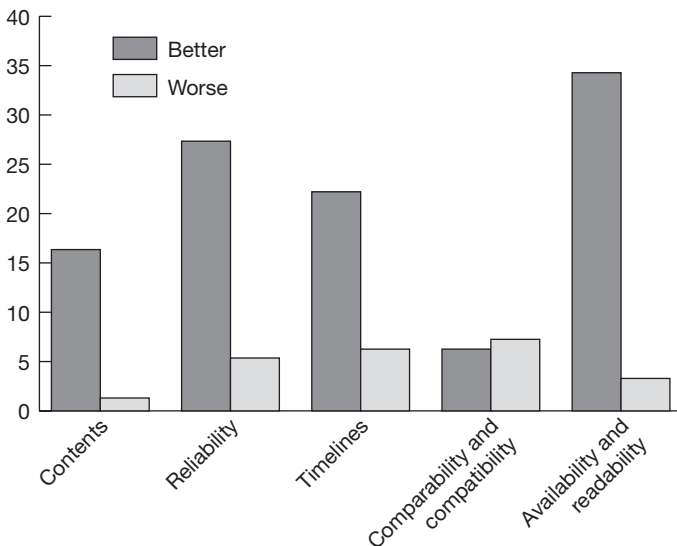


Figure V.xxvi Quality changes in 2002

agencies have fulfilled these criteria. There was also an attempt made to explain the differences in the quality of performance reporting between agencies. ESV describes its work on the quality of performance reporting largely as pioneering work. Performance reports need to give a true and fair picture of the activities and results of the agency. This requirement is rather abstract and the first objective of ESV was thus to make this more understandable. Second, ESV also tried to find out why the quality of performance reports varied between agencies. In the future ESV intends to establish generally accepted performance reporting standards and to continually follow-up the quality of the agencies' performance reports.

Statistics Sweden is responsible for the quality control of official statistics. Statistics Sweden is conducting a quality control of the official statistics published by the Statistical Authorities based on five criteria: contents, reliability, timeliness, comparability and compatibility, and availability and accessibility (Statistics Sweden 2003: 5–6). A study in 2002 showed clearly that there was a huge improvement in the contents, reliability, timeliness and availability and accessibility (Figure V.xxvi). However, there remained problems with compatibility and comparability. These results are based on a survey of Statistics Sweden programme managers making an assessment of the users' reactions to quality development. Managers were asked to rate the statistical products on a scale based on the five criteria and twenty-seven subcriteria. Remaining challenges are delivering the statistical products in time and tackling the problem of non-response in Statistics Sweden's surveys.

Incorporating performance information

Tools for anchoring measurement and management practices

Results-oriented management was initiated by the need to have better guidance of autonomous agencies. According to ESV results-oriented management is only one way for this steering, but according to the government's Action Plan *Public Administration in the Service of Democracy* it is considered to be the most interesting steering instrument (Persson and Lejon 2000). Obviously and because of the decentralised and constitutionally autonomous agencies there is a considerable diversity of systems which do not really allow for a common assessment.

This limits the functionality of general or generic anchoring practices to reduce inefficiency, to increase effectiveness, to enhance transparency and accountability to the benefit of political decision making and democracy in general (Swedish National Audit Office 1998).

Some have taken a more critical stand on the functionality of the tools as a leverage for improvement:

For a profound reorientation to occur we believe that it is necessary that ministries have the capacity and interest to instruct agencies on what is

expected of them. This is the big crux of the reform, the reason for that ministries have had difficulties in specifying objectives and what they expected by way of performance, and why agencies have had difficulty discussing results. (. . .) The most entrenched problems are rooted in the shaky assumptions about how the two sides would behave once spending details were purged from the dialogue. The reform has in fact, demonstrated that budgeting is a less pliant, more incremental process that does not readily promote far-reaching changes in programs or resources.

(Molander *et al.* 2002: 24)

The reform was a success in that line-item budgeting was abandoned for comprehensive cost frames to agencies. But developing performance indicators has not been a high-priority task. A survey made a couple of years after the reform indicated that performance information covered only a limited fraction of total central outlays. And whereas the performance information subsequently have been developed and introduced in some areas, the information generated is not received by competent task managers in the government offices, let alone used for strategic deliberation.

(Molander *et al.* 2002: 150)

It is clear that the disequilibrium between ministries and agencies has an important impact on the position of tools and instruments and the lack of capacity to enforce these. Increased responsibility of agencies cannot only be equilibrated by formal planning and reporting requirements to substantiate accountability mechanisms. And ministries also need to have the capacity to generate, follow up, consolidate, evaluate and redirect, which they lack with only 1.25 per cent of the personnel.

The first half of the 1990s resulted in a focus on controlling expenses rather than performance. The Swedish practice also recognises the difficulties of measuring intangible performance, contradictory and cross-organisational objectives, and the lack of historical time series of performance.

Processes of planning and measuring performance

The processes of planning and measuring performance are at two levels, first, the strategic level of budgeting, and second, the operational level within agencies.

Planning and use of performance data in the budget process

In the beginning of the 1990s agencies had to submit performance-grounded three year in-depth budget requests to the Ministry of Finance. These in-depth budget *requests* consisted of results analyses of activities and effects

in a five-year perspective (t-2 to t+3), an environment analysis and a resource analysis. In the second and third year less-detailed budget requests were submitted. This three-year cycle did not function properly because three years was too short to be strategic and too long to be operational; because the Ministry of Finance did not have the capacity to analyse this information; but most of all because savings strategies could not guarantee a three-year stability of resources.

The present results-oriented control system of yearly instruction letters and reports matches more closely and pragmatically the budget cycle with the portfolio minister, the Minister of Finance and the relevant agency, supported by the Planning and Budgeting Secretariat. According to Blöndal:

The incremental impact of performance information is of such a magnitude that it can be accommodated for by reallocations within a given expenditure area. Furthermore the spending ministries are in the best position to judge the merit of performance information and it would be inappropriate to have such detailed information accompany each budget submission to the Ministry of Finance.

(2001: 51)

Operational planning and use of performance information within agencies

To help develop the instruction letter or Regleringsbrev is essential for the agency. In the 1970s the National Audit Office developed methods for operational planning for the agencies linking environment, objectives, organisational structure, needs, results in the past and resources and resulting in multi-annual plans to be converted into budgets. Handbooks and procedures were designed, including performance measurement systems.

In the early 1980s the NAO stopped developing generic tools and techniques and agencies have taken over this task. The National Agency for Administrative Development (Statskontoret) has evaluated some best practices but is not providing general and normative models, methods or techniques anymore. However, the Ministry of Finance has emphasised in several budget bills the importance of results-oriented management. By this it means:

- dividing working areas into activities, programmes, sub-programmes and projects;
- specifying objectives, activities and expected results and resources for each administrative unit for the budget year and shorter time intervals;
- specifying objectives, activities, expected results and resources based on indicators of inputs, process, output and effect;
- planning and budgeting on middle- and long-term range (at least 3–5 years);

- accounting and performance measurement systems that calculate outputs and costs;
- regular monitoring and reporting of results obtained, and more profound evaluation research at the end of an accounting year;
- participation of the entire staff in each stage of the policy and control cycle;
- information and training on new management techniques for personnel.

This results in a myriad of methods and techniques varying from project management, benchmarking, BSC and different internal cost accounting systems, with different degrees of coverage and a high variance.

Format of the budget

In 1999 Parliament approved a 2000 Budget Bill stating that:

- central government budgets need to be defined in terms of income and expenses, benefits and costs, active and passive;
- the budget bill needed, next to objectives, also cost ceilings for activities;
- management systems of individual agencies and their specialised activities will be adapted to the specificities of their policy domain.

(Regeringskansliet 2000a)

In Sweden, the budget and the appropriations are cash- and modified cash-based. In 2000, the Ministry of Finance published a White Book including a proposal to evolve towards an accrual-based budget within a broader performance management framework. This proposal has been elaborated within the performance budgeting project (VESTA), which was announced in 1997. The proposal was circulated to different agencies and to parliament for official comments. After new studies and development work by the Ministry of Finance and the National Financial Management Authority, in 2003 the Ministry of Finance developed new principles for the state budget structure. The budget would become accrual-based, but the appropriations for investment in infrastructure, environment, culture and defense would remain cash-based. However, the then Minister of Finance, Pär Nuder, did not support the proposal and ultimately it was not implemented.

The Swedish Budget Bill contains a financial and a non-financial information structure. Following the 2001 Budget Bill, a new activity structure that was proposed in the performance budgeting project was implemented. The government was convinced that the twenty-seven expenditure areas were too broad and that the appropriations were too narrow to provide the right kind of information. Therefore an information level was created in between. For each of the forty-seven policy areas, the government formulates goals in the Budget Bill (Swedish National Financial Management Authority 2003a: 6). The agencies' appropriations in the Budget Bill are linked to an

instruction letter (Regleringsbrev) in which the objectives and the resource framework for the programmes and activity areas are further defined. However, the introduction of policy areas in the Budget Bill has resulted in some difficulties. First of all, the goals are formulated in a rather vague way and thus do not form a basis for debate in parliament. Second, the policy area structure is not aligned with the structure of standing committees in parliament, which has led to organisational problems. The policy areas were defined in a rather hasty way. The information structures are very complex (Mattisson *et al.* 2003: 790). A debate is going on within the Ministry of Finance about possible changes to the budget structure. Figure V.xxvii, as well as Table V.xx, provide the current state of a ‘performance’-based budget format.

Obviously, the value added is in the quality of the definition, and the indicators used for policy areas, programmes and sub-programmes. An example looks as follows:

Policy area, e.g. ‘labour activity policy’, e.g. ‘housing policy’.

Goals and targets, e.g. ‘an excellent labour life with well functioning labour conditions’.

Reporting requirements and indicators.

Programmes, e.g. ‘work environment protection’, e.g. housing supply.

Goals and targets, e.g. ‘to develop an excellent work environment’.

Reporting requirements and indicators.

Sub-programmes, e.g. ‘rules and standards’, e.g. ‘restructuring the local housing company’.

Goals and targets, e.g. ‘rules and standards which support developments of sound, reliable and developed work environment. The rules will become clear and more easily accessible’.

Reporting requirements and indicators.

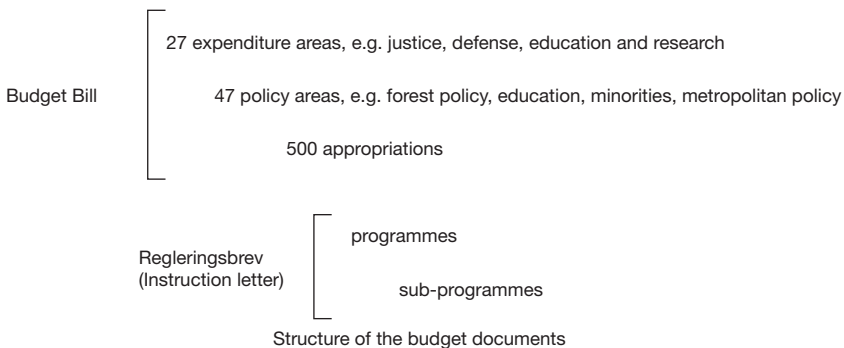


Figure V.xxvii Structure of the budget documents

Table V.xx Example of activity structure in the Regleringsbrev of the Riksarkivet agency

<i>Expenditure area</i>	<i>Policy area</i>	<i>Programme</i>	<i>Agency</i>	<i>Sub-programme</i>
Culture, media and religious communities	Culture	Archives	Riksarkivet	Management of archives Museum Knowledge development Accessability

Format of the Regleringsbrev

The Regleringsbrev is a document to authorise expenditure as well as a management instrument. It contains the budget to which the agency is entitled by the government and the parliament, as well as the instructions from the parent department about objectives and results. It integrates financial as well as results management.

The Letters of Instruction symbolise the changes that have occurred in public management in Sweden. Its original purpose was to communicate to agencies specific input controls. Following the abolition of the input controls, the Letters of Instruction were ‘relaunched’ as a vehicle to communicate to agencies the expected results of their operations in terms of outcomes and outputs.

(Blöndal 2001: 51)

Whereas it initially was meant to be an instrument of resource control, it turned into a communication instrument for expected results in terms of outputs and outcomes.

The instruction letter applies to one year and has the following structure:

- activities;
 - objectives;
 - effect goal (social impact)
 - operational objectives (activities)
 - performance budget
 - special assignments;
 - requirements of results reporting (performance data to report).
- finances;
- exceptions and other rules and instructions.

Effect objectives, before 1997 called general objectives, refer to long-term objectives defined by government, as the difference between a societal context with and without public intervention. These objectives transcend yearly

plans and budgets and are part of legislation establishing agencies, the so-called Standing General Instruction.

Operational objectives, which consist of output objectives and process objectives, are derived from effect objectives.

A subjective internal assessment suggests that there is a significant variance in defining the content of instruction letters. However, it was never a priority to investigate this.

Format of annual reports

The structure and content of yearly reports have evolved over time. Since 1993 agencies have presented a yearly report in which they provide accounts for the level of realisation of their objectives, a balance sheet, a financial analysis, an income statement and the implementation of their appropriation account. Since 1995 they have also produced half yearly reports to estimate the implementation of the current year.

Between 1991 and 1996 agencies decided on which information to include in the yearly reports. A ten-step procedure was to be followed:

- 1 determine the information needs;
- 2 cluster processes;
- 3 identify outputs;
- 4 develop results indicators;
- 5 develop a system of data collection;
- 6 plan activities;
- 7 calculate costs;
- 8 calculate productivity;
- 9 produce quality indicators;
- 10 produce effect indicators.

Since 1996, departments, rather than agencies, determine which information, in line with strategic plans, should be reported. These requirements are part of the Ordinance on the Annual Reports of Agencies. Other, more specific information requirements are part of the Regleringsbrev.

Yearly reports are audited according to criteria such as relevance, degree of tangibility, comparability, timeliness, consistency, and validity and reliability.

Using performance information

General use of performance

According to the OECD/World Bank survey (OECD and World Bank 2003), performance information is especially used in the relationship between ministries and agencies to set programme priorities, to allocate resources between programmes and to adopt new programme approaches.

Contrary to official intentions, performance management seems to be used to enhance administrative efficiency and effectiveness rather than for accountability to Parliament. In the following paragraphs the use of performance information in the steering and control of agencies, in the budget process and in the communication to citizens will be looked at.

Steering and controlling agencies

Performance management is a very important tool in steering and controlling agencies besides other instruments as for example the Agency Ordinance and the agency instruction, the appointment of agency heads and the budget process.

The agency instruction is the basic formal instrument that the government makes use of in order to steer its agencies. It regulates the overriding objectives of an agency and provides the formal setting of agency activities. The instruction for each specific agency relies on the framework given by the Agency Ordinance. . . . It is obvious that the agency instructions do not provide a basis for accountability enforcement. The sweeping formulations make it difficult for any Director General to claim ignorance with respect to objectives. The formulations are on the other hand, not drafted with the view to take a malfunctioning Director General to court.

(Molander *et al.* 2002: 73–5)

The agency's appropriation and the results to be achieved are annually defined in the instruction letter or Regleringsbrev and reported on in the annual report. Where the instruction letter used to be mainly a financial instrument to define the appropriation of the agency, it has been extended towards a performance management tool to steer and control the agencies' results. 'While annual reports were previously mainly seen as follow-up documents, their importance has increased considerably in recent years and they have become almost the most important general measure by which the government controls the agencies' (Larsson 2002). Besides these formal instruments, performance is also monitored and controlled by means of informal dialogue between the ministries and agencies.

Despite the well-balanced planning and control cycle, with both formal and informal tools for steering and control, there seem to remain some challenges in the relationship between agencies and ministries. Ministries seem to lack interest in the management of agencies (Blöndal 2001). The ministries' staff responsible for agency contacts, the desk officers, are often juniors lacking experience. Often one desk officer is responsible for following-up several agencies. There is also a deliberate rotation policy. A side effect is that few desk officers get the time necessary to develop a deeper understanding of the specific policy field of the agency (Molander *et al.* 2002: 63). Another challenge is the lack of political interest in the steering and control

of agencies. Politicians do not want to give administrative heads too clear instructions. This is a means of getting away with it. Another problem to cope with is conflicting goals and multidimensional goals (Molander *et al.* 2002: 99).

Agencies, on their side, do not seem to encounter an equal partner in their exchange of information with the ministries (ESN Survey 1999) (Molander *et al.* 2002: 9). Often they establish their own policy units doing the work of the ministries. Agencies fear that the use of the instruction letter as a performance management instrument might impose a more formal contractual approach and might lead to an intrusion into the managerial freedom of agencies by imposing strict output controls (Blöndal 2001). Traditionally, the relationship between ministries and agencies is characterised by a process of informal dialogue. This is seen as one of the major benefits of the Swedish system of administrative organisation. However, as the dialogue is a closed instrument, it is difficult from an accountability perspective, to get a clear view of the *de facto* relationship between ministries and agencies. On the one hand it is not possible for Parliament to find out to what extent there is ministerial pressure and intervention in the agencies' operations. On the other hand agencies may have a much larger *de facto* influence on policy making than justified by their *de jure* position (Molander *et al.* 2002: 64).

Budget process

Performance information is used in the second part of the budget process, where appropriations are made to agencies within the expenditure limits decided on for each for each expenditure area. However, according to an OECD/World Bank survey on budget practices there is in Sweden no evidence available to decide that performance results are used in determining budget allocations.

