

ARTICLE

Performance Management in the public sector: Past, current and future trends

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Abstract Performance Management brought new dimensions of public management (thinking in terms of output and outcome, accrual accounting). However, the complex dimensions of politics asked for more complex management systems allowing a better consideration of non-economic dimensions of politics. Multidimensional strategic planning has been developed. Furthermore, internal administration and external (and parliamentary) communication have different information needs. Information must be tailored to the context and levels of public authorities.

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1. The promising approach of New Public Management

It is now 10 years ago since the fourth biennial Conference of CIGAR in St. Gallen on Performance Management and Public Accounting. Since the early evolution of the “bureaucratic revolution” in New Zealand it was clear that performance specification and accrual accounting are the two sides of the same coin (Pallot, 1994: 219). After Hood’s contribution (Hood, 1991) the term “New Public Management” or “NPM” was more and more used as well by intergovernmental organisations like OECD or the World Bank. NPM has never been a homogeneous theory, rather different nations developed similar approaches, often in cooperation with

consultants. The one common ground of all approaches was to overcome the shortcomings of classical budgeting (Buschor, 1994: vi):

- input oriented pattern;
- lack of strategic priorities;
- strong centralisation;
- pronounced thinking in terms of year;
- lack of alternatives;
- insufficient budget flexibility and
- cash based (not accrual based) accounting.

In summary, Performance Management is a central tool for a management style that takes decisions not primarily based on (financial) input, but focuses on outcome and output. Performance Management needs to be based on a strategy and – in most countries – on a legal mission (Fig. 1).

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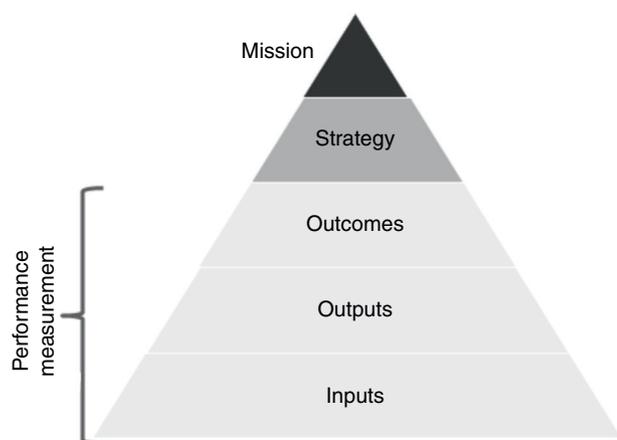


Figure 1

Combining the five above mentioned elements allows as a consequence the delegation of operative management to the administration/bureaucracy; or in other words to the devolution (enabling state model). Given the variety of local and democratic regimes and traditions (federalistic, centralistic), NPM has led to a wide range of models of delegation, devolution and privatisation.

Overall, OECD noticed that performance budgeting is “widespread across countries” and has the following advantages (OECD, 2007: 11):

- sharper focus on results;
- better information on government goals and priorities;
- provides key actors with details on what is working and what not;
- improves transparency;
- has the potential to improve programmes and efficiency.

It is generally recognised that Performance Management “mediates the effect of innovation on performance and have a positive influence of its own” (Walker et al., 2011: 381).

2. Limited measurability of outcomes

However, there have been critical voices since the early phase of Performance Measurement, namely regarding measurability of qualitative effects and the high cost of Performance Measurement. The criticisms of Rowan Jones is representative for this discussion (Jones, 1994: 56): “Since we know that the numbers resulting from this performance measurement cannot reflect the underlying ‘production technologies’, using the numbers to manage, without an equal weighting being given to the unmeasurable will not necessarily mean better performance. Intuitively, accountants know that ‘quantified goals drive out unquantified ones’: the recent imperative for ‘quality insurance’ emerged that this provides is that relates to the numbers that are the cause of the problem not to the quality, which is not. The costs of performance measurement could be very high indeed and the improved accountability and management of public services will have to be commensurately higher to justify the change, particularly in a cash-limited zero-sum game. The basic theses of this paper can also be used to suggest that we will never be able to evaluate this.”

In a similar form OECD mentions as well as a criticism on superfluous data production (OECD, 2003: 3) “The growing popularity of performance measurement around the budget and reporting process ... often creates flows of superfluous information that nobody.”

A further criticism is the limited measurability of indicators, especially of outcome indicators, which was a key reason to further develop the internationally well known New Zealand Model. As Pallot points out (Pallot, 1998: 14) “Inevitably, there are some tensions between the outputs-outcomes accountability framework and the framework for strategic management. The former relies on tight specification of “contracts” and measurability. It is less detailed but comprehensive in the sense of covering all activities of government. By contrast, the strategic management framework is more “holistic”, it is oriented to the medium to longer term rather than the current period, makes more extensive use of “soft” information and is oriented towards processes (within a vision that generates commitment) rather than contracts, documents and plans as such. Rather than covering all departmental activities, it aims to focus on a few

Table 1 The evolution of Performance Management in four phases.

Phase	Characterisation
A traditional phase, prior to 1978	Characterised by cash accounting and controls over inputs.
A managerial phase, 1978–1995	Characterised by largely ad hoc attempts introduce private sector management techniques and accrual accounting into public sector organisations.
A marketisation phase, 1986–1992	Characterised by the combination of managerialist ideas with economic theories emphasising individualistic self-interest, competitive markets and contracts. Unlike the previous phase, financial management reforms become an integral part of comprehensive changes to the machinery of government.
A strategic phase, from 1992 to the present	Characterised by an emphasis on whole-of-government strategizing in an effort to focus on the longer term and to overcome the fragmentation created during the marketisation phase.

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