

Süleyman Demirel Üniversitesi  
İktisadi ve İdari Bilimler Fakültesi  
Y.2001, C.6, S.2 s.15-27.

## USING PERFORMANCE INDICATORS IN PUBLIC ADMINISTRATION: LESSONS FROM THE BRITISH EXPERIENCE

Yrd.Doç.Dr.Hamza ATEŞ\*

### ÖZET

*Bir örgütün veya kişinin performansını ölçmek özel sektör kadar kamu örgütleri için de önemlidir. Bu nedenle, performans yönetimi ve özellikle performans kriterlerinin kamu sektöründe kullanımı birçok ülkede giderek yaygınlık kazanmaktadır. Bu çalışmada İngiliz kamu yönetiminde performans yönetimi insiyatifleri ve performans kriterlerinin kullanımı örnek olay olarak alınmakta; hem örgütsel hem de personel bazında performans kriterlerinin kullanımından doğan fayda ve sakıncalar incelenmektedir.*

*"...that the notion of performance - often bereft of normative standards, invariably full of ambiguity - is, in theory and practice, both contestable and complex."<sup>1</sup>*

*"A measure is a direct quantification of output or of some aspect of performance. An indicator is a statistic which gives some information about output or performance."<sup>2</sup>*

public administration, performance management, performance indicators,  
United Kingdom.

### INTRODUCTION

The need to know whether an organisation, public or private, has met its aims and objectives has led to various forms of assessment. An annual accounts report, for example, will inform how a company in industry is performing, and allow them to produce a five year plan. The criteria for a better performance of the public sector can be seen either, simply, as a necessary tool to ensure the efficient and economic use of

\* Kocaeli Üniversitesi İktisadi ve İdari Bilimler Fakültesi, Siyaset Bilimi ve Kamu Yönetimi Bölümü.

<sup>1</sup> Niel Carter et al., *How Organisations Measure Success*, MacMillan, London, 1994, p. 5

<sup>2</sup> HM Treasury, *Executive Agencies – A Guide to Setting Targets and Measuring Performance*, HMSO, London, 1992, p. 31.

public funds or, as will be discussed later, an indicator in itself of the changing structure of public administration and, perhaps, society as a whole.

This article will look at the growth of performance indicators (PIs) within the British public sector, detailing some of the various initiatives that have come about over the last decade, concentrating on the Financial Management Initiative (FMI), and the 'Next Steps'. The experience of PIs within the National Health Service will be briefly addressed, as will some theories as to the effects of PIs on personnel working in the new climate. Finally, a brief overview of the arguments relating to the methodology used in performance indicators will be given together with a summary of the debate.

## **1. MEASURING PERFORMANCE AND USING PERFORMANCE INDICATORS**

Although not a new concept, the measuring of performance has become increasingly commonplace within the public sector over the last decade or so. It has come simultaneously with the increasing importance of managerialism within government and public bodies, and looks to become increasingly popular as we near the millennium. "As part of the adoption of the managerialist ethos is the notion of assessing the performance of the organisation and of the individuals within it."<sup>3</sup>.

Along with this growth of indicators of performance has come the proliferation of 'aims and objectives' notices from various organisations; indeed, if clear objectives are not known it is rather difficult to measure performance<sup>4</sup>. One of the most highly publicised of these new statements of intent was the government's Citizen's Charter, published in 1991. "Through the Citizen's Charter the Government is now determined to drive reforms further into the core of the public services, extending the benefits of choice, competition, and commitment to service more widely."<sup>5</sup>, which in turn led to many other charters within public life.

The incoming government of 1979 was the first to set down a coherent criteria for the management of areas of the public sector which were to remain under public administration in order that "performance

---

<sup>3</sup> A. Lawton and A. G. Rose, *Organisation and Management in the Public Sector*, Pitman Publishing, London, 1991, p. 137

<sup>4</sup> P. Jowett and M. Rothwell, *Performance Indicators in the Public Sector*, Hampshire: MacMillan, 1988, p. xv

<sup>5</sup> HMSO, *The Citizen's Charter - Raising the Standard*, London: HMSO cmd 1599, 1991, p. 4

could be greatly improved through the introduction of private sector management techniques and explicitly commercial objectives" while at the same time reducing the PSBR<sup>6</sup>.