The Ministry of Finance views performance information as having an indirect influence on appropriations in most cases. The incremental impact of performance information is of such a magnitude that it can be accommodated for by reallocations within a given expenditure area. . . . This may be explained by the limited capacity of spending ministries to apply performance information during the budget process. . . . Top officials of the spending ministries responsible for the budget and management functions, tend to focus more on political and legal matters rather than management issues. As a result the use of performance information as an aid of allocating appropriations may suffer.

(Blöndal 2001)

There are several possible explanations for the minimal use of performance information in the budget process. Obviously there is a lack of managerial capacity in spending ministries. Also, some bad historical experiences (good

news show, enormous volumes of information, no details about agency's operations) with in-depth budget requests made ministries suspicious of using performance information. Finally, there is the top-down character and strict timing of the budget process:

The political process may well result in non-trivial changes of instructions and appropriations shortly before the new budget year starts. The agencies' needs to plan their activities may therefore be jeopardised by the short time span between the formal decisions in parliament and the start of the new budget year.

(Molander *et al.* 2002: 77)

Communication to citizens

Government performance information is also a very important tool for communication to citizens. There seems to be an increasing public demand for and interest in official statistics:

Four out of five people consider statistics important or very important as a basis for decision-making, research and public debate. In 2002 an in-depth study was carried out of broad societal statistics. This study revealed the need for more comprehensive and improved statistics in various areas of society and that there is a strong support in society for statistics.

(Statistics Sweden 2003: 2)

Reporting of performance

Most Swedish government documents are publicly accessible, as Sweden has a very strong principle of public access to government documents. Reporting performance information is ruled by the principle of public access to government documents. Most official documents are accessible to the press and to private citizens. All files of any administrative office are open to the public if not classified as 'secret' under the Freedom of the Press Act and the Secrecy Act for reasons related to military security, international relations or the privacy of the individuals concerned. Nobody is obliged to justify his or her wish to see a public document or to reveal his or her identity in order to obtain access to the document. Anyone denied access to an official document may lodge an appeal against the agency's decision (Swedish Institute 2002).

In the original performance management system agencies were required to submit a three-year in-depth budget request to explain their budget submission. The in-depth budget requests contained an environmental scan, an analysis of the activities, outputs and outcomes in a five-year perspective and a resource analysis. These in-depth budget requests were, however,

insufficiently used as a source of information in the budget process as they were too extensive and unbalanced (Bouckaert *et al.* 2000). Therefore, a yearly planning and reporting cycle was introduced with annual instruction letters, or Regleringsbrev, and annual reports. Agencies also report every six months in a simplified way on the achievement of their objectives. They provide monthly a prognosis of the use of resources. There is also a broad dissemination of the official statistics collected by Statistics Sweden and other statistical authorities. These statistics are published on the Internet and in Statistics Sweden's publications, for example the *Statistical Yearbook of Sweden*.

Instruction letter (Regleringsbrev)

On the one hand, the instruction letter is an instrument for financial steering as it contains the lump-sum appropriation to the agency. On the other hand, it has become an instrument for results steering as it contains the objectives the agency has to achieve with the appropriated resources.

The Swedish National Financial Management Authority (ESV) has developed a web-based system to store the data on the operational objectives of agencies, allocations of funds, the authority to use appropriations, etc. Ministries and agencies insert the Regleringsbrev information directly into the system and a web-based reporting system will be installed (Swedish National Financial Management Authority 2003b: 40).

Annual report

Every Swedish agency has to report on its activities and results in an annual report. Each agency has to submit its annual report to the Government by 22 February. The agency also sends a copy of the annual report to the Swedish National Audit Office and to the Swedish Financial Management Authority. The annual report is audited by the Swedish National Audit Office, but it is not submitted to Parliament. The Swedish Financial Management Authority collects the information for the consolidated annual report for the central government that is submitted to Parliament.

The agency annual report contains on the one hand the financial statements and on the other hand the performance report. The structure of the annual report is regulated by the Ordinance Concerning the Annual Reports and Budget Documentation (SFS 2000: 605; Swedish National Financial Management Authority 2001b: 36). The instructions on the information contained in the performance report are set in the annual instruction letter of the mother department. The annual report shall consist of:

- a performance report;
- a statement of financial performance;
- a statement of financial position;

- an appropriation report;
- a cash flow statement.

The constituent parts of the annual report shall be arranged as a composite whole and shall provide a true and fair view of the results of operations and of expenses, revenues and the financial position of the agency (SFS 2000: 605).

There have been some questions raised about the quality of the annual reports. As the objectives in the instruction letters are often not very specific; it is difficult for the agencies to report on achievement against objectives so that they slip back into summing up their activities and operations. Another problem with the annual reports is that they are narrative-based and often very voluminous which makes it very difficult for users to identify relevant and crucial information. 'Parliament has voiced concern about the quality of the performance information that is presented in the budget documentation. It is considered too dispersed and overly focused on outputs rather than policy relevant outcomes' (Blöndal 2001). However, the quality of the annual reports seems to be improving as agencies are becoming more experienced (Blöndal 2001: 54).

Performance dialogue

Besides the formal reporting on their results by means of an annual report, agencies also debate with their mother department in an informal way by means of regular performance dialogues. The performance dialogue is an informal dialogue between the agency head and the cabinet minister or state secretary. It contains a discussion on the performance of the agency as well as a conversation on the performance of the agency head. The agency performance is evaluated by considering the achievement of the objectives, the effects of the activities and the costs. The dialogue on the agency heads performance and his or her career planning is focused on the manager's work situation and the need for development and change.

Financial management rating

Each year the Swedish National Financial Management Authority (ESV) establishes a financial management (FM) rating for each central government agency. The FM rating is an instrument that enables the government, and the agencies, to make a regular follow-up of financial management standards. The FM rating contains two digits: the first position gives the consolidated rating and the second digit the agency rating. The consolidated rating and the agency rating can each have one of the values A, B or C.

The FM rating measures the degree to which the agencies succeed in meeting the requirements made of them in the general financial management regulations. The FM rating has its focus on accounting, financing and internal

control, but it also includes other fields such as payments, procurements and archives as well as reports for the central government accounts, for budget forecasts and for the registration system.

The consolidated rating measures, for example, whether agencies have kept within their budgets and credit facilities. The various reports made by agencies to the central government accounts are of considerable weight in the consolidated rating. It is based on responses to the questions concerning the consolidated rating. It is the ESV, and in a few cases agencies with specific sector responsibilities, that answers these questions for the agencies.

The agency rating includes measurements that relate, for example, to performance reports, internal audit, risk analysis, archive specifications and procurements/orders placed. The agency rating is based on responses received in respect of the agency rating (Table V.xxi).

Official statistics and the Statistical Yearbook of Sweden

All Official Statistics are publicly available free of charge on the Internet. Statistics Sweden reports that the number of retrievals has increased significantly since access became free of charge. Official statistics are presented to the public through newspapers, radio, TV, the Statistics Sweden website and in printed publications. The official statistics are mainly used by the central government authorities (62 per cent of the invoices in 2002 excluding publications). There is an online database of all official and other statistics of Sweden, Swedish Statistics Net. This database is set up to help users locate statistics on the Internet. It is important for users to know where to find the statistics they need, and the database is divided into twenty-two subject areas that are further divided into subject fields. For each subject field the database provides information on the responsible statistical authority.

Table V.xxi Financial management ratings

<i>FM rating</i>	<i>2001 number</i>	<i>2002 number</i>	<i>2003 number</i>
AA	129	73	108
AB	27	18	12
BA	40	104	71
BB	19	23	17
AC	2	0	2
BC	2	1	0
CA	2	3	4
CB	1	3	1
CC	1	0	0
Total	223	225	215

NB: For 2003, both the structure of the questions and the method for calculation of the FM rating were changed in comparison with previous years and therefore the outcome between the years is not entirely comparable.

The *Statistical Yearbook of Sweden* is a statistical abstract that provides summary statistics on a broad range of conditions and activities in Sweden. On a limited scale, similar data from other countries is included to facilitate international comparisons. The *Statistical Yearbook* also gives information about where more detailed sources and data can be found. All Microsoft Excel tables and diagrams are provided on a CD-ROM attached to the yearbook as all official statistics are available freely to the public.

Administrating, managing or governing performance

System assessment

In 2000, the official ambition was that:

Sweden should be at the leading edge of quality in public administration, in an international comparison. To retain high public confidence in central-government activities, bring about favourable conditions for companies' growth and function in an exemplary way in international co-operation, continued efforts are required to raise the level of ambition in work to develop the quality of public administration.

(Persson and Lejon 2000: 11)

For that purpose, performance management or management by results, is needed. It:

involves specifying objectives, following up results, and assessing performance in such a way that it can form the basis for measures. The Government and Parliament define objectives, but the agencies are given freedom to choose their means of attaining them. Results are followed up in relation to the objectives, and the Government and Parliament then have the function of taking the 'right' measures. Performance management is the instrument of control that governments have found most interesting over the past ten years. Work on improving performance management is continuing, in terms of adaptation of activities, i.e. adapting the objectives and requirements of performance accounting better than hitherto to the agencies' various circumstances.

(Ibid. 12)

Since 2000, the policy has been to focus on improvement of the tools that were implemented in the 1990s, with a focus on transparency and efficiency, the double objective (Swedish National Financial Management Authority 2003b: 11). In the case of ESV this meant to strengthen the relationship between performance management and financial management, which really was and is the spinal cord of the performance management focus. However, many of the proposals are not compulsory. There is a culture of testing and

offering solutions, based on voluntary implementation and high degrees of tolerance for variations in implementation.

The case of the new model of performance, but also the focus on administrative overhead, two projects to enhance the cost-effectiveness of administrations, are clear (Swedish National Financial Management Authority 2005: 4). The style to suggest improvements is always very cautious:

Overhead costs have not previously been analysed systematically in central government. Key ratios are needed for comparisons between agencies and there is also a need for a discussion on ways in which administrative support activities should be organised. This is both an issue for central government as a whole and for individual agencies.

(Swedish National Financial Management Authority 2005: 4)

The year after, ESV states that they have established networks to enable agencies to compare their overhead costs. ESV also made a proposal for administrative key ratios for the agencies. However, the reports on the key ratios are voluntary and do not affect the financial management rating (Swedish National Financial Management Authority 2006).

In the *Report of the Auditor General to the Government 2001* the Audit Office makes an important recommendation to the government related to performance management:

If the performance report is to constitute a viable basis of decisions of the Government, both specific requirements in respect of the report on the part of the Government and correct reports from the agencies in relation to the objectives are necessary. The RRV's audits show shortcomings in both these respects.

(Swedish National Audit Office 2002)

Four years later, the situation does not look too much improved. The Swedish SAI has submitted its first report in 2005. Its performance audits take the content of evaluations of policies (e.g. law and order, employment) and concludes that systems, in matters of cost control are 'incapable of doing it', or have 'vaguely formulated rules', or that 'the Government has failed to comply with the Riksdag's requests for information and data on which to base decision-making', and that 'the Government has failed to request or ensure access to the kind of information the Government needs to be able to report important information to the Riksdag, whether is is a question of reporting back on objectives fulfilled' (Riksrevisionen 2005: 40–1).

Sweden seems to be in a reform fatigue stage resulting in a relatively stable status during the last years from the point of view of management reforms. If there seems to be a high priority for accountability or providing information to citizens, practice looks less advanced and more pragmatic.

Generic models are offered resulting in high degrees of variation in implementing these that are tolerated. Several observers have noticed that some informal or suggested models for functioning are sometimes being formalised, however, this is done very cautiously. One reason is that ministries are relatively weak in comparison to agencies, and that ministries are not allowed to audit the agencies. Not all major agencies have internal audit offices. Finally, the new supreme audit institution has been designed not to be too powerful in creating three Auditor Generals. On the one hand, the Swedish SAI is strengthened by putting it near Parliament, on the other hand it is weakened since there is a political equilibrium of three Auditor Generals.

From this point of view Sweden also has a rather loosely coupled, perhaps even disconnected system of managing performance. Sweden therefore matches the Managements of Performances ideal type.

United Kingdom

Context of a performance-based system

Historical antecedents and purpose of reform

Table V.xxii History and objectives of performance management reforms in UK

<i>Initiative</i>	<i>Period</i>	<i>Objectives</i>
Rayner scrutinies	1979	Savings and administrative simplification through efficiency scrutinies
Financial Management Initiative (FMI)	1982	Define objectives and output measures for all departments Delegate responsibility on finance and personnel to line management Improve information circulation
Megaw Inquiry	1982	Recommended performance pay
Performance bonus scheme	1985	Introduced as experimental three-year scheme, but unsuccessful Agreement on performance pay arrangements with unions in 1987
Next steps programme	1988	Organisational split of policy design and implementation Departments responsible for policy advice, budgets and monitoring of agencies; executive agencies' chief executives responsible for implementation; executive agencies report to departments on ministerial targets
Citizen's Charter Programme (Service First from 1998)	1991	Units involved with service delivery need to develop performance indicators, collect data and report on performance
Extensions to delegation policy	1994	Staff below senior civil service and replacement of national pay framework Condition was review of pay and performance management structures Departments bound by civil service management code including the link between performance and pay

Table V.xxii Continued

<i>Initiative</i>	<i>Period</i>	<i>Objectives</i>
White Paper: Resource Accounting and Budgeting in Government	1995	Proposal to implement accrual accounting and budgeting (Green Paper in 1994)
Public sector benchmarking project	1996	Applying EFQM excellence model: Consolidated organisational performance model Detect areas for improvement Learning from best practice
Comprehensive Spending Review (CSR) Public expenditure plans (1999–2002) Public service agreements (PSA)	1998	Reconsider departmental budgets and objectives Three-yearly budgets with budget flexibility at the end of the year. Middle range planning Improved allocation of resources using three-yearly agreements between departments and Treasury on departmental objectives and performance standards Public accountability
White Paper: Modernising Government	1999	Better policymaking, innovation and responsive public services, quality public resources, and information-age government
Civil Service Reform Report	1999	Required implementation of reforms to pay and performance management systems by April 2002
Resource accounting and budgeting (RAB)	2000	Integrated planning and reporting cycle translating government wide priorities in departmental budgets and strategies, and parliamentary reporting on efficiency and effectiveness Budget design on accrual accounting information Design of resource accounts using accrual accounting
Public sector benchmarking service	2000	Establishment of organisation to promote benchmarking and sharing best practices within the public sector
2000 Spending Review	2000	Introducing service delivery agreements operationalising public service agreements More focus on outcome-indicators Reduction of number of indicators Introducing resource budgeting
Modernising Public Services: six service standards for the performance of central Government	2000	Develop and measure target indicators for service delivery for responding to correspondence, queuing, telephone service, offering contact information, complaints procedures and customer orientation
Report: Wiring It Up	2000	Development of integrated performance measurement systems, and systems criteria

Table V.xxii Continued

<i>Initiative</i>	<i>Period</i>	<i>Objectives</i>
<i>Choosing the Right FABRIC: A Framework for Performance Information</i>	2001	Guide for departments including key concepts of performance measurement
Office of Public Services Reform	2002	Reforming our public services
2002 Spending Review	2002	Full resource budgeting. Budget on accrual basis
Gershon Review	2004	Independent review of public sector efficiency Recommendations feed into 2004 Spending Review
2004 Spending Review	2004	Abolishes SDA and reduction in 500 input and process targets
Cabinet Office	2004	Civil service reform delivery and values
Atkinson Review	2005	Final report – measurement of government output and productivity for the national accounts
Choice and voice in the reform of public services	2005	Government response to Public Administration Select Committee report on choice, voice and public services
Departmental capability reviews	2006	Capability review teams in Cabinet Office
UK Government's approach to public service reform	2006	Cabinet Office's four elements: performance management, competition and contestability, citizen choice and voice, capability and capacity
Pathways to the Future	2006	Cabinet Office coordinates six working groups for policy review programme
Varney Report	2006	Service transformation, December
Comprehensive Spending Review	2007	Announced in 2005, in progress 2005–2007

Since the 1980s there has been an increasing pressure to increase the performance of the public sector. Under the 1988 next steps programme the emphasis was on inputs with an expense control, and on value for money that needed to be guaranteed. This caused a shift from inputs to outputs, and increasingly also toward outcomes (HM Treasury and the Sure Start Unit 2002).

In 1998 the government established a Comprehensive Spending Review (CSR) which looked at the resources for each field of expenditure and the related service delivery.

This was made explicit in the public service agreements (PSAs). The Comprehensive Spending Review (CSR) and the accompanying Economic and Fiscal Strategy Report (also 1998) shaped the framework for planning

and controlling public expenditure (OECD 2000c: 31). Expenditures are subject to Departmental Expenditure Limits, with three-yearly horizons and linked to performance objectives for each department. These plans receive a two-yearly review, which means that there is an overlap of one year (e.g. between the CSR of 1998 and the spending review of 2000 there was an overlap for the year 2001–2).

The objective of the 1998 Comprehensive Spending Review was to integrate a multi-year policy perspective with a budgetary process. By linking resources to objectives and performance standards, and by creating the opportunity to transfer unused budgets to the next year, there would be increased incentives to focus on efficiency and effectiveness.

In the 2000 Spending Review the public service agreement framework was further refined. First, departments needed to establish output-oriented service delivery agreements to demonstrate how the outcome-focused public service agreements would be realised by linking the departmental business plans and the public service agreements. Second, technical notes were requested which described how performance data and standards from the public service agreements would be measured and how this was happening. The objective was to guarantee the quality of performance information. Third, the number of indicators was reduced and there was a higher emphasis on effect indicators than on output and process indicators (HM Treasury and the Sure Start Unit 2002: 186).

