

## PERFORMANCE MEASUREMENT IN THE PUBLIC SECTOR: RISING CONCERN, PROBLEMS IN PRACTICE AND PROSPECTS

Uğur ÖMÜRGÖNÜLŞEN

*(Res. Asst., Hacettepe University, Department of Public Administration,  
Ankara-TURKEY, e-mail: omur@hacettepe.edu.tr)*

### Abstract:

In the face of the perpetual performance problem of the public sector, governments' commitment to improving this performance has generated demand for performance measurement as an important financial-managerial tool for last two decades. Economic, efficient and effective use of public money in the course of public activities can be ensured through performance measurement (performance measures and indicators). However, there are some serious difficulties in measuring performance in the public sector due to the political and uncertain nature of public goods and services. Therefore, there is nothing straightforward about the concept of public sector performance; and the moral and political foundations of public services as well as their performance should be taken into consideration in the public service. This is all about the "politics of public sector performance".

### Özet:

#### **Kamu Sektöründe Performans Ölçümü: Artan İlgi, Uygulamadaki Sorunlar ve Gelecek**

Kamu sektörünün süreklilik arzeden performans sorunu karşısında hükümetlerin bu performansı iyileştirme yönündeki taahhütleri önemli bir mali-yönetimsel araç olarak performans ölçümüne olan talebi son yirmi yıl

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**Keywords:** Public sector performance, performance measurement, performance measures and indicators, performance auditing, the three E's (economy, efficiency, effectiveness)

**Anahtar Sözcükler:** Kamu sektörü performansı, performans ölçümü, performans ölçüleri ve göstergeleri, performance denetimi, üç E (ekonomiklik, etkinlik, etkililik)

çinde yaratmıştır. Kamusal faaliyetler esnasında kamu parasının ekonomik, etkin ve etkili kullanımı performans ölçümü (performans ölçü ve göstergeleri) suretiyle sağlanabilir. Bununla birlikte, kamusal mal ve hizmetlerin siyasal ve belirsiz doğası sebebiyle kamu sektöründe performans ölçümünde bazı ciddi sorunlar mevcuttur. Bu sebeple, kamu sektörü performansı kavramı çok belirgin değildir; ve kamu hizmetlerinde hizmetin performansı kadar ahlaki ve siyasal temelleri de dikkate alınmalıdır. Bütün bunlar “kamu sektörü performansı politikası” hakkındaki hususlardır.

## INTRODUCTION

The problem with “Big Government” is not only its size and its role in social and economic life (i.e. “what are the activities and functions that governments are, and should, involved in?”) but also its performance (i.e. “how government is doing its functions” or, in other words, “what the best way of delivering them is”). The “perpetual problem of government performance” (see Downs and Larkey, 1986: Chp.1) is reflected very well by the views of general public, politicians and academics on government and its bureaucracy (see Caiden, 1991; Goodsell, 1994; and Nye,Jr, Zelikov and King, 1997).

Government bureaucracy is expected to be efficient and effective in its operation, to be responsive and accountable to its political master and to the public. It is further expected to be fair in treating people and required to make decisions via legally defined standards of due process. As Hammond and Miller points out, to assert that government bureaucracy cannot possibly meet all such standards (i.e. political, legal, economic and managerial standards) would certainly not be a surprise (1985: 1). As a matter of fact, most treatments of bureaucracy are highly critical. Goodsell surveys many kinds of criticisms by grouping them under three broad categories: (i) delivering unacceptable performance; (ii) mobilising dangerous political power; (iii) oppressing the individual. In other words, bureaucracy is said to sap economy, endanger democracy, and suppress the individual (1994: 13, 19).

Opinion polls indicate that ordinary people, in general, disapprove the level of government performance in many countries (for example, see Hastings and Hastings, 1996: 151-54). They think throughout their lives that government is a sea of waste, a swamp of incompetence, inert, unresponsive and bureaucratic giant, a mountain of unchecked power, oppressive and dehumanised treatment of public. Actually, their opinion is in great accordance with the arguments of some academics about “administrative failures”, “administrative malpractices” or “bureaupathologies” (for example see Martin, 1973; and Caiden, 1991). These ascribed traits of government and its

bureaucracy are, obviously, all pejorative. Furthermore, these stereotypic perceptions are dramatically exaggerated (see Downs and Larkey, 1986: Chp.1; Kelman, 1987: Chp. 12; and Goodsell, 1994). Even in societies where public service has been a respected profession, the bureaucracy is increasingly a negative symbol of what is wrong with the country. These contradictory stereotypes on government bureaucracy, therefore, lead us to look at the issue of bureaucratic performance more closely in this paper.