The concept of performance, then, was envisaged to be a tool for better public sector management, not through notions of profitability but in the interests of efficiency, effectiveness, and economy' - the '3e's' of Thatcherite politics. There has evolved through this concept a new language in public policy; terms such as planning, targets, evaluation, cost-effectiveness, accountability and decentralisation have become commonplace in the discourse of the public sector<sup>7</sup>.

### **1. The Problems of Performance Indicators**

Three concerns arise out of the debate on PIs within the public sector: the definition of performance, measurement of performance, and the effects of monopoly on performance. 'Who defines the performance?' is a question asked by Lawton and Rose<sup>8</sup>. This has similarities with the conflict within the NHS to be considered later; different parts of an organisation may have disparate opinions of a 'good performance'. However, "It is difficult to adopt these competing perspectives upon assessment. Ultimately, it may well be that officials will perform in order to satisfy criteria laid down by those who have the power to reward or punish them, i.e. their immediate superiors."<sup>9</sup>. This scenario may outline what appears to be a tyrannical fiction; nevertheless, it is increasingly the case that staff in the public sector are required to comply with company policy and perform not, necessarily well, but as they are told.

The second consideration was 'Can we measure performance?'. This question should perhaps have been at the beginning of this article. That certain aspects of public life cannot be measured in the same sense as, for example, counting daily how many punnets of mushrooms a student picked for Marks & Spencer during his vacation, and paying him accordingly, has been commented on in great detail. "Can we measure in such a quantitative way the performance of officials who may not be producing a good or offering a clearly identifiable service?... how do we assess the quantity and quality of work of the social worker or the policy officer?"<sup>10</sup>.

---

<sup>6</sup> Jowett and Rothwell, p.

<sup>7</sup> Jowett and Rothwell, p. 2

<sup>8</sup> Lawton and Rose, 1991

<sup>9</sup> Lawton and Rose, p. 138

<sup>10</sup> Lawton and Rose, p. 138

Jackson<sup>11</sup> elaborates: "Any serious treatment of performance measurement needs to get beyond discussion of the adequacy of the measures themselves and needs to confront the problems of what should government be doing; whose values are to count in a value-for money audit; how can conflicting values be reconciled; and what are the critical factors for success. The key question is: how can accountable democratic institutions be designed to ensure that appropriate incentives exist to assure high performance?". The procedure of applying concepts normally found within the private sector to public sector policy is indeed a complex one.

The third issue raised is that of monopoly. That 'many public sector organisations are monopoly suppliers of goods or services' has been well documented<sup>12</sup>. Where there is no competition the desire to be efficient and increase profits does not arise. The product and customer that occur elsewhere is not often apparent, this is especially applicable to the civil service where, drawing again from the example of the NHS, there are 'many masters'<sup>13</sup>.

In summary, then "the formulation, implementation and interpretation of performance indicators is a difficult, controversial and at times tortuous process.... As part of its value for money strategy, besides making the public sector cost-effective the government sought to monitor the performance of actual players and participants".<sup>14</sup>

"Firstly, because costs are more easily measured than benefits, efficiency often reduces to economy. Savings in money and manpower become the sole measure of improvement; the quest for efficiency becomes a search for cuts. Second, because social costs are more difficult to measure than economic costs, externalities are often ignored. Individual units concentrate on improving their own efficiency even though the overall effect is sub-optimal. Third, economic benefits are more easily identified than social benefits and efforts to increase efficiency lead to a re-definition of performance criteria in ways that lend themselves to easier measurement. The pursuit of efficiency degenerates into a numbers game".<sup>15</sup>

It is noted that this manner of management was not met well with the individuals concerned with service delivery, who considered that 'value for money' i.e. economy and efficiency is incompatible with effectiveness;

---

<sup>11</sup> Peter Jackson, 'Public Service Performance Evaluation: A Strategic Perspective', *Public Money & Management*, October-December 1993, p. 4

<sup>12</sup> Brian Hogwood, *Trends in British Public Policy*, Open University Press, Buckingham, 1992; Lawton and Rose, 1991; Jowett and Rothwell, 1988

<sup>13</sup> Lawton and Rose, p. 151

<sup>14</sup> Jowett and Rothwell, p. 99

<sup>15</sup> Cited in Lawton and Rose, p. 154

not so say the government who regard the three to be perfectly compatible. The debate goes on, but there may be a change of emphasis already occurring. Carter<sup>16</sup> argues that as the decade moves on "it is likely that there will be a greater demand for indicators of consumer satisfaction and quality in the 1990s". Three years after his paper was published there has been an increase in consumer feed-back within the various areas of social policy. Many individuals and institutions are, however, hoping that this shift in emphasis to consumer satisfaction will produce changes in service delivery. The future does not look as glossy as the various 'consumer charters' would have us believe.