Further Spending Reviews occurred in both 2002 and 2004. In 2005, a second Comprehensive Spending Review was announced.

Actors involved in measurement and management of performance

Several actors are involved in the measurement and management of performance. Table V.xxiii gives an overview of the main actors and their roles.

Treasury played an important role in the development and implementation of the public service agreement framework. In public service agreements departmental objectives are linked to indicators and standards. This pushed departments to develop performance measurement systems and indicators according to Treasury instructions and guidelines as produced in the Gershon report on Independent Review of Public Sector Efficiency in 2004.

The Office for National Statistics is part of Treasury and is responsible for collecting national statistics and providing a quality check to statistics in general. It produced the Atkinson Review on *Measurement of Government Output and Productivity for the National Accounts* (2005).

The Cabinet Office is responsible for the reform programme modernising government. In this reform agenda fine tuning the performance measurement system is central. Since 2005, the Permanent Secretaries' Management Group has met quarterly on issues for the civil service overall, with support by a Steering Group, both chaired by the Cabinet Secretary.

Within the Cabinet Office several units have been established to support the Prime Minister in planning and monitoring strategic policy fields such

Table V.xxiii Central actors involved in developing performance systems

<i>Actor</i>	<i>Role</i>
HM Treasury	Development and implementation of public service agreement framework and output and performance analysis Manuals for performance measurement
Cabinet Office	General responsibility for developing and monitoring civil service and public services reform initiatives, including capability reviews
Strategy Unit	Policy reviews
Public Sector Benchmarking Service	Encourage benchmarking and sharing best practices Supporting benchmarking projects Encourage knowledge transfer
Public Services Productivity Panel	Research improvement possibilities for an efficient and productive public sector
Office for National Statistics	Producing main national statistics Quality check on data produced by public sector organisations
National Audit Office Performance Management Directorate	Accompany the introduction of performance measurement systems using reports and guidelines Conducting performance audits and efficiency studies
Audit Commission	Audit of local government and National Health Service Accompany the introduction of performance measurement systems using reports and guidelines

as education, transport, health, crime prevention and drugs. The Prime Minister's Delivery Unit shares with Treasury the responsibility for monitoring the results of these strategic policy fields. The Delivery Council provides expert advice on cross-cutting agendas for capacity building in relevant skills and competencies in support of the Delivery Unit and the transformation of government strategy. The Strategy Unit is responsible for long-term strategic studies. Cabinet Office also advises in the field of management. The Cabinet Office has been restructured and expanded to better handle reform initiatives.

The National Audit Office also has a crucial role in performance measurement and management issues. Since 2003 the National Audit Office is also competent to audit and validate performance measurement systems that support public service agreements. The Audit Commission has a similar role vis-à-vis local government and the National Health Service.

Because of the multitude of actors involved in aspects of performance measurement and management, and to improve coordination and adjustment, Treasury established an interdisciplinary team, the Performance Information Panel. It has consisted of representatives of Cabinet Office, the National Audit Office, the Office for National Statistics, the Audit Commission and Treasury. The Performance Information Panel developed a manual for performance measurement *Choosing the Right FABRIC*.

Various other units have been created to support aspects of the performance and modernisation agenda. In 2000 the Public Sector Benchmarking Service was established on a partnership basis between the Cabinet Office and HM Revenue and Customs to promote knowledge and practice on best practices (www.benchmarking.gov.uk). Similarly, the Public Services Productivity Panel, a group of experts in the field of performance management, has examined opportunities to improve efficiency and productivity in the public sector, the most relevant work coming from the period 2000 and 2002. This panel has consisted of public and private sector managers, and has been chaired by the Chief Secretary to the Treasury with accountability to the Cabinet Committee on Public Services and Expenditure.

Several parliamentary committees also play important roles in scrutinising management agenda, the most important being the House of Commons' select committees of Public Accounts and Public Administration. Other committees such as Treasury may also be relevant.

Measuring performance

Criteria for a good indicator or measurement system

In the 2001 manual *Choosing the Right FABRIC*, a distinction is made between good performance measurement systems and good indicators. According to *Choosing the Right FABRIC* a good performance measurement system should be:

- focused: oriented toward organisational objectives;
- appropriate: adjusted to the needs of internal and external customers;
- balanced: representative of organisational activities, measurable as well as less measurable to avoid perverse effects, efficiency measuring as well as effectiveness and quality;
- robust: able to survive organisational or personnel change;
- integrated: in terms of business planning and organisational management;
- cost effective: costs of the system should outweigh the benefits.

(HM Treasury *et al.* 2001)

To satisfy these criteria *Choosing the Right FABRIC* recommends involving different customers in the development stage of performance measurement systems.

The *Choosing the Right FABRIC* guideline also includes criteria for good indicators:

- relevant: to organisational objectives;
- avoiding perverse incentives;
- attributable: to an activity with a clear demarcation of responsibilities;
- well-defined: unambiguous and easily understood;
- timely: sufficiently frequent and rapid;
- reliable: sufficiently accurate for its purposes:
 - use where possible *National Statistics*.

- comparable: over time and with comparable programmes:
 - use as much as possible standard definitions;
 - minimise definitional changes.
 - verifiable: well documented so that processes can be validated.
- (HM Treasury et al 2001)

The search here is not for the best, but for the most feasible indicators in a pragmatic way:

The ideal is to find measures that fully capture and represent the objective in question. It is often better to try and measure important objectives imperfectly than to ignore them altogether. An imperfect measure can still help in setting priorities and planning; helping to put the resources an organisations uses into context; and providing at least a starting point in judging the organisation’s performance.

(HM Treasury *et al.* 2001: 18)

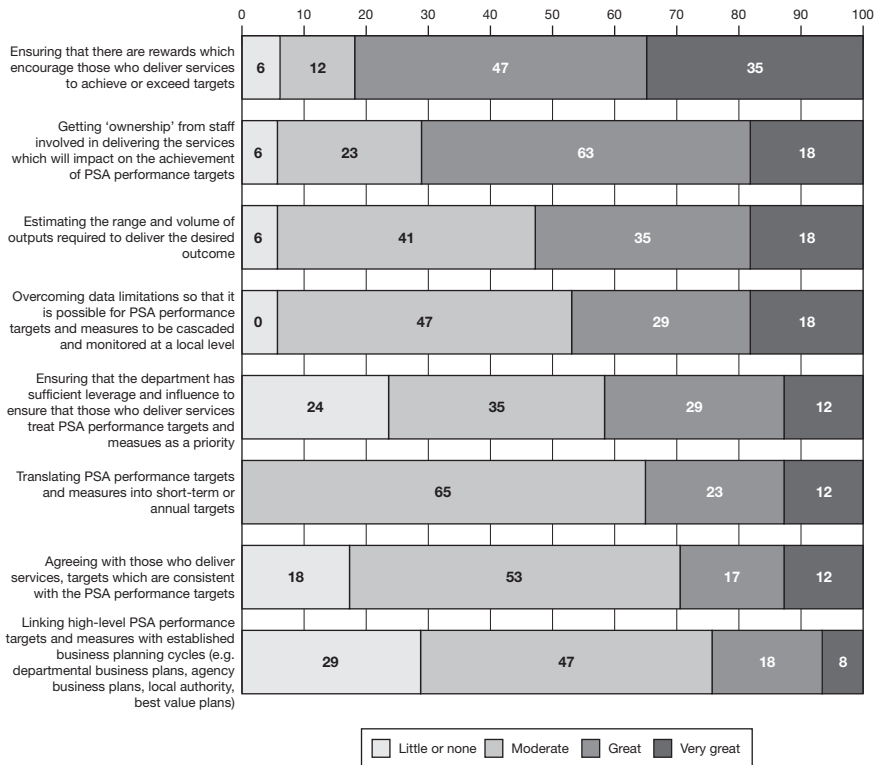


Figure V.xviii Challenges in cascading performance targets and measures to operational level: ratings by departments

Source: NAO 2001: 34

There are significant challenges with cascading targets and measures to the operational level (Figure V.xxviii), and with robust and reliable performance data (Figure V.xxix).

Process of measuring and managing performance

Figure V.xxx shows the process for measuring and managing performance.

A performance management cycle starts with defining the strategy. Departments negotiate with Treasury on their objectives for their allocated resources. Parliament is not involved in public service agreements. Consequently, departments determine and plan which performance they will deliver to reach these objectives in their service delivery agreements. This allows a connection between the outcome-oriented public service agreements and the process-oriented departmental business plans. Further down the organisational operational cascade are directorate/divisional business plans, agency business plans and individual objectives. Finally, in the technical notes there is focus on the strategy and methodology of performance measurement itself. Table V.xxiv provides a summary of the division of labour.

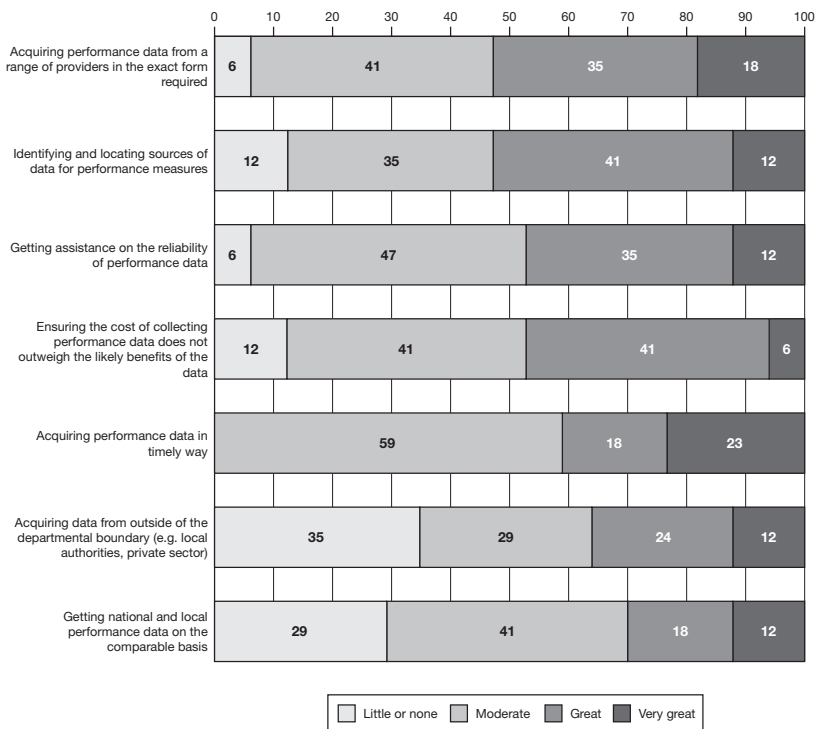


Figure V.xxix Challenges with robust and reliable performance data: ratings by departments

Source: NAO 2001: 48

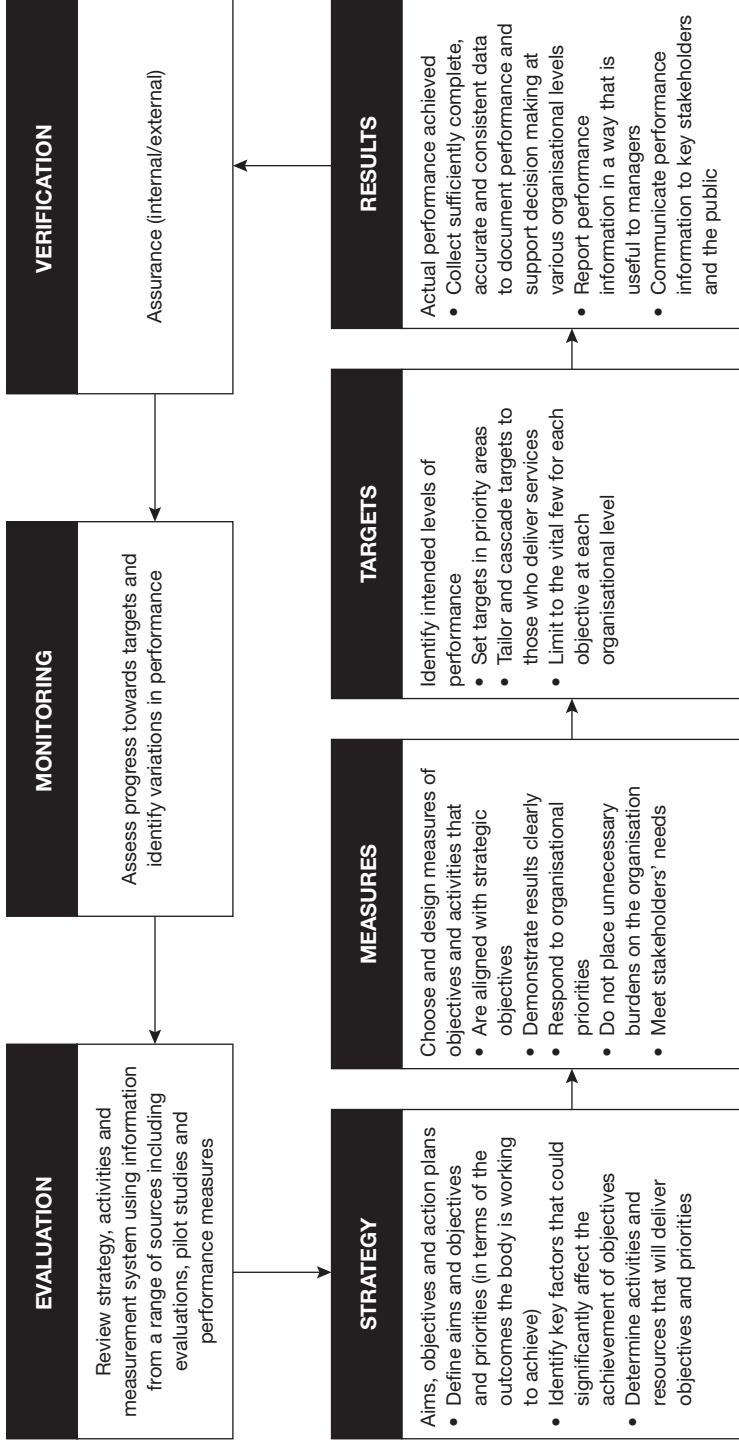


Figure V.xxx Process of performance management

Source: NAO 2001: 14

Table V.xxiv Actors involved in managing performance

<i>Actor</i>	<i>Role</i>
HM Treasury	Negotiate with departments on public service agreements
• Budget coordination	Monitoring public service agreements and quarterly reporting to Ministerial committee on public services and public expenditures Accompany departments in developing performance measurement systems through guidelines and manuals
Cabinet Office	Monitoring implementation of public service delivery agreements
• PM's Delivery Unit	Check if departments have a robust planning and monitoring system Counselling and problem solving of issues related to public service agreements
Department	Provide public service agreements and service delivery agreements Report on performance output and performance analysis and departmental annual report and accounts
• Accounting officer	Operational management, accounting and financial management Report in statement on internal control and statement on internal financial control
• Departmental statistical head of profession	Question-driven support of departments on performance measurement systems and indicators Publish manuals on measuring performance
Internal audit	Control quality of performance measurement systems
National Audit Office	Audit of performance measurement systems related to public service agreements Support departments in developing performance measurement systems

In the public service agreements next to strategic objectives, some operational objectives are included, the so-called public service agreement targets which are subject to negotiations between the department and Treasury.

To reduce the costs of data collection *Choosing the right FABRIC* proposed to use existing data as much as possible. Another possibility was for different departments to build a common database, or to use the government-wide database with the official statistics Statbase (www.statistics.gov.uk/statbase/mainmenu).

Research from the National Audit Office on indicators used in public service agreements 2001–4 demonstrates that the majority of the indicators used (43 per cent) are collected by departments, 19 per cent have Non-Departmental Public Bodies, and 14 per cent National Statistics origins.

The remaining indicators are from local government and the Health Service (12 per cent) and international organisations (13 per cent).

Focus: what is being measured, including main models used

Performance measurement systems have a key role in the public service agreement framework as well as in the modernising government agenda programme. The objectives of the public service agreements are to:

- encourage the accountability of departments vis-à-vis Parliament and citizens;
- increase efficiency and effectiveness by integrating a multi year and results-oriented perspective of the budget process;
- establish a joined-up government, with an integrated and strategic policy development for cross-cutting issues;
- match internal management and strategy;
- match Human Resources Management and strategy; and
- better match central and local policy.

Modernising government (1999) reconfirmed the framework of public service agreements and its related performance measurement system. Performance information was seen as a cornerstone to modernising government, providing some of the tools needed to bolster improvements in public sector performance including improving accountability, performance management, risk management and business planning. Its objectives were better policy-making, responsive public services, quality public resources, information-age government, and public services innovation.

Table V.xxv shows distributions of types of indicators as the transition towards an outcomes emphasis was occurring. Outcome indicators were becoming dominant in monitoring public service agreements: 68 per cent of public service agreement targets in 2001–4 were on outcomes, in contrast to the 1999–2001 period in which outcome indicators only represented about 15 per cent (NAO 2001).

Outcomes may be realised by different departments. Public service agreements pay attention to policy objectives, but also to efficient allocation of resources. Next to PSA targets there are also value-for-money targets in SPAs

Table V.xxv Distribution of indicators in public service agreements

	#	<i>Input</i> (%)	<i>Process</i> (%)	<i>Output</i> (%)	<i>Outcome</i> (%)
PSA 1999–2001 (Source: Colin Talbot)	387	7	51	27	15
PSA 2001–2004 (Source: NAO)	160	5	14	13	68

and/or SDAs. Of 160 indicators from 2001–4 public service agreements, 30 were cross-departmental. There are also some cross-cutting PSAs. During the 2002 Spending Review three of these were concluded.