The issue of government performance or, in a more economic term, the issue of public sector performance is nothing new. Economic performance criteria (efficiency) has been used in order to assess the performance of public organisations, services and programmes despite the usage of this criteria along with political judgements, professional decisions and other qualitative interpretations in the public sector is more complex than in the private sector due to the inherent differences between the sectors (see Sørensen, 1993). The quest for more efficient public sector goes to the late nineteenth century (see Wilson, 1887). At managerial level, however, the first concentrated interest in efficiency came to the agenda at the first quarter of the twentieth century. This focus on efficiency of public organisations was imbedded in the politics-administration dichotomy and was reinforced by the principles of administration of classical writers and the scientific management tradition (see Bouckaert, 1992; Martin, 1992). At more economical and philosophical level, the debate about the relative efficiency of public sector in terms of capitalist and socialist forms of economic organisation also raged in the 1930s and 1940s (see Jackson, 1982: 174). In the post-war era, bureaucratic waste and inefficiency were highlighted more popularly by some authors such as Parkinson (1957). However, until the 1980s the reference toward efficiency was only implicit, via the budget processes and changes. Bureaucrats had much more grasp on policy-making thanks to the ideological climate of post-war order. As a consequence, efficiency got less attention apart from caricaturised images of bureaucrats.

In the last three decades, however, public sector performance and, in particular, the “crisis of efficiency” has become a fierce debate again between politicians, academics and practitioners with the simultaneous and contradictory effects of excessive budget deficits and taxpayers’ pressures (see King, 1975: 284-96; Rosen, 1993: Chp. 2). This financially awkward predicament has fed anti-government sentiments. Under such circumstances, Western countries have responded in, more or less, a similar way. The “policy of withdrawal of government” (see Christensen, 1988) stems from the New Rightist conviction that the public sector is necessarily inefficient because it is too large and exempt from the disciplines of the market in the management of resources. This conviction, which is usually called as “government failure” (see

Wolf, 1993) due to “allocative and X-inefficiencies” embedded in the public sector, has led the New Rightist governments (e.g. the Reagan Administration and the Thatcher Governments in the 1980s) launch policies aimed, first, at transferring marketable public services into the private sector where they will be directly subject to the disciplines of the market and at cutting back the remaining public services and staff as much as possible. Second, at importing the disciplines of the market into the public sector by finding substitutes for the forces of demand and supply which dictate the allocation of resources in the market economy, and for the profit motive and consumer choice which make the market efficient. This policy includes the introduction of new management systems to the public sector (see Pollitt, 1993; Savoie, 1994). While the first policy is “minimalist”, the second one is more “positive”. Here we are concerned with the second strand of this policy: improving the performance of the public sector which is sometimes called as “efficiency strategy” (see Plowden, 1985: 398; and Metcalfe and Richards, 1990: 29) in the context of “performance measurement”.

In addition to ideological conviction of the New Rightist governments in developed Western countries, governments from different sections of political spectrum in both developed and developing countries have launched policies to eliminate waste in the public sector with basically practical aims in the face of financial constraints. The common purpose of all these governments is to cut or, at least, control public spending and then to force the bureaucracy work more efficiently in order to “get more yield out of these scarce resources” or in other words “do more with less” (see Bouckaert, 1992: 29). As a matter of fact, Mr. Heseltine, former Secretary of State for the Environment in the U.K. wrote: «Efficient management is a key to the [national] revival» (Heseltine, 1980).

For governments facing financial crisis, their conventional options are usually stated either raising taxes to carry on providing services or cutting services through various load-shedding and cutback means. Rarely is improving performance cited as another alternative. Raising taxes or cutting services are considered as relatively easy to do in terms of technical point though they involve political difficulties. On the other hand, improving the performance of the public sector is politically more neutral (Savas, 1992a: 2 and 1992b: 79) and popularly more attractive (Holtham, 1992: 96) since public spending could be cut without reductions in popular public services. Furthermore, taxpayers have become more critical with regard to government activities and want information about how their money is used and what they get for it in return. Therefore, governments are coming under increasing pressure to account for the disbursement of public expenditure, not only for the legality and accuracy of spending, but also its efficiency and effectiveness. Governments are expected to meet the demands of different publics for more, better and low-cost

services while staying revenue neutral (see Haselbekke and Ros, 1991: 155; Halachmi and Bouckaert, 1993: 6; Rosen, 1993: 12). Public managers are also forced to deliver a better service with lower cost with the fear of cutback and privatisation (Rich and Winn, 1992). Improving the performance of the public sector is, however, technically more difficult task. It requires a sustained effort (Savas, 1992a: 2 and 1992b: 79) and resources in setting up and operating a performance improvement programme including a performance measurement system.