In addressing the dilemma of PIs, Carter<sup>17</sup> offers that the measurement of performance is indeed multifarious, and that a great many of the issues raised in the 1980s could well have been caused by the 'technical difficulties' of measuring performance', and the comparisons with 'measures of effectiveness'. The ideology behind the setting up of PIs may also have contributed to the difficulties and criticisms that have arisen. That the government had an agenda based on the operation of the civil service in the early 1980s may have meant that the effects of implementing the new measures and Agencies, while meeting the objectives of the government, did not meet the objectives of the civil service or, indeed, commentators on the government.

## 2. SPECIFIC INITIATIVES WHICH HAVE INCORPORATED PERFORMANCE INDICATORS

The aim of the Audit Commission at its inception in the Local Government Finance Act 1982 was 'to promote economy, efficiency and effectiveness'; local authorities, on the other hand, perceived its aim as curbing their expenditure<sup>18</sup>. In order to achieve the 'three e's' the Audit Commission saw their mandate as "encouraging local authorities to improve their management practices. Hence their approach concentrates on improving the process which transforms inputs into outputs... improved efficiency may require structural, cultural and attitudinal change."<sup>19</sup> This is no minor enterprise. The difficulties of 'measuring' services hitherto regarded as unquantifiable have been commented upon in great number.<sup>20</sup> Another consideration which presents itself, but shall not be discussed in

---

<sup>16</sup> Carter, p. 91

<sup>17</sup> Carter, 1991

<sup>18</sup> Mary Henkel, *Government, Evaluation and Change*, Jessica Kingsley Publishers, London, 1991, p. 202

<sup>19</sup> Lawton and Rose, p. 152

<sup>20</sup> Kieron Walsh, 'Quality and Public Services', *Public Administration*, Winter, vol 69, 1991, pp.503-14; HM Treasury, 1992

this paper is 'who audits the auditors?' A Guardian newspaper article<sup>21</sup> on the National Audit Office revealed that there is growing evidence of corruption within the public sector, although this phenomenon has been found to occur in the past, it is somewhat disconcerting to observe an increasing number of incidents at a time of structural change in this area of policy.

One of the precursors to this decade, a decade of many Charters, was the FMIs of the 1980s. This had four main aims: firstly, to create an effective management system; secondly, to rectify the inadequacies within the current system; thirdly, to control spending within the public sector; and fourthly, to promote decentralisation and delegation.<sup>22</sup> To achieve these aims all government departments were required to have, in hierarchical form, a statement of their aims and objectives which would enable the measurement of performance to be part of a structured system. The FMI is thought to be the "catalyst for the proliferation of performance indicators throughout the public sector"<sup>23</sup>. Another initiative of this epoch was the Management Information for Ministers (MINIS); this began life as a scrutiny in the Department of the Environment by the then Secretary of State, Michael Heseltine, and consisted of in the words of Zifcak "A management information system specifically applicable to the exigencies of government"<sup>24</sup>.

As well as FMIs and MINIS, the end of the last decade saw the birth of 'The Next Steps initiative' which aimed to introduce performance indicators (PIs), now widely used within the various components of the public sector, into the Civil Service. Next Steps involved the creation of executive agencies to perform the administrative work of large parts of the civil service. The initial aims of Next Steps were many fold; the main objective was, however, "to transform the culture of the civil service through the introduction of managerial doctrines and techniques; in particular, a central concern has been to improve the monitoring, control and evaluation of performance."<sup>25</sup>

Performance indicators, then, were "the means of exercising 'hands-off' control and holding Agencies accountable. They are central to the target-setting mechanism and act as the conduit for resource

---

<sup>21</sup> Guardian Newspaper (Society Section), "Terminological Inexactitude?" London: *The Guardian Newspaper* 14.12.1994, pp.2

<sup>22</sup> Lawton and Rose, p. 126; Carter, 1991

<sup>23</sup> Niel Carter and Patricia Greer, 'Evaluating Agencies: Next Steps and Performance Indicators', *Public Administration*, Autumn, vol 71, 1993, p. 408

<sup>24</sup> Spencer Zifcak, *New Managerialism - Administrative Reform in Whitehall and Canberra*, Open University Press, Buckingham, 1994, p. 34; David Farnham and Sylvia Horton (eds.), *Managing the New Public Services*, MacMillan, London, 1993, p. 89

<sup>25</sup> Carter and Greer, p. 407-8

allocation."<sup>26</sup> There are now, as a result of Next Steps, about seventy Next Steps Agencies within the civil service<sup>27</sup>, each with a need for managers, structures, targets and organisation. To form a unitary civil service was, then, one justification for extending the use of PIs into this area of public administration. By doing this it was hoped that various other objectives would ensue; for example, that a more defined area of responsibility for both ministers and civil servants would become apparent, and make for a less complicated direction for the service to follow.