Service delivery agreements provide information on how departments are realising public service agreements policy objectives. Therefore SDAs are more focused on processes and outputs. The first generation of SDAs are from November 2000.

The objective of an SDA is to link the PSA and the departmental business plans (DBPs). This implies that SDAs need to have the following elements:

- Statement of Accountability which defines the actors responsible for realising the plans;
- delivering key results which determine the way PSAs will be realised and how the department is organised to do so;
- improving performance:
 - matching internal organisation and performance;
 - use of an Excellence Model;
 - value-for-money indicators;
 - standards of performance for units that provide comparable services;
 - procurement objectives;
 - strategy for fraud;
 - asset management.
- consumer focus;
- strategy for customer survey and increased accessibility for customers:
 - awards for excellence: results and challenges;
 - targets for service delivery, predominantly for response times of correspondence.
- managing people: HRM initiatives;
- e-Government;
- policy and strategy: strategy for qualitative policy development.

Audit and quality control of measurement and management

National Statistics are investigated on validity by the National Statistician and the Statistics Commission. The majority of PSA indicators are collected by departments and agencies and are not subject to the Office for National Statistics validity test.

In the 2000 Spending Review, Treasury decided that departments needed to explain the design and collection of public service agreement targets using an annex to the public service agreement, i.e. the technical notes. Research from the National Audit Office shows that the technical notes seldom mention how the validity of performance information is guaranteed.

The importance of qualitative performance measurement information is increasing. Since April 2003 the National Audit Office has implemented a validity test on performance measurement systems that feed public service agreements and output and performance analyses.

In the report ‘Holding to Account: the review of audit and accountability for central government’, Lord Sharman (2001) proposed an external validation of departmental information systems. NAO is taking that responsibility.

Validating performance measurement systems includes:

- the correspondence between selected indicators and collected data;
- the process of measurement: data collection, provision by externals, processing, analysing and interpreting;
- the presentation and reporting of performance information.

The audit includes the good functioning of internal departmental management information systems, as well as the quality of accountability of the department to Parliament. The focus is the risk assessment of limited data quality, not the quality of individual data but the quality of the performance measurement system as such.

Since PSAs have a three-year cycle, each departmental performance measurement system is investigated every three years. The public service agreements 2003–6 are therefore audited on its validity by the National Audit Office.

In this part the control pyramid in the central government is described. The external auditor is the Comptroller and Auditor General, who is supported by the National Audit Office. Every department has an internal audit unit. The policy on internal audit is defined in the Audit Policy and Advice Unit of HM Treasury. The Accounting Officer, the most senior position of every department, is responsible for the development of an internal control system.

External audit

The National Audit Office performs financial audits, compliance audits and performance audits. From 2003–4 on, the National Audit Office has also audited the Central Government Accounts prepared by the Treasury, which consolidate the financial results of all central government bodies (NAO 2004: 10).

Supreme audit institutions may play several roles: an audit role, an advisory role, a research and development role and an exemplary role for effective public management. The National Audit Office has five major objectives:

- to carry out financial audits of central government departments and bodies, to certify their accounts and report the results to Parliament;
- to examine the economy, efficiency and effectiveness with which audited bodies have used their resources and to report the results to Parliament;
- to examine and report on financial systems, regularity and propriety, including systems underpinning performance validation targets;
- to support the Committee of Public Accounts in its scrutiny of government departments and other bodies, and to provide independent

assurance, information and advice to a wide range of other public, international and overseas bodies; and

- to carry out the comptroller function, which involves controlling the release of money from the Exchequer to government departments.

The majority of resources go to certifying and reporting on the accounts (38.7 per cent) and value-for-money auditing (33.2 per cent) (NAO 2004: 52). ‘The Comptroller and Auditor General may carry out examinations into the economy, efficiency and effectiveness with which the resources are used. However, the performance audit mandate, does not entitle the Comptroller and Auditor General to question the merits of the policy objectives of any department, authority or body. The National Audit Office published sixty value-for-money audits between April 2003 and March 2004’ (NAO 2004: 32–4).

Since 2003, the National Audit Office has also been auditing the quality of performance measurement systems that are in place to follow-up the public service agreements. In 2004, the first round of a biennial review was completed. The results of this study were published in March 2005 (NAO 2005).

The support of the executive branch consists mainly of identifying and disseminating good practice through guidance, seminars, conferences and briefings, the publication of manuals and best practice guides. For example, the National Audit Office works closely with audit committees to help them increase effectiveness and ensure robust risk management (NAO 2004: 20). Another example of the advisory role is the guide on performance measurement, *Choosing the Right FABRIC*, which was written in cooperation with HM Treasury, the Cabinet Office and the Office of National Statistics. The National Audit Office also assisted departments with the preparation of resource accounts and budgets and provided feedback on the introduction of whole-of-government accounts.

Internal audit

The Government Internal Auditing Standards define internal audit as an independent and objective appraisal service within an organisation.

Internal audit primarily provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organisation’s agreed objectives. In addition, internal audit’s findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with

applicable laws and regulations, and compliance with the behavioral and ethical standards set for the organisation.

(HM Treasury 2001a: 7)

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance. The service applies the professional skills of internal audit through a systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion which internal audit provides on risk management, control and governance. Internal audit is not responsible for preventing and detecting fraud. This is a line management responsibility.

(HM Treasury 2001a: 7)

Internal control

The Accounting Officer is responsible for the overall management of the department, including the design and monitoring of the internal control system and ensuring the economical, effective and efficient use of resources.

However, the head of department will invariably need a senior finance manager – normally a Finance Director – to provide timely advice, information, support and assurance in key areas, which include developing the department's aims and objectives, establishing the department's planning mechanisms, so as to provide a realistic assessment of the resources required by the department and of how these resources will be provided. These roles will also cover determining the allocation of resources to the strategic and business plans of each unit in the department, so that proper account is taken of agreed departmental priorities; assessing the competing priorities between constituent units of the department, including agencies, so that conflicting demands for resources arising within the department can be resolved; monitoring the outturn of performance and resource consumption against plan, so that timely corrective action can be implemented as required; and scrutinising the department's performance-management system in order to achieve maximum value from the pay bill in support of the department's public service agreement.

A support tool to assist with evaluating the maturity of risk management processes is also available (risk management assessment framework). This framework is based on the EFQM model and is illustrated in Figure V.xxxi.

There are seven key questions, also related to results, that should be asked in a risk management assessment:

- Leadership: do senior management and ministers support and promote risk management?

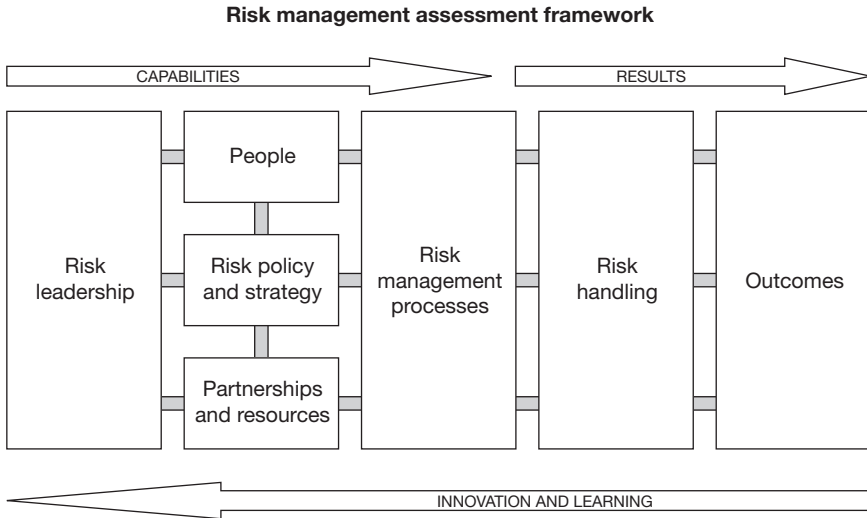


Figure V.xxxi Risk management assessment framework

- Risk Strategy: is there a clear risk strategy and risk policies?
 - People: are people equipped and supported to manage risk well?
 - Partnerships and resources: are there effective arrangements for managing risks with partners and are there appropriate supporting resources?
 - Processes: do the organisation's processes incorporate effective risk management?
 - Risk Handling: are risks handled well?
 - Outcomes: does risk management contribute to achieving outcomes?
- (HM Treasury 2003a)

Incorporating performance information

Tools for anchoring measurement and management practices

Following the sequence of resources, services and effects, the philosophy of the performance measurement system is in accordance with the sequence of inputs, activities, outputs and effects. There is separate attention to quality and satisfaction of citizens and customers which is increasingly integrated in a broader performance management strategy.

A dominant model used to self-assess and monitor and assess the quality of management has been the EFQM (European Foundation for Quality Management) model, (Figure V.xxxii), which also inspired risk assessment. The facilitator cluster included leadership, people, policy and strategy, and partnerships and resources. The results cluster included people, customers,

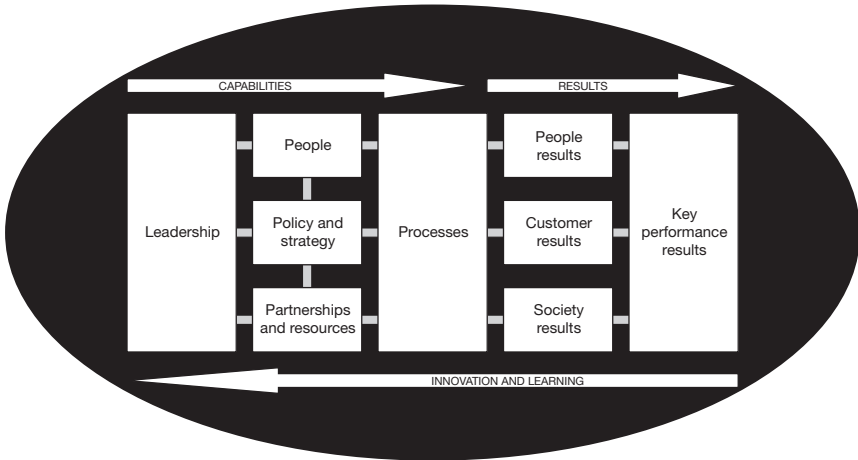


Figure V.xxxii EFQM quality management model

society and key performance. An innovation, a learning cluster, was added. All next step agencies were using the EFQM format and scoring schemes.

Once there is an agreed upon scheme to look at performance and quality of management it needs to be anchored in policy and management cycles, including budgetary cycles. Also the quality of the financial information, which needs to be linked to non-financial information, is embedded in a framework.

The resource accounting budgeting framework (RAB) applied from 2001 on. The purpose of RAB is to upgrade cash-based information, through resource accounting, to accrual information.

The Government believes that high quality public services require first-rate management. Managers of public services must have the best information on which to base decisions. The right incentives must be in place to reward good management. Furthermore, taxpayers and Parliament have a right to the best possible information on the quality of service and value for money.

(HM Treasury 2001a: 1)

Moving to resource budgeting is complementary to CSR (1998), which wants to guarantee long-term planning (three-year schemes) of qualitative outcomes through PSAs. (HM Treasury 2001a: 3).

RAB translates policy priorities of government into departmental strategies and budgets, and reports consequently to Parliament on efficiency and effectiveness on services delivered. The results of this process support government to determine the two-yearly spending reviews priorities.

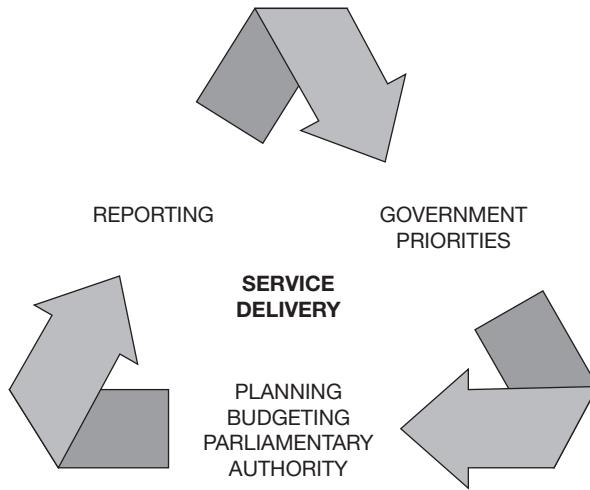


Figure V.xxxiii The resource accounting and budgeting (RAB) process

Figure V.xxxiii demonstrates the links between these elements, which are complementary to improving performance (HM Treasury 2001b: 3).

The RAB was intended to provide more information to Parliament on how resources are used to reach objectives and the degree of value for money for taxpayers. RAB also meant for departments:

- more information on costs and capital to facilitate resource management;
- linking resources to service delivery;
- full cost of activities are measured and registered when incurred.

The resource accounting and budgeting framework has consisted of financial and non-financial information and documents (Figure V.xxxiv).

A department may have several Requests for Resources (RfRs) subject to Parliamentary control. These are further refined in departmental activities (functions) (HM Treasury 2001b: 10–1).

The structure of the format is a programme structure, which is imbedded in an organisational structure. Per department there are several RfRs which are subdivided into functions or departmental programmes. It seems as if there is an evolution to an outcome-based budget. Increasingly, PSAs consist of outcomes instead of the multiple outputs previously. The time window is three years. RAB results in an accrual-based budget. Cash requirements allow the monitoring of cash flows.

Next to the information architecture of EFQM and the RAB framework, a cascade of documents should guarantee the firm embedding of a performance management focus.

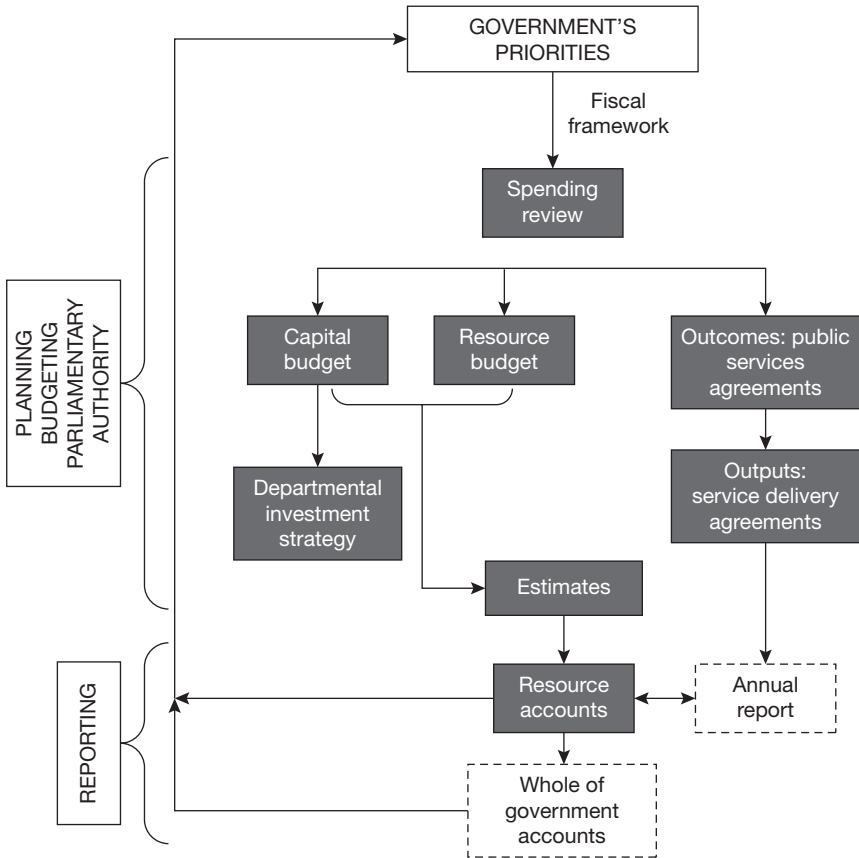


Figure V.xxxiv The resource accounting and budgeting (RAB) framework

Public service agreements are operationalised in a cascade of planning and reporting documents at each level of the organisation, up to the individual level. Figure V.xxxv shows this coherent set of documents.

Public service agreements include objectives and indicators for the next three years. In general PSAs consist of the following elements:

- statement of accountability in which the minister declares himself responsible for realising the objectives;
- general objectives for the department;
- SMART formatted performance indicators per objective.

Consequently, service delivery agreements are translated into departmental business plans, directorate business plans and agency business plans.

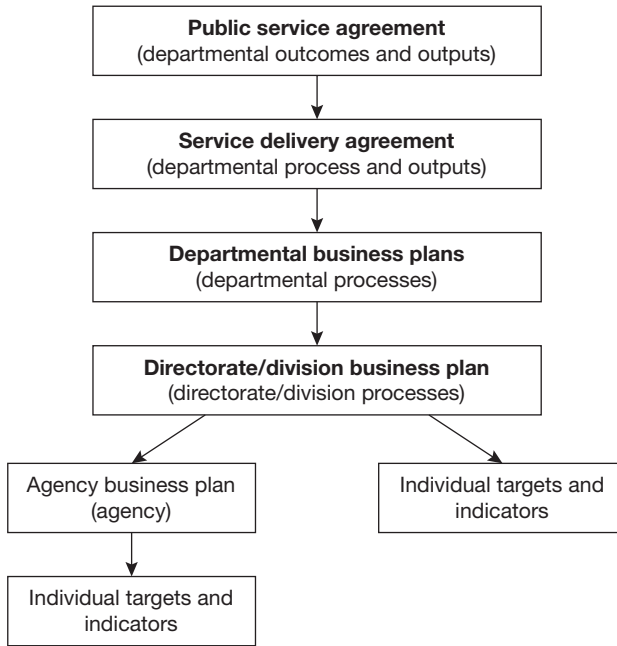


Figure V.xxxv Public service agreement cascade of documents

To control individual collaborators, individual objectives and targets are agreed upon. This process triggers a demand for coherent performance information at all levels in the department.