Thus, governments' commitment to improving the performance of the public sector has generated demand for performance measurement in response to the need to know efficiency and effectiveness of public policies in the face of absence of a clearly defined unit of output of government bureaucracies. This characteristic of government bureaucracy makes various techniques, used for easily priced and marketed commodities, useless. Such performance can be measured in terms of the level of achievement of the objectives of a public organisation or a program (i.e. effectiveness) or the level of costs occurred due to organisational activities to achieve those objectives (i.e. efficiency). This means that financial indicators (e.g. profitability) which are used to evaluate performance in the private sector cannot be used for public organisations which produce public goods and services. This has resulted in the continuing search for better ways of measuring performance. "Regression analysis", the frontier techniques for measuring efficiency such as "data envelopment analysis" (non-parametric linear-programming) and "performance measurement" by performance measures and indicators are most popular techniques in this field, in particular for measuring technical efficiency (X-efficiency) (see Levitt and Joyce, 1987: Chp. 9). All these techniques, of course, have some benefits and drawbacks. Their shortcomings, in general, derive from the complexity of public sector organisations, the multiplicity of inputs and outputs and their qualitative nature.

"Performance measurement" has recently become an important financial-managerial measurement and improvement technique on government performance. It has been understood that economic, efficient and effective use of public money in the course of public activities can be sought through performance measurement. In this paper, performance measurement (through performance measures and indicators) will be examined since economy, efficiency, effectiveness ("Three E's") have become popular watchwords in the quest for performance due to the recent market-type and managerial reforms in the public sectors of many countries. In addition to the rising concern for performance measurement in the public sector, potential difficulties in measuring performance in the public sector and the prospects of performance measurement technique in near future will be discussed.

#### **I) PERFORMANCE MANAGEMENT: MONITORING, MEASURING AND AUDITING PERFORMANCE**

Traditional bureaucratic governments had often no idea what was exactly produced, how well it was produced, who was to take the praise or blame, or even who was a good worker. With the effect of traditional public administration approach, they focused on inputs, not outputs and outcomes. Since traditional public administrators used to know that their organisations are funded according to inputs, they paid little attention to outcomes and they had little reason to strive for better performance. With so little information about results, they rarely achieved them. Bureaucratic governments rewarded their employees based on their longevity, the size of budget and staff they managed, their levels of authority rather than their performance. The ultimate test for politicians was not performance, but re-election (i.e. “pleasing the voters”). Within this context, the majority of politicians and public managers had no idea which programmes they funded were successful and which were failed. Therefore, many obsolete government programmes has lived on for decades. When they cut budgets and staff, they had no idea whether they were cutting muscle or fat. Lacking necessary information on outputs and outcomes they made their decisions largely on political (see Osborne and Gaebler, 1992: Chp. 5) or on legal considerations (Moe, 1988). Whereas, “performance” in its broad meaning is the most objective standard for judging the success of public organisations (Bozeman, 1987).

With a new managerial and entrepreneurial understanding in the public sector (see Ömürgönülşen, 1997 and 2000), the emphasis has been shifted from controlling inputs to outputs and outcomes (see Osborne and Gaebler, 1992; Hughes, 1994) and to the full costs of achieving them (Holmes and Shand, 1995: 555). The orientation away from *ex ante* public administration in the form of various kinds of planning techniques towards *ex post* public management necessitates that activities in the public sector are capable of some kind of measurement (see Lane, 1993: 132). Especially, given the squeeze on resources and image of failure, new public managers are now paying more attention to the performance of their budgets and activities. They need information on the efficiency and effectiveness of their activities if they are to monitor and then measure the performance of their organisations. Without the information provided by performance measures and indicators, public managers are in danger of allocating resources and doing some activities in the dark (Jackson and Palmer, 1989: 1 and 1992: ii). Both politicians and public managers need more “technical standards”, apart from “normative criteria”, in allocating and using resources (Lane, 1993: 190). Defining objectives, deciding on the resources to reach these objectives, and measuring the organisation’s performance whether meets its objective is the most serious management

problem. Therefore, performance measurement takes place at the heart of the managerial function of any organisation. But what is meant by “performance management”, by “performance monitoring”, by “performance measures and indicators” and by “performance auditing” which are closely related to “performance measurement”? How have they been developed and applied in the public sector?