Jowett and Rothwell<sup>28</sup> identify local government, the Department of Social Security (DSS) and the National Health Service (NHS) as the three industries with the 'longest history and greatest experience in the use of performance indicators'. The DSS has been divided into five Agencies, and local government has seen many structural changes. The research into, and initiation of, performance indicators within the NHS, however, can be seen to have informed the nature and growth of measurement within other sectors of social policy and the formulation of public policy itself; it is therefore to the health service that this article will, briefly, turn.

Within the health service the first demand for some sort of measurement was in the early 18th century; it was, however, in the 1956 Guilleband Committee review of efficiency in the NHS that the concept of performance indicators within the health service was put firmly on the political agenda. Nearly three decades later the then Department of Health & Social Security published their 'first comprehensive list of performance indicators'.<sup>29</sup> (Jowett & Rothwell, 1988: 7) It is argued that "Assessing performance in a sector as complex and multi-dimensional as health is an inherently difficult task"<sup>30</sup>; this difficulty can be seen to be caused by the conflicting ideologies between the personnel of, for example the Treasury who prefer quantitative measures and those who deliver services within the institutions 'who believe that qualitative data is an essential ingredient of any evaluation package'.<sup>31</sup> This dichotomy of ideas is not assumed to be unique to the public sector; it does however bestow an element of urgency in the resolution of the debate as it is the nation's health which stands the most to lose. In summary, the authors argue:

"The health sector is in the unfortunate position of being servant to more than one master. The Treasury is interested principally in cost... health authorities are thus constantly under political pressure to reduce expenditure figures. Doctors and nurses are, however, sceptical about the extent to which 'cost per bed' is an indication of efficiency. From their

---

<sup>26</sup> Carter and Greer, p. 414

<sup>27</sup> Farnham and Horton, p. 49

<sup>28</sup> Jowett and Rothwell, p. xv

<sup>29</sup> Jowett and Rothwell, p. 7

<sup>30</sup> Jowett and Rothwell, p. 18

<sup>31</sup> Jowett and Rothwell, p. 18

perspective, the performance of the health sector needs to be judged in terms of patient welfare."<sup>32</sup>

### 3. MEASURING PEOPLE'S PERFORMANCE

So much for the aims of the FMI and Next Steps with regard to the organisations. This article will now turn to the initiative with respect to staff and the changes incurred in their working environment. The new agencies introduce performance related funds to public services, as well as performance-related pay (PRP) to professional and public servants. PRP has become an integral part of employee remuneration in both the private and public sector over the last decade; In examining the rationale behind this condition of employment four incentives present themselves. Firstly, PRP can be seen as an encouragement to staff to meet agreed objectives within an Agency; secondly, it may assist in retaining staff who perform well within the new framework; thirdly, PRP offers a reward other than promotion, a novel aspect in for example the civil service; and finally, PRP serves as an incentive to introduce competition in monopolistic public services.

Within the Civil Service, it is argued by the supporters of performance measurement, such an initiative will help to improve the former civil service culture which allowed little chance of personal responsibility and a lack of incentive to produce better services. With performance measurement will come incentives to produce effective policy and deliver value for money. The antipodean debate surrounding this initiative can be summarised as being: the adequacy of output measures; the definition of measurement (this will be discussed later); the effects on the morale of employees within the newly appointed Agencies; and finally - an issue which has raised much media interest - that of political appointments within quasi- governmental organisations.