Using performance for reporting

General use of performance/Using performance information in different policy and management cycles

The general philosophy of the UK performance policy is that: performance information is the key to effective management, including business planning, monitoring and evaluation. Externally, performance information allows for effective accountability. With appropriate information, Parliament, members of the public and other stakeholders are able to exert pressure for improvements and can better understand the issues involved.

Departments have a bi-annual feedback to the Treasury on the degree of realisation of their objectives that is derived from the PSA dynamics. The Spring departmental report and the Autumn performance report trigger performance measurement systems to feed the establishment and the redirection of implementation strategies.

A second major field for demanding and using performance information is the budgetary process. Since the 1998 Comprehensive Spending Review budgetary procedures have been thoroughly reformed. Per department three yearly performance related expenditure ceilings are determined in the departmental expenditure limits (DELs) which, together with the correlated PSA targets, are subject to a two-yearly Spending Review. For example, the 2000 Spending Review negotiated the departmental expenditure limits and the public service agreement targets 2001–4 and these were adjusted in the 2003 Spending Review into departmental expenditure limits and public service agreement targets 2003–6. The ultimate objective of the Comprehensive Spending Review was to link expenditure and objectives by making departments more responsible.

A third significant usage of performance information is in the business planning of departments. The Public Service Productivity Panel developed a business planning model that was accepted as the general framework for departments to expand their performance management. Figure V.xxxvi demonstrates the focus on the aspirations of the organisation in order for all civil servants to map themselves in a broader set of objectives which may be beneficial for motivation. Subsequently a coherent set of performance indicators is developed to monitor the degree of realisation of the organ-

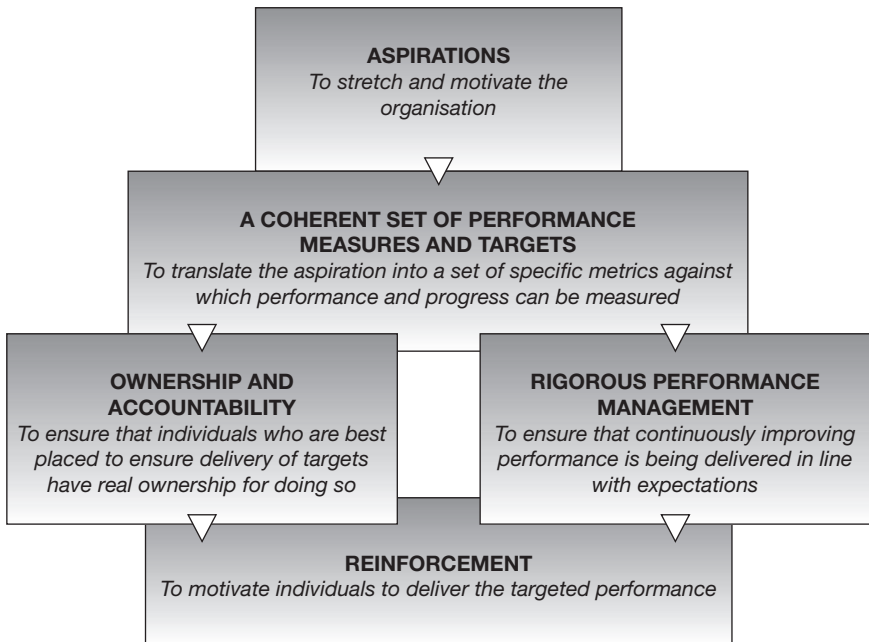


Figure V.xxxvi Business planning model

Source: Public Services Productivity Panel 2000

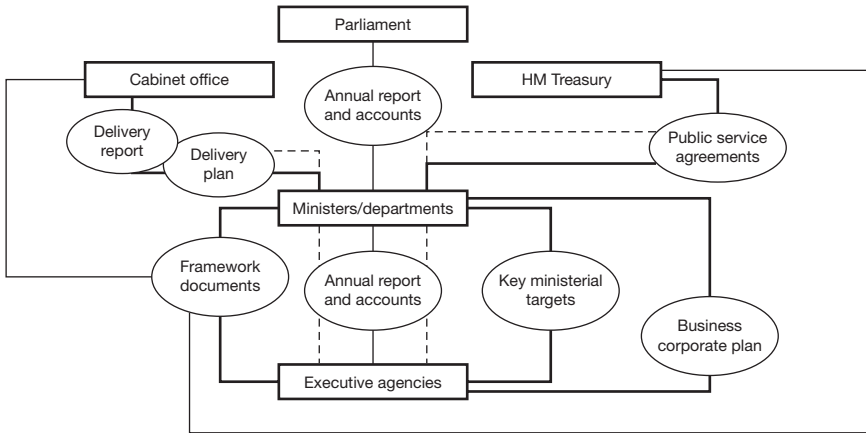


Figure V.xxxvii Planning, control and reporting cycle in the UK

isational objectives. It is crucial that the implementers have ownership of objectives and indicators within the framework of their accountability. After the implementation there is evaluation of performance and objectives, which may lead to corrective measures.

Reporting of performance

The UK experiences a complex set of documents to report. Figure V.xxxvii shows the different institutional linkages and the related documentary requirements in the planning, control and reporting cycle. This graph is an update of Talbot's initial map (Talbot 1996: 10).

Public service agreement: Departments conclude a two-yearly agreement with HM Treasury on prior policy objectives and targets for the next three years. PSAs are translated into targets for agencies. Next to the departmental PSAs there are three cross-cutting PSAs: Sure Start, Criminal Justice System and Action Against Illegal Drugs. PSAs consist of the following elements: aim, objectives, performance targets, value-for-money targets, and a responsibility statement. A technical note is added to explain measurement itself.

Service delivery agreements: SDAs were established in 2000 as an instrument to translate strategic PSA targets into concrete actions. In 2003 Treasury decided that it no longer require this document in order to reduce the administrative burden. The operationalisation of PSA is now visible in the delivery plans and the delivery reports.

Delivery plan: Departments plan an implementation trajectory to reach the PSA targets.

Delivery report: Departments report to Cabinet Office and HM Treasury on the implementation of their public service agreement targets and their delivery plan.

Delivery plans and delivery reports are reported to the Cabinet Committee on Public Services and Expenditure. These reports are not communicated to Parliament and are not available for the public.

Annual report and accounts: Departments and agencies submit their yearly report and accounts to Parliament.

Framework document: The responsible Minister and the agencies establish a framework document to define tasks and objectives.

Key ministerial targets: The responsible Minister and the agencies determine the yearly important objectives and targets.

Corporate plan: Agencies establish a yearly business plan to realise the key ministerial targets.

Spring departmental report: Report to Parliament on progress and plans.

Departmental annual report and accounts: In Autumn departments report on the performance of previous year (outputs, performance, accounts) with the following elements: annual report, statement of the accounting officer's responsibilities, statement on internal control, primary statements and notes to the accounts (Schedule 1: summary of resource outturn; Schedule 2: operating cost statement; Schedule 3: balance sheet; Schedule 4: cash flow statement; Schedule 5: resources by aims and objectives), and the audit opinions and accounts.

For the policy and management control the annual report, the statement on internal control, and statement on resources by aims and objectives are crucial and relevant.

The annual report consists of elements (HM Treasury 2003b) that include:

- a description of the entities within the departmental accounting boundary;
- the aim and objectives of the department and any other entities within the boundary throughout the year (or, alternatively, a brief summary of the aim and objectives and a reference to Schedule 5, where they are set out in detail);
- the principal activities undertaken by the entities within the boundary in pursuance of their aim and objectives;
- the names of any public sector bodies outside the boundary for which the department had lead policy responsibility in the year, together with a description of their status (e.g. trading fund, statutory corporation);
- particulars of any important events affecting the entities within the boundary which have occurred since the financial year end;

- a reference to the matters to be covered in the departmental report and an indication of when this will be available;
- management: a brief description of how the various elements of remuneration were determined for the members of the management board; and, if the latter were by a standard process, a reference to the appropriate report of the Senior Salaries Review Body will suffice;
- details of remuneration or a reference to where such information is given in the notes to the accounts;
- public interest and other.

Administrating, managing or governing performance

System assessment

The public service agreement framework has been a multifunctional system that has generated documents and performance information that may be used for different purposes. An early assessment of change observed that:

The increased focus on outcomes has reinforced initiatives to promote joined-up working across government. And it has also helped to bring central government and local service providers closer together. The reforms have led Departments to look carefully to the mechanisms of their programmes. And in several cases resources have been reallocated with the aim of improving effectiveness.

(National Audit Office 2001: 9)

First, public service agreements play a significant role in external accountability. Even if Parliament is not formally involved in the establishment of the agreements, it is an effective tool of control since the reports and the Spending Review may be used for next years allocation. Since these documents are public there is also a possibility to be accountable to the public in combining the PSA and the annual reports. 'There is considerable political pressure on departments to meet their PSA commitments. Ultimately this pressure is on ministers who are held responsible for their department's performance' (HM Treasury and the Sure Start Unit 2002: 186).

The publication of performance against the targets in department's annual reports provides an important tool for Parliament in its role of scrutinising the executive. Increasingly, departmental select committees are taking an interest in PSA performance, seeing this as a good means of holding the executive to account (HM Treasury and the Sure Start Unit 2002: 187).

PSAs also have a significant role in the budget process itself, and pushes in the direction of a more strategic and efficient use of resources. Treasury is increasing its influence.

The departments were asked to complete comprehensive spending reviews of everything they did. The Treasury would then issue each department with figures based on their Comprehensive Spending Review which would set out their spending for the next three years. The effect was to increase the power of the Treasury over departments and induce departments to think in the longer term, rather than overspend their first year.

(Richards and Smith 2002: 87)

PSA has also been a tool for joined-up government, which should guarantee an integrated and strategic approach of cross-organisational issues. 'Public Service agreements provide a powerful tool for promoting cross-cutting working, both horizontally across Government Departments and vertically down to the service providers-executive agencies, non-departmental bodies and local authorities' (National Audit Office 2001: 16). Further, PSA are also used to have a more comprehensive view across levels of government, especially the local governments.

Fourth, service delivery agreements and business plans encourage the management strategy and support internal control systems. By integrating agency activities into the department's business plan, PSA is also functional in steering, guiding, and controlling agencies. By cascading PSA down to the level of teams and individuals there is also a use within the HRM functions of organisations.

Public servants have been subject to an appraisal process for evaluating individual contributions to organisational performance, and this may include performance pay. The concept is that individual targets are aggregated to overall organisational targets. The government has worked at establishing this link between individual targets and rewards to performance indicators for services (e.g. with performance pay for teachers who passed a performance level related to education targets) (Flynn 2002: 209).

The PSA regime has been 'a novel and ambitious tool for steering and coordinating public activity' (James 2004: 398) that 'was designed to bring all of central government under a system-wide performance regime to reduce fragmentation' (400); and 'intended to promote Treasury influence over the priority setting of bodies beyond central government' (401).

Reported limitations include frequent changes to targets, the weak link with systems where relevant activity occurs, and presentation strategies for blame avoidance. Moreover, with priorities, PSA objectives are not necessarily clear on priorities and PSAs appear to have weak incentive effects on priorities (James 2004).

In theory, measures cascade from PSAs to other frameworks and plans at regional and local levels, in practice further plans, strategies and indicators may need to be taken into account. Treasury is central to agreement on a limited number of targets and indicators but is not formally involved in the cascade process; it is the departments that have discretion over the application

of PSA objectives and targets. Their research suggests that ‘indicators cascading through the public sector appear to be multiplying at a significant rate’. However, there is a lack of priority among indicators at the local level, and a disconnect between PSA and best value regimes. They also suggest that measurement systems do not ‘provide a means of influencing behaviour and action in the public services to ensure that individuals focus on the delivery of priorities’ (Neely and Micheli 2004).

The problems in complex delivery chains for public services has since been examined by the National Audit Office (2006).

The 2007 CSR is designed to go beyond 2004 aspirations for efficiency. The focus on reforming service delivery involves ‘strengthening accountability, as part of an overall framework for devolved decision making, is key to this reform agenda to ensure that public services are responsive to needs and preferences of individuals and communities’. It covers clear goals and national standards, frontline flexibility and capability, community and citizen engagement and empowering users (HM Treasury 2006: 140–2).

Public service reform is ‘designed to raise standards of service, reduce inequalities and increase user satisfaction’ (HM Treasury 2006: 140). The UK model of public service reform, according to the PM’s Strategy Unit (Cabinet Office 2006: 5–6) consists of four elements:

- top-down performance management (government pressure);
- introduction of greater competition and contestability in provision of public services;
- introduction of greater pressure from citizens including through choice and voice; and
- measures to strengthen the capability and capacity of civil and public servants.

Each has limitations hence the need for a multiplicity of complementary dimensions. Further, top down performance management covers PSA targets, minimum service standards, and performance assessment that includes inspection and direct intervention.

The huge investment in performance management in the UK was eventually rewarded by improvements in actual performance. However, this has not flowed through to increases in public satisfaction (Flynn 2007).

United States

Context of a performance-based system

Historical antecedents and purpose of reform

The United States has a long tradition of performance measurement and management with the Hoover Commission and performance budgeting (1949), the PPBS or planning, Programming, and budgeting system (1965–9), MBO or management by objectives (1973–4) and ZBB or zero-based budgeting (1977).

During the early 1990s the federal government enacted important performance-oriented initiatives as the Chief Financial Officers Act 1990 and GPRA or the Government Performance and Results Act 1993. At the same time executive action was taken too with the National Performance Review. The Chief Financial Officers Act obliges departments and agencies to appoint a Chief Financial Officer responsible for the development and reporting of cost information and for systematic performance measurement.

In 1993 Vice-President Al Gore launched the National Performance Review with the purpose of creating a government that worked better and cost less. The objectives of the National Performance Review were to increase managerial flexibility, to increase the emphasis on customer focus and to orient government activities and budgets towards results. In the end the National Performance Review ended in a huge savings operation by means of an enormous reduction in personnel. There are several explanations for the failure of the National Performance Review, one of which is the lack of involvement of the administration, more particularly of OMB in the reform. Another reason for the failure of the NPR was the fact that it ran parallel with the GPRA reforms of the legislative branch, which was subject to bi-partisan approaches.

Budgets

In the second half of the twentieth century the American federal government launched several initiatives to improve the management of programmes and the decision-making process for allocating resources. Key initiatives were the planning, programming, and budgeting system, management by objectives and zero-based budgeting (Groszyk 2002: 206). The PPBS started forty years

Table V.xxvi History and content of performance management in the United States

<i>Initiative</i>	<i>Year</i>	<i>Content</i>
Hoover Commission performance budgeting	1949 (Truman)	Reformatting the budget structure into functions, activities and projects
PPBS: Planning programming budgeting system	1965–9 (Johnson)	Improving decision making on important programmes: 'Program Memoranda': Trade-off of costs and effectiveness of alternative programmes as basis for strategic decision making; special analytic studies; programme and financial plans
MBO: Management by objectives	1973–4 (Nixon)	Steering agencies by objectives with the intention to better communicate, accelerate problem detection, enhance accountability
Congressional Budget Act	1974	Centralise Congress budget procedure
ZBB: Zero-based budgeting	1977 (Carter)	Instead of incremental changes, yearly motivated budget requests taking the importance of budgets into account: decision units, decision packages, ranking of decision packages
Chief Financial Officers Act	1990	Chief Financial Officers (CFOs) responsible for the development and reporting of cost information and for systematic performance measurement Integrated financial management system Systematic performance measurement
Budget Enforcement Act (BEA)	1990	Enforce budget caps; pay-as-you-go rules
National Performance Review	1993 (Gore)	Creating a government that works better and costs less: promoting government performance, customer service and managerial flexibility and results-oriented budgeting
Government Performance and Results Act (GPRA)	1993	Departments and agencies have to report to Congress in the budget process on their strategic goals and results by means of strategic plans, annual performance plans and performance reports The final objective of the GPRA is to introduce performance budgeting
Government Management Reform Act	1994	Audit of financial statements of all activities of 24 CFO agencies
Federal Financial Management Improvement Act	1996	Financial systems of agencies to provide more reliable, useful, and current data for resource allocation, cost reduction, programme overviews, and accountability
Balance the budget	1997	Initiative to balance the budget
NPR second generation	1997	Shift to national partnership for reinventing Government

Table V.xxvi Continued

<i>Initiative</i>	<i>Year</i>	<i>Content</i>
National Partnership for Reinventing Government	1998 (Gore)	The National Performance Review is transformed into the National Partnership for Reinventing Government
Report's Consolidation Act	2000	Streamlines reporting requirements by allowing each agency to submit a consolidated financial and performance report within 180 days of the ends of fiscal years 2000 and 2001, and within 150 days of the end of every fiscal year after that. The Office of Management and Budget's authority to consolidate federal reports on a pilot basis expired in April
Freedom to Manage Act introduced in the Senate ¹	2001	Suspension of administrative procedures of a priori controls that limit efficient management. President requests urgency for the procedure
Managerial Flexibility Act introduced in the Senate ²	2001	Stimulate flexibility for line managers in using financial resources, personnel and property
President's Management Agenda (PMA), President's Management Council	2001 (Bush)	Integrated management agenda: better financial management, e-government, human capital, competitive sourcing and budget and performance integration
Getting to green management scorecards	2001	Management scorecards to follow-up progress in the main objectives of the President's Management Agenda: financial management, human capital, e-government, performance and budget integration
Program assessment rating tool (PART)	2002	Implementing the budget and performance integration initiative of the President's Management Agenda by developing a tool to rate federal programmes. The PART assesses the purpose and design of the programme, the use of strategic planning, the programme management and the programme results
Common performance measures	2002	Development of common measures and benchmarks in a few government-wide and cross-cutting policy areas (e.g. housing, employment and training, health)
Human capital assessment and accountability framework (HCAF)	2002	Tool to assess the progress in the development of strategic human capital management
Memorandum 'Where we'd be proud to be'	April 2003	Agencies and members of the President's Management Agenda are asked to formulate where they would be proud to be in July 2004 in achieving the goals of the President's Management Agenda
Performance reference model	2003	Tool to measure the performance of IT programs

Table V.xxvi Continued

<i>Initiative</i>	<i>Year</i>	<i>Content</i>
Key national performance indicators	2003	Developing key performance indicators for the US
Government Accountability Office	2004	The General Accounting Office has been renamed as the Government Accountability Office. The Human Capital Reform Act contained a provision in the bill to changed the name of the congressional audit agency
Performance budgeting	2003–5	Next step in the implementation of GPRA: for the FY2005 departments and agencies have to submit a performance budget to OMB and Congress instead of an annual performance plan
Proposal: Government Reorganisation and Program Performance Improvement Act	2005–6	Install results commissions to avoid programme overlap, and sunset commissions to submit programmes and agencies to regular results scrutinies
Updating PART improvement plans and performance data in PARTWeb	2006	Further institutionalising PART through the www.expectmore.gov website

¹ The Bill has been referred to the Senate Committee. Status: read twice and referred to the Committee on Governmental Affairs. No further action has been taken.

² Status: Committee on Governmental Affairs Subcommittee on International Security, Proliferation and Federal Services. Hearings held.

ago and aimed at shifting the decisions in the Department of Defense from inputs to outputs. MBO emerged twice, first about twenty-five years ago under the Nixon and Ford administrations; and a second time on a more limited scale in 1990–1. ZBB, started under the Carter administration, did not survive, even though it generated many reports.

The period 1985–95 featured cutback management, sequestration and budget caps (Van Reeth 2002: 95). The Budget Enforcement Act (BEA) of 1990 was crucial for its emphasis on budget cuts and financial control, which triggered an awareness to improve internal management. The BEA regime and the pay-as-you-go (PAYGO) mechanisms ended in 2002 (General Accounting Office 2002a: 1), however this was extended.

Between 1990 and 1996 several new laws founded a substantial performance-oriented management. The first law was the Chief Financial Officers Act of 1990, which requires that all major agencies be significantly audited. The main fourteen cabinet departments and ten major agencies are subject to this law. On 3 August 1993 the president signed the Government Performance and Results Act (GPRA). This law includes five main topics: strategic planning, performance planning, managerial flexibility, performance reporting and performance budgeting. Three main objectives were mentioned. First, the perception of waste and inefficiency undermined trust and needed

to be handled. Second, federal managers lacked the tools to increase the visibility of increased efficiency and effectiveness because of underdeveloped data on objectives and performance. Third, decision making in Congress suffered from a lack of focus on results and performance (GPRA 1993). For this ambition, and '(a)lthough the language of the legislation is stated in positive terms, in many ways it reflects the traditional American scepticism about government. It draws on concepts from private-sector management models and establishes a system in which market-like discipline could be used to improve federal government management' (Radin 2000a: 118).

Responsibility is a key term for performance-based management. Accountability includes each performance objective in the performance plans of agencies (Groszyk 2002: 214). In practice, during the first five years of implementation savings were still very dominant, also because policy and management cycles were not very well developed.

In 2001 the President's Management Agenda was another comprehensive initiative which also intended to support the Freedom to Manage Initiative. The agenda includes five major themes such as strategic HRM, competitive sourcing, improved financial performance, extended e-government and an integration of budget and performance management. The last item wanted to accelerate this linkage eight years after GPRA was launched. This integration intended to generate performance-based budgets from 2003 on. Circular Letter A-11 of OMB with regard to instructions on budget formats imposes performance-based budgets for specific programmes (General Accounting Office 2001b: 1), including outcomes and related outputs. 'This budget marks a significant step on the long road to a results-oriented government. It starts using performance measures to develop policies, to make budget decisions, and to improve everyday program management' (Office of Management and Budget 2002a: 3).

Management reform became also an important priority for the Bush administration. In 2001 the president and OMB launched an overall agenda to improve federal government management, the President's Management Agenda (PMA). The programme contains five management improvement initiatives: human capital, competitive sourcing, better financial management, e-government and budget and performance integration. To follow-up the implementation of the PMA and the progress made by departments, OMB developed a traffic light management scorecard.

The Bush administration perceived that the existing performance-measurement reforms as the GPRA and the NPR focused too much on the supply-side of performance measurement. Whereas the Clinton reforms focused mainly on the supply of information, the Bush administration desired to take the next step, attempting to make judgements about performance and then attaching consequence to these judgements (Joyce 2005). Performance information was collected and reported to Congress in strategic plans and performance reports, but the information was insufficiently used for budgeting and management purposes. The administration found that the time had come

to take the next step to increase the use of performance information particularly in the budget process.

Therefore OMB firstly developed the program assessment rating tool (PART), a quantitative instrument to assess the design and purpose of programmes, the use of strategic planning, the programme management, the results of the programmes on their design and purpose. The development of the PART could be seen as the first important step in the implementation of the performance and budget integration initiative as announced in the President's Management Agenda. For the other initiatives of the President's Management Agenda similar assessments tools were introduced, for example the human capital assessment and accountability framework.

The next step towards performance budgeting was taken in 2003, when OMB decided that the agencies had to submit a performance budget to OMB and to Congress for the Fiscal Year 2005. This performance budget replaces the annual performance plan, which departments and agencies have to submit according to the GPRA requirements. In September 2003 departments and agencies for the first time submitted a performance budget to OMB and Congress.

With the end of the term of the first Bush Jr. administration in sight, OMB found it appropriate to define where the administration wanted to be in July 2004 in achieving the President's Management Agenda. The 'Proud to Be' initiative asks agencies and the members of the President's Management Council who are perceived as the owners of the initiative to define to what extent they want to have reached the President's Management Agenda in July 2004. An assessment was made including the percentage of agencies they wanted to achieve the yellow and green status, the ultimate goals for the key components of the initiative and the percentage of agencies that need to achieve these goals, stretch their goals, and the key milestones and more specifically the description of the requirements to achieve yellow and green status. In the area of performance and budget integration, officials expect that only 5 percent of the agencies will fulfil all the criteria to receive a green rating. Therefore an interim goal is defined: OMB wants 60 per cent of all programmes to be rated using its program assessment rating tool (PART) by July 2004. Table V.xxvii gives the results of the management scorecard, at the beginning of the PMA project in 2001, in September 2003 and in March 2006.

The 'Proud To Be' initiative might be perceived as an attempt to relax the President's Management Agenda and as an attempt to disguise the true position of the agencies when going to elections. OMB defends itself against this criticism, by clearly stating that the 'Proud To Be' initiative aims only to make the goals clearer and not to make them easier to achieve.

In 2003, the General Accounting Office and the National Academies formulated the need to develop a set of key national indicators. To have a democracy that is performance-oriented and accountable key national indicators are needed to assess the overall position and progress of the United States (GAO 2003). Therefore the GAO organised in 2003 a Forum on key national performance indicators to discuss whether and how to implement this proposal.

Table V.xxvii President's management agenda scorecards in 2001, 2003 and 2006

	<i>2001 Baseline (July)</i> <i>(N=26) (%)</i>			<i>30 September 2003</i> <i>(N=26) (%)</i>			<i>31 March 2006</i> <i>(N=26) (%)</i>		
	<i>Red</i>	<i>Yellow</i>	<i>Green</i>	<i>Red</i>	<i>Yellow</i>	<i>Green</i>	<i>Red</i>	<i>Yellow</i>	<i>Green</i>
Human capital	88.5	11.5	0	53.8	46.2	0	0	50.0	50.0
Competitive sourcing	100	0	0	57.7	42.3	0	23.0	34.0	42.0
Financial management	80.8	15.4	3.8	73.1	15.4	11.5	61.0	7.0	30.0
E-Government	65.4	34.6	0	57.7	38.5	3.8	34.0	53.0	11.0
Budget and performance integration	88.5	11.5	0	57.7	42.3	0	11.0	50.0	38.0

Actors involved in measurement and management of performance

Within the federal government many different actors have responsibilities for the reform agenda. Table V.xxviii provides an overview of this.

Office of Management and Budget (OMB)

The Office of Management and Budget is an agency within the Executive Office of the President. OMB assists the president in the preparation and implementation of the budget, management policies and regulatory policies. OMB is first of all responsible for developing the president's annual budget submission to Congress and implementing it when it is enacted. Second, OMB promotes good management practices and has a role to play in ensuring efficient and good quality programme performance. A third function of OMB exists in the in-depth regulatory review of important rules proposed by federal agencies. Finally, OMB, as an office of the president, has to watch over the agencies' actions, policies and statements to ensure that they reflect the president's policy:

OMB stands at a critical point within the nerve center of the federal government and holds a key position in the communications network that links the President, the rest of the Executive Branch, and the Congress. So positioned, it can exert a significant impact on public policy outcomes through its budgetary, legislative, managerial and regulation review mandates.

(Tomkin 1998)

Table V.xxviii Actors involved in managing performance

<i>Actor</i>	<i>Role</i>
Executive branch	
Office of Management and Budget	Establish and submit the president's budget to Congress Implement the approved budget Disseminate good management practices Monitor efficient and qualitative implementation of programmes Regulatory Review Coordinate activities and proposals of agencies to the president's policy
Federal Committee on Statistical Methodology	Interagency committee that is dedicated to improving the quality of federal statistics and the efficiency and effectiveness of statistical practice among federal agencies
President's Management Council	Support and advice to OMB on the President's Management Agenda
Office of Personnel Management (OPM)	Strategic advice to the president on human capital issues Developing tools and providing support to help agencies succeed in their human capital transformation efforts Helping make the federal government a high-performing workplace Development of the human capital assessment and accountability framework
Legislative branch	
Senate Committee on Governmental Affairs Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia	Oversight of economic, efficient and effective functioning of federal agencies
House Committee on Government Reform	Legislative competence to reform the federal government
Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations	Idem
Government Accountability Office	Support Congress in its parliamentary control by means of financial and performance audits and programme evaluation Support results-oriented reforms through research and reporting on progress of reforms

OMB is organisationally divided into functional Statutory Offices and agency-related Resource Management Offices. Statutory Offices are responsible for setting the policy framework within which agencies have to operate. The Office of Federal Financial Management for example develops and provides direction on the implementation of financial management policies and systems. Another example is the Office of Information and Regulatory Affairs that is responsible for policies to improve government statistics and information management. Resource Management Offices are responsible for the analysis, evaluation, and implementation of policy options as well as the implementation of government-wide management initiatives. They are organised by policy subject coinciding with the agencies under their purview and are staffed with experts in the programme and policy areas concerned.

The Statistical Policy Office within OMB sets the standards for federal statistics to increase comparability, for example the Standard Occupational Classification System or the North American Industry Classification System.

Principal statistical agencies

Principal statistical agencies are organisations responsible for the collection, compilation and analysis of information for statistical purposes. Examples of principal statistical agencies are the Bureau of Labor Statistics, the Bureau of Transportation Statistics and the National Center for Education Statistics. Table V.xxix gives an overview of the principal statistical agencies, their budget and their personnel numbers.

Besides the principal statistical agencies, there are also statistical units within departments or agencies, as for example the Statistical Unit of the Inland Revenue Service or the Statistical Unit of the National Science Foundation. The heads of the principal statistical agencies and the heads of

Table V.xxix Principle statistical agencies: budget and work force

	<i>Direct funding (FY 2006 estimate) (millions of dollars)</i>	<i># Staff FY 2006 (Total)</i>
Census Bureau	897.4	14956*
Bureau of Labor Statistics	543.0	2708
National Agricultural Statistics Service	145.2	1395
National Center for Health Statistics	109.0	530
Economic Research Service	80.7	459
Bureau of Economic Analysis	81.3	571
Energy Information Administration	85.9	369
Bureau of Transportation Statistics	33.0	122
National Center for Education Statistics	225.7	116
Bureau of Justice Statistics	53.0	59

* Census Bureau figures do not include decennial census staffing (4407)

Source: OMB 2005

the statistical units within agencies serve on the Interagency Council on Statistical Policy (ICPS). ‘The ICPS coordinates statistical work across organisations, enables the exchange of information about organisation programs and activities and provides advice and counsel to OMB on statistical activities’ (Federal Register FR67–107 2002: 38467–38470, in OMB 2002b).

Federal Committee on Statistical Methodology (FCSM)

The Federal Committee on Statistical Methodology is an interagency committee that is dedicated to improving the quality of federal statistics and the efficiency and effectiveness of statistical practice among federal agencies. Members are selected by OMB and include executive branch statisticians, economists and managers. The mission of the FCSM is to:

- inform and advise OMB and the Interagency Council on Statistical Policy on methodological and statistical issues that affect the quality of federal data;
- compile, assess and disseminate information on statistical or survey methods and practices for federal statistical agencies;
- provide recommendations on issues of statistical methodology such as measurement, analysis, survey methods, survey errors, data collection methods and technologies, record linkage, disclosure limitation, and dissemination of information that affect federal statistical programmes and improve data quality, including timeliness, accuracy, relevance, utility, accessibility, and cost effectiveness;
- provide a forum for statisticians in different federal agencies to discuss issues affecting federal statistical programmes; and
- promote and support cooperative research across agencies on issues relevant to federal statistics (OMB 2003).

Government Accountability Office (GAO)

The Government Accountability Office is the US supreme audit institution supporting Congress in its parliamentary control on the executive branch. GAO, commonly called the congressional watchdog is independent and non-partisan. The GAO audit mandate contains both financial audits and performance audits. Besides its audit function, GAO also obviously plays a management advisory role by suggesting heads of executive agencies ways to make government more effective and responsive. GAO supports congressional oversight by evaluating how well government policies and programs are working, auditing agency operations to determine whether federal funds are being spent efficiently, effectively, and appropriately, investigating allegations of illegal and improper activities and issuing legal decisions and opinions (GAO 2003).

GAO has been involved in the GPRA reform since the beginning, but the role played by GAO has become more important as time went on. By reporting to Congress about the GPRA pilot projects, GAO took up the role of monitoring the implementation of the Government Performance and Results Act (GPRA) that was later on extended to all departments and agencies.

GAO is lead by a Comptroller General who is appointed for a fifteen-year term and is organised along programme lines, in several audit teams as for example, education, workforce and income security team or the natural resources and environment team. In Fiscal Year 2005 GAO employed about 3,200 people and had 474.5 million dollars budget. It publishes more than 1,000 reports and hundreds of congressional testimonies each year. GAO has developed a set of key indicators to measure its performance as for example the return on investment and the number of recommendations that were implemented. In FY 2005 GAO made 1,900 recommendations. At the end of FY 2005, 85 per cent of the 1,752 recommendations that GAO made in FY 2001 had been implemented. On every dollar invested in GAO, it is claimed that 83 dollars are saved (GAO 2005e).

Actors involved in development of Government Performance and Results Act 1993 (GPRA)

GPRA emerged from the Senate Committee for Governmental Affairs and the Management section of the Office of Management and Budget (OMB) (Van Reeth 2002: 129). The Republican Senator Roth and the Chair of the Commission Senator Glenn (Dem.) were protagonists of GPRA. The role of the General Accounting Office (GAO) became more important as GPRA was increasingly implemented. There was also strong support from the White House, especially by Vice-president Al Gore who considered GPRA as a vehicle to realise his National Performance Review (Radin 2000: 120). There was also support from the American Society for Public Administration and the National Academy of Public Administration.

Actors involved in the President's Management Agenda (2001)

Contrary to GPRA the President's Management Agenda is exclusively executive branch, and more specifically OMB. The PMA was developed by OMB. President G. Bush founded in August 2001 the President's Management Council. It consists of the Deputy Director of OMB as chair, the Chief Executive Officers of some agencies, the Assistant to the President, Cabinet Secretary Deputy Assistant to the President for Management and Administration, Deputy Chief of Staff to the Vice President, Director OMB and the president himself. This council advices and supports the president in his reform agenda, more specifically to improve the implementation of the PMA, to coordinate and guarantee reforms, and to share best practices between agencies.

Measuring performance

Criteria for a good indicator and measurement system

The general framework for performance planning and reporting is legally anchored in the Government Performance and Results Act 1993. OMB has defined the more detailed guidelines and instruction on planning and reporting in Circular A-11 ‘Preparation, Submission and Execution of the Budget’. The responsibilities of the Chief Financial Officers concerning performance measurement are enacted in the Chief Financial Officers Act 1990. The policy on information management is set in the OMB Circular A-130 ‘Management of Federal Information Resources’. The maintenance of records on individuals is regulated by the Privacy Act. OMB sets the government-wide statistical guidelines, but requires the principal statistical guidelines to complement the government-wide guidelines with policy area specific quality guidelines. Therefore the federal statistical agencies have developed guidelines for ensuring and maximising the quality, objectivity, utility and integrity of disseminated data.