So, what of the staff whose performances are being measured, and their satisfaction? Lawton and Rose raise the concern that, whilst one may measure performance in the form of productivity, it is rather more difficult to measure the motivation and morale of staff. Where indicators of this are apparent it is normally when events have broken down such as in the instance of the 1981 civil service strike, and the large number of resignations within the teaching profession following the reorganisation of the education system<sup>33</sup> (Lawton & Rose, 1991:103). If we turn to Maslow's hierarchy of needs model, the link between job satisfaction and performance can be found to be tenuous; "Satisfaction in terms of needs

---

<sup>32</sup> Jowett and Rothwell, p. 18

<sup>33</sup> Jowett and Rothwell, p. 103



says nothings whatsoever about improving performance. Individuals may be more content and morale may be high, but does this necessarily lead to an improved performance?"<sup>34</sup>

## CONCLUDING REMARKS

Returning, briefly, to the issue of methodology raised by Carter<sup>35</sup>, the use quantitative assessments to measure effectiveness, for example, proves to be a difficult task. "Ideally, performance indicators should permit managers to relate inputs to outputs, thereby measuring programme efficiency, and outputs to outcomes, thereby measuring programme effectiveness".<sup>36</sup> Zifcak, on his appraisal of the Canberra system, goes on to claim that the difficulty of measuring the effectiveness of a given department within the public sector is exacerbated by, to give one example, the fact that some employees may engage in more than one task proving the measurement between input and output difficult.

The working out of costings, trying to apply quantitative and qualitative methods would also, Zifcak concludes, prove to be laborious. Although it would be possible to evaluate the input costs with regard to the quality of output, he argues that "the cost of establishing a recording system which provided reliable information of this kind was often considered excess in relation to the benefits to be derived from doing so."<sup>37</sup> Which leaves one with the impression that the use and measurement of performance indicators is indeed a complex or even 'slippery' issue and, Walsh argues, one which runs much deeper into the structure of government and society: "The question of quality in public services is not one of meeting service specifications, but of dealing with the shifting value of structure of society."<sup>38</sup> Jackson<sup>39</sup> takes this argument further, arguing that the public sector in its moves to evaluate output that is non-financial, has brought the very essence of performance to a point, as yet, undiscovered by the private sector.

Introduction of managerial techniques traditionally found only in the private sector, such as PIs, into public organisations as close to parliament as the civil service illustrates that the trend of privatisation, which was at its height in the 1980s is continuing in the form of introducing aspects of industry into an area which for a long while was the

---

<sup>34</sup> Jowett and Rothwell, p. 95

<sup>35</sup> Carter, 1991

<sup>36</sup> Zifcak, p. 127

<sup>37</sup> Zifcak, p. 128-9

<sup>38</sup> Walsh, p. 514; Jackson, p. 3

<sup>39</sup> Jackson, p. 3-4

quintessence of public life. Kouwenhoven<sup>40</sup> raises the issue of Public Private Partnerships (PPP), as the management methods of the two sectors of employment converge, PPP could well be an integral part of government administration and social policy in the next century.

Having found in this article that performance evaluation is a complex concept, we move on to the second charge laid down by Carter. A succinct answer and summary of findings in this article is found in Jackson's paper: "Performance evaluation is part of the age-old issue of public service accountability. It is new wine in old bottles. The new public sector managerialism and its symbols of good management practice has, through the use of performance measurement, introduced new tints to lend new colour to the spectrum of accountability. The dominant ideology with its emphasis upon market forces and efficiency underpins these innovations. While many of the changes appear to be innocuous the concepts upon which they rest are contestable."<sup>41</sup>

There has been much written on what is regarded as the over-emphasis on 'economy' when implementing new measures of performance, and this essay has contributed further; Carter<sup>42</sup> (1991) argues that as the decade and century draw to an end there may well be a new emphasis on the output and quality of service, as opposed to a reduction of the input resources; this, if accurate will be a timely and applauded shift in priorities. As Becker writes, "If the social objectives of an opportunity society, a fair society, are made subordinate to the traditional goals of economic policy, then the 1990s are set to be another decade of lost opportunities for the poor; a decade where public policy continues to deny poor people real opportunities to participate as full citizens in our society."<sup>43</sup>

Times are changing and the public sector is constantly urged to adapt to new ideas and ideologies, work to different goals and 'perform' in certain ways. Many aspects are outside the control of managers or, even, government. For instance, the agenda of public sector organisations are influenced by factors which extend a great deal further than Whitehall or even this small isle - Brussels to name but one of growing importance -. Incorporate this element with the constant pressures on resources within the public sector, the continued emphasis on economic goals described by Becker<sup>44</sup>; the need to run an efficient, effective and economical

---

<sup>40</sup> V. Kouwenhoven, "The rise of the public private partnership: A model for the management of public-private cooperation", in Jan Kooiman (ed.), *Modern Governance - New Government Society Interactions*, London: Sage Publications, London, 1993, p.119

<sup>41</sup> Jackson, p. 14

<sup>42</sup> Carter, 1991

<sup>43</sup> Saul Becker (ed.), *Windows of Opportunity - Public Policy and the Poor*, CPAG, London, 1991, p. 7

<sup>44</sup> Becker, p. 7-13

organisation, and the need to ensure that the employees within Agencies are content with their working conditions, then it is no wonder that the debate on PIs is gaining momentum.