Process of measuring and managing performance

GPRA implemented a performance management process integrated in the budget process. The performance planning process has been expanded by the Bush administration with new performance management instruments. Three main actors are involved in the performance management process: agencies, OMB and Congress. The US fiscal year runs from 1 November until 31 October. Figure V.xxxviii illustrates the performance management process.

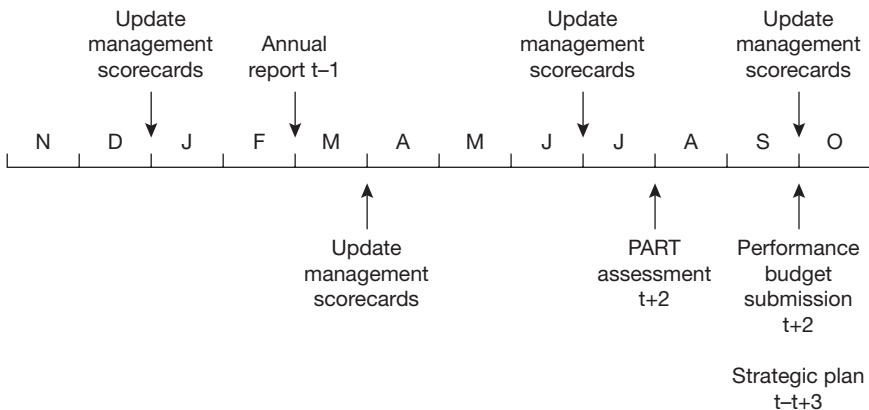


Figure V.xxxviii The US federal government performance management process

The budget preparation process by agencies starts two years before the beginning of the fiscal year. Agencies have to submit their annual performance plan and their budget submission for the fiscal year t+2 in September. Every three years agencies also submit a strategic plan together with their budget submission setting out the mission and long-term strategic goals of the agency.

A new instrument used by OMB in the budget preparation process is the program assessment rating tool (PART) (Table V.xxx). PART is a binary questionnaire measuring the following programme features: purpose and design, use of strategic planning, management, and results. The agency responsible for the programme assessed submits the questionnaire to the responsible OMB reviewer, supported by the necessary evidence. The OMB reviewer then reviews the assessment and negotiates the final score with the responsible agency. Agencies have to report the results of their assessment in the performance plan they submit to OMB in September. OMB used the PART to assess 20 per cent of the programmes in the FY 2004 Budget. For the FY 2005 budget, OMB assessed 398 programmes with the PART. The objective is to increase the share of programmes evaluated by PART every year so that PART eventually becomes the comprehensive vehicle to assess programme performance. Agencies may propose programmes to be evaluated by PART in the coming years for their budget submissions.

After the fiscal year has ended, agencies report to Congress about the achievement of their performance goals. Agencies must submit their annual performance report to Congress 150 days after the end of the fiscal year. This makes it possible for Congress to use the information of the performance report in the assessment of the budget requests and the performance plan for the next fiscal year.

OMB and Congress thus monitor and follow-up the plans and performance of agencies by means of the GPRA performance management cycle. Besides the achievement of performance goals, OMB also measures the progress in achieving the President's Management Agenda Initiatives (human capital, e-government, financial management, competitive sourcing, and budget and performance integration). Therefore OMB developed a traffic light scorecard that is updated every three months. OMB assesses twenty-six departments and agencies achievement of the President's Management Agenda goals and the progress made compared to the last measurement. OMB publishes the management scorecards on the Internet. The reasons why an agency makes a red, green or yellow score are revealed to the agency, but are not publicly available.

Focus: what is being measured and what models are used

Outcome and output measures

GAO surveyed a sample of senior and middle managers in the twenty-four largest agencies on performance measurement. Managers were asked whether

Table V.xxx Examples of FY2005 program reviews with the program assessment rating tool

<i>Agency</i>	<i>Program title</i>	<i>Program purpose and design (20%)</i>	<i>Planning (10%)</i>	<i>Management (20%)</i>	<i>Results (50%)</i>	<i>Rating</i>
Broadcasting Board of Governors	Broadcasting to Near East Asia and South Asia	100%	85%	100%	50%	Moderately effective
Consumer Product Safety Commission	Consumer Product Safety Commission	100%	91%	80%	75%	Results not demonstrated
Department of Agriculture	Animal Welfare	80%	83%	80%	47%	Adequate
Department of Commerce	National Weather Service	100%	85%	85%	87%	Effective
Department of Defense–Military	Missile Defense	80%	56%	100%	67%	Results not demonstrated
Department of Education	Even Start	60%	45%	63%	0%	Ineffective
Department of Energy	Biological and Environmental Research	100%	89%	67%	87%	Effective

Table V.xxx Continued

<i>Agency</i>	<i>Program title</i>	<i>Program purpose and design (20%)</i>	<i>Planning (10%)</i>	<i>Management (20%)</i>	<i>Results (50%)</i>	<i>Rating</i>
Department of Health and Human Services	Urban Indian Health Program	40%	75%	100%	67%	Adequate
Department of Homeland Security	Search and Rescue	100%	85%	83%	45%	Results not demonstrated
Department of Housing and Urban Development	Community Development Block Grant (Formula)	0%	38%	67%	27%	Ineffective
Department of Justice	Drug Enforcement Administration	100%	88%	83%	26%	Adequate
Department of Labor	Occupational Safety and Health Administration	100%	75%	54%	47%	Adequate
Department of State	Worldwide Security Upgrades	100%	85%	90%	60%	Moderately effective
Department of the Interior	Abandoned Mine Land Reclamation	80%	86%	88%	67%	Results not demonstrated

Table V.xxi Percentage of federal managers reporting having specific types of performance measures to a great or very great extent*

<i>Type of performance measure</i>	<i>1997 (%)</i>	<i>2000 (%)</i>	<i>2003 (%)</i>
Outcome measures that would demonstrate to someone outside the agency whether or not intended results are being achieved	32	44	55
Output measures that tell how many things are produced or services provided	38	50	54
Customer service measures that tell whether or not customers are being satisfied	32	39	47
Quality measures that tell about the quality of products or services provided	31	39	46
Efficiency measures that tell if programmes are operating efficiently	26	35	43

* There was a statistically significant difference between 1997 and 2003.

Source: GAO 2004b: 36

they collect performance measures and which kind of performance measures (Table V.xxi).

There is a general positive evolution in the percentage of agencies measuring performance. This can be explained by the fact that in 1997 the GPRA was only implemented in pilot projects whereas it was implemented fully in 2000. In 2003, 54 per cent of the federal managers reported to have output measures to a great or very great extent. This was a significant increase in comparison with 1997 (38 per cent). Fifty-five per cent of the federal managers reported in 2003 to collect outcome measures to a great or very great in extent, whereas only 32 per cent in 1997. Linking cost and output information also seems to be difficult: in 2003, 43 per cent of the federal managers reported to have efficiency measures to a great or very great extent.

The existence of performance measurement systems also seems to differ between departments and agencies.

Human capital assessment and accountability framework (HCAF)

The human capital assessment and accountability framework is a tool developed by GAO, OMB and OPM to assess progress made in implementing the Human Capital Initiative of the President's Management Agenda. The HCAF measures the extent to which organisations have strategic human capital, an integrative organisation vision, continuous leadership, diverse, result-oriented and competent personnel, closing skills gaps and a data-oriented accountability system. For each of these criteria there are standards, key indicators and suggested indicators. HCAF contains six human capital

- **Standard** on leadership and knowledge management: agency leaders and managers effectively manage people, ensure continuity of leadership and sustain a learning environment that drives continuous improvement in performance.
- **Critical success factors:** leadership planning and implementation: the organisation identifies leadership in competencies and establishes objectives and strategies to address them.
- **Assessment:** does the agency ensure continuity of leadership through succession planning and executive development?
- **Elements of a YES:** the agency conducts workforce analysis to identify its current and future leadership needs. This analysis includes the size of the workforce, its deployment across the organisation and the competencies for the agency to succeed . . .
- **Suggested performance indicators:**
 - workforce analysis related to supervision/leadership is conducted;
 - formal succession planning or talent management programme is in place and its impact is measured;
 - written leadership development strategy is tied to workforce analysis and strategic plan.

standards, sixteen critical success factors and more than 220 suggested performance indicators. HCAF is not a strict quantitative performance measurement tool, but requires from the user a capacity to interpret and assess the situation. An example (see Box) illustrates how HCAF works.

Common performance measures

OMB decided in 2003 to develop a set of common performance measures in areas with multiple programmes with similar goals. These common performance measures are developed for the areas of federal housing assistance, job training and employment, wild land fire management, flood mitigation, participation in disaster insurance, health and environment. Table V.xxxii gives a few examples of common performance measures.

Audit and quality control of measurement and management

Legislator linked, external audit and quality control

Within its performance auditing authority, the Government Accountability Office, previously the General Accounting Office, can audit the validity and reliability of performance measures concerning programme effectiveness and

Table V.xxxii Examples of common performance measures

<i>Policy area</i>	<i>Common measure</i>	<i>Agencies</i>
Federal housing assistance	Net present value of the subsidy costs required to serve an eligible family of a particular income level over an extended period of time (adjustments for family size, household income and timing of occupancy) The number of households served with any given level of budgetary resources	Housing and Urban Development (housing vouchers, housing for the elderly, new construction, public housing, HOPE VI) Department of Defense (Military housing) USDA (Rural rental housing program)
Job training and employment	Attainment of a job Attainment of a certificate or degree by programme participants Earnings gains Total programme cost per placement in a job	Department of Labor (Workforce investment act programmes) Department of Education Department of the Interior (Indian affair programmes) Housing and Urban Development Veteran Affairs
Health	Per capita expenditures on direct and federally-funded health care services Average number of patients seen per day per physician/nurse practitioner/physician assistant	Department of Defense Veteran Affairs HHS' Indian Health Service and Community Health Centers

Source: OMB 2006

results, or economy and efficiency and the reliability, validity or relevance of financial information related to the performance of a programme (GAO 2003: 22).

As part of the Congressional scrutiny process of the performance plans the GAO examines the quality and validity of the plans. 'This analysis focuses on whether or not the plans for measuring performance successfully reflect the agencies strategic plans, whether they mark an improvement over previous year's plans and whether there can be confidence in the performance information that will result' (Talbot *et al.* 2001: 17). The results of this examination are consolidated in a report on the quality of performance plans.

GAO is also examining the quality of the performance reports but does not publish a consolidated report on this issue. The GAO examines also the departments and agencies performance reports to examine whether the department or agency has achieved its objectives, to define high-risk

management challenges, and to examine whether the GPRA reporting requirements are fulfilled. GAO might also rely on the quality controls executed by the agencies' Inspector General.

Since 2001, cabinet departments and nine independent agencies have to integrate their annual performance report in their financial accountability report. This, however, did not mean that the programme performance information derived from the annual performance report became subject to new or additional audit requirements (OMB 2003: section 203.1).

The Reports Consolidation Act 2000 makes it mandatory for departments and agencies to include in their annual reports an assessment of the reliability and validity of the reported performance information. GAO reported, however, that few agencies actually report on the completeness and reliability of performance data (GAO 2002b). Each consolidated report must include an assessment from the agency head verifying the reliability of the agency's performance data and a summary from the Inspector General addressing the agency's management challenges. An agency can now combine its audited financial statements, as required by the Chief Financial Officers Act, and its performance reports, required by GPRA.

Most of the GAO activities involve programme evaluations, policy analyses and legal opinions on a broad range of government activities. The ratio of performance audits, is 55 per cent (Azuma 2004: 91). In FY 2002 the General Accounting Office published about a thousand performance audit reports (Azuma 2004).

In 2003, the Government Accountability Office issued a Performance and Accountability Series: Major Management Challenges and Program Risks, including separate reports on cabinet departments, major independent agencies and the US Postal Service. The Government Accountability Office continues to identify areas at high risk due to either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness (GAO 2005c).

Executive-linked audit and quality control

The Offices of Inspector General are established in order to create independent and objective units to:

- conduct and supervise audits and investigations relating to programmes and operations in the departments, agencies and federal entities;
- provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency and effectiveness in the administration;
- prevent and detect fraud and abuse in such programmes and operations; and
- provide a means for keeping the head of the departments, agencies and federal entities and the Congress fully and currently informed about

problems and deficiencies relating to the administration of such programmes and operations and the necessity for and progress of corrective action.

(Inspector General Act 1978: section 2)

In 1981 a central council was developed to coordinate and enhance governmental efforts to promote integrity and efficiency, the President's Council on Integrity and Efficiency (PCEI). All Inspector Generals (IGs) at cabinet level departments are members of the President's Council on Integrity and Efficiency. The Inspector Generals of the federal entities (or agencies) make up the Executive Council on Integrity and Efficiency that was installed in 1992 and has the same mission as the PCEI but with regard to the federal entities.

The PCEI and the Executive Council on Integrity and Efficiency provide leadership to the IG community, reaching across agency boundaries to promote professionalism and coordination among the Councils' membership and provide a forum to speak out on shared concerns.

Incorporating performance information

Tools for anchoring measurement and management practices

The combined objectives of GPRA (1993, section 2) and the President's Management Agenda (2001) are made substantial by procedures and formats of documents. The objectives of GPRA are to:

- 1 improve the confidence of the American people in the capability of the Federal Government, by systematically holding federal agencies accountable for achieving programme results;
- 2 initiate programme performance reform with a series of pilot projects in setting program goals, measuring programme performance against those goals, and reporting publicly on their progress;
- 3 improve federal programme effectiveness and public accountability by promoting a new focus on results, service quality and customer satisfaction;
- 4 help federal managers improve service delivery, by requiring that they plan for meeting programme objectives and by providing them with information about programme results and service quality;
- 5 improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of federal programmes and spending; and
- 6 improve internal management of the Federal Government.

Each agency submits a three-yearly strategic plan with a mission, general objectives and strategies to realise these for a period of six years. There is a yearly performance plan which operationalises the strategic plan. Per programme activity from the agency's budget objectives, indicators and norms

are derived. Reference is made to operational processes and resources that should guarantee a successful implementation. A performance report provides feedback on the degree of realisation of the objectives and the effects for the coming years.

The GPRA momentum implied that once the sequence of documents (strategic plans, performance plans and performance reports) are realised and embedded the next step should be a performance budget. Five pilot projects were launched to implement a performance budget. The Clinton administration turned the projects into case studies under the responsibility of budget examiners of OMB.* The logical next step was to give performance-based organisations more degrees of freedom.

The PMA (2001) objectives are five-fold (Office of Management and Budget 2002c: 4): strategic human capital management; e-government; competitive sourcing; improved financial management; and performance and budget integration. The common denominator through the PMA is the Freedom to Manage Initiative. This triggered proposals like the Freedom to Manage Act 2001 (1 November 2001) and the Managerial Flexibility Act 2001. These Bills have been introduced in the Senate, but have not been approved.

A key ambition is to better match the format of strategic plans and yearly plans, the appropriation budget structure and the financial systems to allow for cross-walks between these information systems:

Ultimately the administration will attempt to integrate more completely information about costs and program performance in a single oversight process. This would include budgeting for the full cost of resources where they are used making budget program and activity lines more parallel with outputs and where useful improving alignments of the budget accounts.

(Office of Management and Budget 2002c: 29)

OMB estimated that the time had come to evolve for FY 2005 from a performance plan towards a performance budget. The performance budget had to contain strategic goals, long-term performance goals with corresponding outcome targets and resources (based on full cost) and annual performance goals with corresponding output targets and resources (based on full cost).

In order to evaluate programme performance, OMB developed the program assessment rating tool (OMB 2002a). The PART evaluates programme purpose and design, use of strategic planning, programme management and programme results. In FY 2004 and FY 2005, about 40 per cent of all federal programmes were subjected to a PART assessment.

* Interview with Jonathan Breul, ex-OMB, IBM, 14/10/2002 and interview with Chris Mihm, GAO, 16/10/2002.

Procedures for strategic planning, performance planning and reporting

Designing the performance plan is a three-stage process. First, there is an initial plan that accompanies a budget request to OMB in September. This document is used by OMB to judge the budget request. Second, in February the final performance plan, which contains the budget, the main lines of the policy, and the programme activities from the President's budget, is forwarded to OMB and Congress. Third, after a discussion in Congress, an agency may still submit a corrected or operational plan, but doesn't have to.

The annual programme performance report should be submitted at least 150 days after the end of the Fiscal Year to OMB and Congress. This allows Congress to use performance data of the previous year to judge the next budget and its related annual performance report.

The Reports Consolidation Act 2000 states that the yearly activity report and the Accountability Report may be integrated into a Performance and Accountability Report.

GPRA contains not just a part on the development of a planning and reporting cycle, and performance budget, it also includes a part on management flexibility. Agencies may make proposals to suspend particular control mechanisms which prevent them from performing. This managerial flexibility arrangement, however, has not too much impact since it is about executive regulations and not about legislative ones.

Procedure of the program assessment rating tool (PART)

One of the objectives of the President's Management Agenda is to come to a more integrated performance management with the budget procedure. OMB emphasises this and the FY 2004 budget is supposed to include about 20 per cent of programme effect indicators.

To be able to evaluate these programmes, OMB developed a program assessment rating tool (PART), a checklist which results in a score. Questions are related to objectives, design of the programme, strategic planning, programme management and programme results. Seven categories of programmes have been developed. The ultimate purpose is to check if the design, implementation and evaluation stages of programmes include management methods and techniques based on strategic planning and performance management. The purpose is not to evaluate the policy content.

First, objectives are under scrutiny. The following questions are listed:

- Is the programme purpose clear?
- Does the programme address a specific interest, problem or need?
- Is the programme designed to have a significant impact in addressing the interest, problem or need?
- Is the programme designed to make a unique contribution in addressing the interest, problem or need?

- Is the programme optimally designed to address the interest, problem or need?

(Office of Management and Budget 2002a: 6–8)

Second, there are questions about strategic planning elements in the strategic plan, the performance plan, the performance report and the budget submissions. The following questions are listed:

- Does the programme have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the programme?
- Does the programme have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?
- Do all partners (grantees, sub-grantees, contractors, etc.) support programme planning efforts by committing to the annual and/or long-term goals of the programme?
- Does the programme collaborate and coordinate effectively with related programs that share similar goals and objectives?
- Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support programme improvements and evaluate effectiveness?
- Is the programme budget aligned with the programme goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?
- Has the programme taken meaningful steps to address its strategic planning deficiencies?

(Office of Management and Budget 2002a: 11–14)

Third, the programme management is judged based on the following questions:

- Does the agency regularly collect timely and credible performance information, including information from key programme partners and use it to manage the programme and improve performance?
- Are federal managers and programme partners (grantees, sub-grantees, contractors, etc.) held accountable for cost, schedule and performance results?
- Are all funds (federal and partners) obligated in a timely manner and spent for the intended purpose?
- Does the programme have incentives and procedures (e.g. competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in programme execution?
- Does the agency estimate and budget for the full annual costs of operating the programme (including all administrative costs and allocated overhead) so that programme performance changes are identified with changes in funding levels?

- Does the programme use strong financial management practices?
- Has the programme taken meaningful steps to address its management deficiencies?

(Office of Management and Budget 2002a: 18–21)

Fourth, programme results are evaluated:

- Has the programme demonstrated adequate progress in achieving its long-term outcome goal(s)?
- Does the programme (including programme partners) achieve its annual performance goals?
- Does the programme demonstrate improved efficiencies and cost effectiveness in achieving programme goals each year?
- Does the performance of this programme compare favourably to other programmes with similar purpose and goals?
- Do independent and quality evaluations of this programme indicate that the programme is effective and achieving results?

(Office of Management and Budget 2002a: 32–5)

All these questions are answered by the agencies and investigated by the OMB program examiners, which allocate a score.

The objective of the Performance and Budgeting Integration Initiative is that performance information generated in the GPRA cycles is effectively used:

It is not sufficient for a program to simply comply with the letter of the law. Rather it must show it is achieving its purpose and that it is managed efficiently and effectively. . . . The performance of federal programs should reflect the spirit of good government, not merely compliance with the law.

(Office of Management and Budget 2002a: 2)

A summary of the PART scores in Table V.xxxiii shows the range of assessments and their evolution over four years of practice.

Table V.xxxiii Distribution of PART ratings per year (%)

Effective	6	11	15	15
Moderately effective	24	26	26	29
Adequate	15	20	26	28
Ineffective	5	5	4	4
Results not demonstrated	50	38	29	24
	2002	2003	2004	2005
	(N=234)	(N=407)	(N=607)	(N=793)

PART is being further developed and expanded through its websites.

Procedure of the common performance measures

Within the framework of the President's Management Agenda OMB decided in 2002 for the FY 2004 budget to generate common performance measures for about five government-wide activities: social housing, employment and training, fire prevention of wildlands, floodings and disaster insurance, and health. For example, the Department of the Interior as well as the Department of Housing and Urban Development and the Department of Agriculture are competent for social housing. A cost effectiveness indicator was developed.

Format of the budget

GPRAs are moderate in linking performance information to the federal budget in comparison to previous initiatives, e.g. PPBS and ZBB. There is no strict format for a performance budget. Obviously the strategic plans indicate some structure. In principle three different budget formats are applied: organisational structure for purposes of internal responsibility allocation, the traditional appropriation structure to be approved by Congress, and GPRAs' structure of strategic objectives and yearly performance objectives. GPRAs accepted the existing structure and didn't want to impose its own. The obvious consequence is tensions and incompatibilities of budget data according to the three different formats. PMA tries to tackle these challenges by a better integration of performance data and budget.

Format of the GPRAs documents

FORMAT OF THE STRATEGIC PLAN

A strategic plan should cover the main functions and activities of an agency. According to GPRAs this means (GPRAs 1993: section 306 (a)):

- a comprehensive mission on functions and activities of the agency;
- general strategic and operational objectives, including outcomes of main functions and activities:
 - strategic objectives should demonstrate how agencies realise their missions referring to programmes, policy and management;
 - operational objectives are derived from strategic objectives and used to monitor progress.
- a description of how objectives will be reached: operational processes, skills and technology, human capital, information and other means;
- a description of how objectives will be reached through operational processes, skills and technology, human capital, information and other means;
- reference to external factors that are crucial to obtain objectives and which are not under the agency's control;

- a description of programme evaluations that have contributed to formulating or revising objectives, and a plan for future evaluation research.

Objectives need to be formulated in such a quantitative or qualitative way that the evaluation of the degree of realisation is possible.

Strategic plans have a coverage of minimal six years, but are valid for three years and therefore need a revision at least every three years. The first generation of strategic plans was available since 30 September 1997.

FORMAT OF PERFORMANCE PLANS

There is no fixed structure for a yearly performance plan. If this document is linked to the congressional justification, Commission may ask for a particular structure. The required content does have an impact on the structure of the performance plans.

Performance plans include the following elements (GPRA 1993 section 1115 (a)):

- objectives on performance to be delivered per programme activity;
- objectives which are objective, quantified;
- short description of operational processes, skills and technologies, human capital, information and other means to reach the performance goals;
- performance indicators to measure relevant outputs, service delivery and outcomes of each programme activity;
- anticipating the opportunity to compare real and intended programme results;
- describing how the validity and reliability of performance data is guaranteed.

FORMAT OF PERFORMANCE REPORTS

There are no specific structural requirements for performance reports, which are due at the end of March and should be submitted to the President and Congress.

The performance report provides information on the degree to which objectives from the performance plan are realised using performance indicators that are defined in the performance plan. Trend information should be available. If a result is not obtained some explanation should be made available. If a waiver for an administrative procedure was granted it should be mentioned to what extent this contributed to the results. The report also should include a summary of the implemented programme evaluations. There should also be some reporting on the validity and reliability of the performance data. There is a pragmatic attitude toward the quality of the data. If there is no reluctance to use the data then the performance data should be acceptable.

Using performance information

Use of performance

Performance information is used for several purposes: congressional oversight, internal management and budgetary decision making (OECD and World Bank 2003).

Congressional oversight

The attention and interest of congressional committees for performance information varies substantially from committee to committee (Joyce 2005; Van Reeth 2002). ‘Some committees make substantial use of hearings and GAO studies to evaluate the effectiveness of programs. Other committees are less likely to focus on the performance of programs and move more likely to focus on oversight episodically or in an effort to promote a political agenda’ (Joyce 2005: 34).

Joyce concludes that ‘Congress should focus on ways in which reforming the authorisation process could provide clear signals to agencies regarding congressional performance expectations and the Congress should investigate the ways in which the constraints that it places on agencies impede the performance of these agencies’ (Joyce 2005).

Internal management

A CBO report of 1993 stated that the largest potential for real payoffs of using performance information may be in the area of agency management of resources once they have been provided in the budget process. Even if the performance information hasn’t played a significant role in the budgetary approval process, it can still influence the execution of the budget in the agency. Agencies have a significant discretion in allocating resources between programmes and between regional units.

The Veterans Health Administration for example uses performance information on the numbers of veterans served in the allocation of resources to different hospitals, clinics and offices within the health care networks. Health Care Network Directors are held accountable for achieving outcomes and are given incentives by means of this allocation mechanism based on results. The Internal Revenue Service for example allocated training resources between its customer service centres based on information about the needs for extra training as indicated by the error rates.

Whereas the GAO surveys (Table V.xxxiv) showed a significant positive evolution in the collection of output and outcome measures, the use of performance information in management activities seems to have decreased between 1997 and 2000 (see Table V.xxxii). There is a significant decreasing trend in the use of performance information in setting programme priorities,

Table V.xxxiv Evolution in agency climate and use of performance information (%)

	<i>To a great or very great extent</i>		
	1997*	2000**	2003
Agency climate			
Agency's top leadership demonstrates a strong commitment to achieving results			–
SES	76	72	–
Non-SES	56	52	–
Employees in agency receive positive recognition for helping the agency accomplish its strategic goals	26	31	–
Agency managers at their level are held accountable for the results of the programmes they are responsible for	55	63	–
Agency managers at their level have decision-making authority they need to help agency accomplish strategic goals.	31	36	40
Use of performance information in management activities			
Setting program priorities	66	56	59
Allocating resources	62	53	60
Adopting new programme approaches or changing work processes	66	51	56
Coordinating programme efforts with other internal or external organisations	57	43	49
Setting individual job expectations	61	51	60
Refining programme performance measures	52	44	51
Setting new or revising existing performance goals	58	51	58
Rewarding staff	53	53	60
Developing and managing contracts	–	38	41

* Sample: 1,300 middle- and senior managers in the twenty-four federal departments and agencies; 60 per cent response rate.

** Sample of 3,816 mid and upper-level managers and supervisors in twenty-eight departments and agencies; 70 per cent response rate.

Source: GAO 2002b; GAO 2004b

in allocating resources, in adopting new programme approaches or changing work processes and in setting individual job expectations. This may be explained by the fact that the collection of performance information has become mandatory with the implementation of GPRA. GPRA requires agencies to collect performance information and to report it to Congress, but it does not guarantee that the performance information is used in internal management activities.

Cavalluzzo and Ittner (2004) analysed the data of the 1997 GAO survey on performance measurement. The GAO sent a survey to 1,300 middle- and senior managers working in the twenty-four largest executive branch agencies. There were 797 managers who responded to the survey with a usable answer. These were the most important conclusions of the survey:

- GPRA pilot sites have developed performance measures to a greater extent to meet the GPRA requirements, but do not make greater use of the information.
- Internal performance measurement efforts and greater accountability for results can provide the necessary information and incentives for performance-based management, even in the absence of mandates.
- Top management commitment, decision-making authority and training are positively correlated with greater high-level managerial use of performance information.

Reporting on performance

Agencies are required by the GPRA to submit a three-year strategic plan, an annual performance plan and an annual performance report. Steps are taken now to transform the performance plan into a performance budget.

Agency level

STRATEGIC PLAN

The GPRA requires from departments and agencies to make up a three-year strategic plan. The strategic plan has to contain the following elements:

- the agency mission statement;
- one or more general goals (general goals are typically outcome goals, and are also called long-term performance measures);
- a description of the means and strategies that will be used to achieve the goals;
- a description of the relationship between annual performance goals in the performance budget and the long-term (general) goals in the strategic plan;
- identification of key factors that could affect achievement of the long-term goals; and
- a description of programme evaluations used in preparing the strategic plan, and a schedule for future evaluations.

FROM PERFORMANCE PLAN TO PERFORMANCE BUDGET

In 2001, three-quarter of the agencies stated that they had linked performance information to budgets in their performance plan, whereas in 1999 only 40

per cent of the agencies were able to do this. Some agencies linked strategic goals to their budget accounts. Other agencies connected performance goals to programme activities. Obviously, there seems progress made in integrating performance and budget information. The Bush administration therefore estimated that the time had come to evolve towards a performance budget. Beginning with the FY 2005 Budget, agencies have to submit a performance budget instead of an annual performance plan. The performance budget is organised as a hierarchy of goals linked to performance and cost information (OMB 2003):

- strategic goals: aim and purpose of the agency, spanning several programmes and several agency organisational units;
- long-term performance goals: outcome goals at programme level;
 - outcome targets
 - resources (full cost);
- annual performance goals: output goals at programme level;
 - output targets;
- resources (full cost).

Agencies also have to report the results of the PARTs assessment where available and all the performance goals used in the assessment of programme performance under the PART process in their performance budget.

PERFORMANCE REPORT

The annual performance report provides information about departments' and agencies' performance and progress in achieving the goals as set in the strategic plan and the performance budget. The cabinet departments and nine independent agencies have to integrate the annual report required by the GPRA with the accountability report. They have to submit this combined performance and accountability report before the end of January. In the future they will have to submit their performance and accountability report by 15 November. All other independent agencies prepare an annual performance report that has to be transmitted to the President, Congress and OMB by March.

The annual report has to contain the following information:

- a comparison of your actual performance with the projected (target) levels of performance as set out in the performance goals in your annual performance budget;
- an explanation, where a performance goal was not achieved, for why the goal was not met;
- a description of the plans and schedules to meet an unmet goal in the future, or alternatively, your recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal;

- an evaluation of your performance budget for the current fiscal year, taking into account the actual performance achieved in the fiscal year covered by your report;
- information on every PART programme assessed as part of the budget formulation for the fiscal year covered by the report;
- an assessment of the reliability and completeness of the performance data included in the report;
- actual performance information for at least four fiscal years.

It is possible that agencies will not yet have collected all the performance data when they have to submit the performance report. Agencies have to report the incomplete or missing programme performance data, as they are available, in a subsequent year's annual report.

Government-wide level

The initial plan of the GPRA was that OMB would publish an annual government-wide performance report as a separate volume to the budget. However, this government-wide performance plan has not been published since FY 2001.

To disseminate federal statistics to the public, the Interagency Council on Statistical Policy has developed a one-stop-shop Internet site for federal statistics, www.fedstats.gov. This website provides easy access via an initial point of entry to a wide array of statistical information from more than 100 federal agencies. The site is structured by both policy topics and by agency.

Administering, managing or governing performance

System assessment

The US public sector has had a significant influence on other Western countries in managing performance in the public sector. Creative solutions such as, e.g. PPBS, MBO and ZBB have been exported to almost all OECD countries. This was from the 1960s until around 1975. Then there appears a break in the reform innovations within the federal level of the USA until the early 1990s. A new era commenced with the Clinton–Gore reforms, starting with GPRA and NPR, which were launched in the early 1990s. It took some time before GPRA went beyond the pilot stage and became the standard for practice. In 1997, at the beginning of the Clinton's second term, NPR changed from National Performance Review to National Partnership for Reinventing Government. According to Gore this new focus was intended to permanently imbed reinvention in the day-to-day operations of the government.

According to Kettl, 'No executive branch reform in the twentieth century – indeed, perhaps in the Constitution's 210 years – has enjoyed such high-level attention over such a broad range of activities for such a long period

of time.’ (Kettl 1998: v). NPR focused also on thirty-two agencies designated as ‘High Impact Agencies’. They were selected for concentrated efforts to transform their performance, even in the face of reduced budgets. These agencies were chosen based on their high degree of interaction with the public, business or their operational impact on other federal agencies. Nevertheless, NPR was more ad hoc than institutionalised, and never was connected to GPRA.

However, there was an effort to consolidate and to create a converging strategy of managing performance. The Report’s Consolidation Act intended to streamline reporting requirements by allowing each agency to submit a consolidated financial and performance report.

During the Bush–Cheney era, the focus was on making GPRA more effective, using PART as a complementary and major tool to push for performance. The purpose is to integrate performance information, to use this information, and to improve performance. According to Posner in a GAO testimony for the Subcommittee on Government Efficiency and Financial Management Committee on Government Reform of the House of Representatives one way of improving the links between PART and GPRA would be to develop a more strategic approach to selecting and prioritising areas for assessment under the PART process (GAO 2004a: 10). The philosophy is one of managing for performance. The mechanism is to evaluate, to assess, and to publicly judge the performance by offering information on performing and non-performing agencies.

The official evaluation of PART is rather positive. According to GAO and OMB the PART review process stimulated agencies to increase their evaluation capacity and available information on programme results (GAO 2004b, 2005a). However, even if the PART process has helped OMB’s oversight of agencies, stimulated agencies’ efforts to improve programme management, and created or enhanced an evaluation culture within agencies, most PART recommendations are focused on improving outcome measures and data collection, not on short-term observable performance improvements (GAO 2005b). One example of an upgrade of information is aligning senior executive’s performance with organisational results as an important step toward government-wide transformation (GAO 2006).

Dissonant voices come from the academic world where Radin (2006) is clearly convinced that PART is a detrimental project to increased performance. Also Gilmour and Lewis have clearly stated that PART proves that:

if the measurement process is not neutral, political considerations may warp the assessment, as well as their application . . . it is discouraging that the impact of PART is limited to Democratic programs . . . PART scores influenced budget allocations for programs housed in Democratic departments but not other programs. This last finding underscores the difficulty of using performance information in an impartial way. It

appears to be easier to implement performance budgeting with programs that one does not support.

(Gilmour and Lewis 2006: 750–1)

Apart from obvious contingencies both ‘the Clinton and Bush management reforms agendas outlined a vision to achieve the goals of their administrations . . . The Bush Administration tacitly endorsed many of the Clinton reforms’, according to Milakovich (2006: 476) who compared the Bush-Cheney and Clinton-Gore performance management strategies, even if he shifted to partisan policy ends.

The US country model has coherence across presidents. The GPRA/PART infrastructure links strategic objectives to outputs and resources. There are periodic assessments in a context of using performance measures for different purposes. The ultimate purpose is to guarantee performance for the public, including trust. This corresponds well with a Performance Management ideal type.

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