It is, perhaps, worth reminding ourselves that this argument could do with some readjusting. Could this journey into the employment of FMIs, PIs, PRP, MINIS, Next Steps, Citizen Charters ad infinitum, be utilised to ensure that public servants are able to use the tools we have available within the public sector to provide an economic, effective, efficient service which is in the best interests of the public?

### REFERENCES

1. BECKER Saul (ed) (1991) *Windows of Opportunity - Public Policy and the Poor*, London: CPAG
2. CARSWELL John (1985) *Government and the Universities in Britain - Programme and Performance 1960-1980*, Cambridge: Cambridge University Press
3. CARTER N (1991) 'Learning to Measure Performance: the use of indicators in organisations', *Public Administration*, Spring, vol 69, pp. 85-102
4. CARTER N, GREER P (1993) 'Evaluating Agencies: Next Steps and Performance Indicators', *Public Administration*, Autumn, vol 71, pp. 407-16
5. CARTER et al (1994) *How Organisations Measure Success*, London: MacMillan
6. FARNHAM D, HORTON S (eds) (1993) *Managing the New Public Services*, London: MacMillan
7. GUARDIAN NEWSPAPER (Society Section) (1994) "Terminological Inexactitude?" London: *The Guardian Newspaper* 14.12.1994, pp.2
8. HENKEL Mary (1991) *Government, Evaluation and Change*, London: Jessica Kingsley Publishers
9. HILL Michael (ed) (1993) *New Agendas in the Study of the Policy Process*, London: Harvester Wheatsheaf
10. HOGWOOD Brian (1992) *Trends in British Public Policy*, Buckingham: Open University Press

11. HMSO (1991) *The Citizen's Charter - Raising the Standard*, London: HMSO cmd 1599
12. H M TREASURY (1992) *Executive Agencies - A guide to setting targets and measuring performance*, London: HMSO
13. JACKSON Peter (1993a), 'Editorial: Public Sector Performance - The Unended Quest', *Public Money & Management*, October-December 1993, pp.3-4
14. JACKSON Peter (1993b), 'Public Service Performance Evaluation: A Strategic Perspective', *Public Money & Management*, October-December 1993, pp. 9-14
15. JOWETT P, ROTHWELL M (1988) *Performance Indicators in the Public Sector*, Hampshire: MacMillan Press
16. KOUWENHOVEN V (1993) "The rise of the public private partnership: A model for the management of public-private cooperation", in Jan Kooiman (ed) (1993) *Modern Governance - New Government Society Interactions*, London: Sage Publications, pp.119-130
17. LAWTON A, ROSE A G (1991) *Organisation and Management in the Public Sector*, London: Pitman Publishing
18. Office of Management and Budget, General Accounting Office, and Civil Service Commission (1996) *The Report to President and Congress of the Joint Financial Management Improvement Programme*, Washington, D.C.
19. WALSH K (1991) 'Quality and Public Services', *Public Administration*, Winter, vol 69, pp.503-14
20. ZIFCAK Spencer (1994) *New Managerialism - Administrative Reform in Whitehall and Canberra*, Buckingham: Open University Press

## **APPENDIX: Problems and benefits of using Performance Indicators**

### *1. Problems in comparing performance indicators in different organisations*

- i. Differing objectives mean that organisations have differing performance indicators, thus making comparisons difficult
- ii. The degree to which inputs can be directly related to outputs varies from organisation to organisation
- iii. The number of objectives pursued by each organisation varies greatly, making the allocation of overheads to each problematic
- iv. The 'pay back' time for different policies varies greatly; this may tempt policy-makers to opt for short-term rather than long-term solutions to problems

### *2. Beneficial functions of performance indicators*

- i. Set specific goals for management
- ii. Facilitate budget justification
- iii. Stimulate cost reduction and organisational improvement
- iv. Permit control of operations
- v. Allow for improvements in motivation
- vi. Improve accountability

**Source:** Jowett & Rothwell (1988: 4)