The various definitions of these concepts have caused a certain amount of controversy and confusion in the relevant literature. However, in recent years some valuable studies (e.g. the official reports of OECD-PUMA, the official documents of governmental bodies in the U.K., and individual academic works in Anglo-American countries) have helped us to make them clear.

**A) Performance Management:** This concept has been one of the most important developments in the sphere of management in the last two decades (Armstrong, 1994: 15). Critics from both sides of the political spectrum have questioned the traditional ethos and practices of public services and informed the meaning of performance management and the most appropriate means to its achievement: market surrogates of the marketeers; internal incentives of empowerers; and new performance culture of organisational reformers (managerialists) (Hadley and Young, 1990). It has grown out of realisation that a more integrated and continuous approach is needed to manage and reward performance in both public and private sectors. Performance management is a means of getting better results from organisations, programmes or services, teams and individuals by understanding and managing performance within an agreed framework of planned goals and objectives, standards and attribute/competence requirements (Amstrong, 1994; 15, 22). With these characteristics, performance management is a key element of any “strategic” perspective. In a strategic decision-making process, strategic decisions set organisational objectives and targets and then show how they might be achieved. Performance management is directed at achieving these objectives and targets (Jackson and Palmer, 1992: 2-3). Such an approach requires monitoring performance, measuring it by comparing with targets and auditing this performance. However, a successful performance management depends not only appropriate technical and procedural practices, but also cultural and attitudinal characteristics within an organisation which has too frequently been neglected (see Butt and Palmer, 1985: 22; and Rouse, 1993: 64).

**B) Performance Monitoring:** It is another essential element of strategic management. It ensures that the public services provided meet the needs of the recipients of the services; and enables those providing the services to have clear idea of what is expected of them and how well they are doing in achieving their

objectives; and then it establishes and demonstrates accountability. So, it is important to identify the different dimensions of performance such as efficiency of the service production processes, the quality of the service, the impact or effectiveness of the service, the satisfaction of the recipients of the service, and accountability. With these qualities, performance monitoring needs to be incorporated into the management process. Performance monitoring depends upon “performance measures” and “performance indicators” as sources of information. In other words, performance monitoring includes the process of creating performance measures and indicators (Jackson and Palmer, 1992: 2, 5, 6).

**C) Performance Measures and Performance Indicators:** Performance measures and indicators are means to assess or measure the performance of a service, programme or an organisation. In the public sector, where profit or rates of return measures are not always available, they are developed as proxies and surrogates for profit and loss in the private sector. Performance measurement, especially measurement of effectiveness, in the private sector is not very complex because profitability tends to be used as the overriding indicator, and certainly provides a “bottom line”. As the Audit Commission in the U.K. (1988) indicates, making a profit, or at least avoiding a loss, is a convenient performance indicator covering economy, efficiency and effectiveness in one term. However, profitability indicator is less frequently available or appropriate in public services that are mainly not for sale on the market. There is no equivalent flow of revenue related to sales and costs related to input due to the nature of public goods and services. While shadow prices might be derivable for services with private sector analogies (e.g. medical treatment, education fee), many public organisations have no market equivalent. Public managers frequently faces the problem of measuring output and especially outcome in many public services where some social and political considerations (e.g. quality, equity, participation) are important of meeting subjective final needs of citizens/customers. Therefore, performance measures and indicators are used as substitutes for profit in the public sector.<sup>1</sup>

However, it is useful to distinguish between these two concepts. When any activity or output can be measured precisely, then it is usual to talk about “performance measures”: like reading data from a dial (e.g. miles of road repaired). This is highly mechanistic approach and draws heavily on analogies with engineering systems. In reality, social world is much more complex. Since there are few unambiguous relationships, unambiguous measures of the performance of social systems are rare. Instead, performance indicators are used. When it is not possible to obtain a precise measure, as is usually the case, it is usual to refer to “performance indicators”: an alarm (e.g. qualifications obtained through a training scheme). Performance indicators, as the name



suggests, are provocative and suggestive since they are proxies used when output is not directly measurable. They do not necessarily tell the whole picture, but provide relevant information towards the assessment of performance. They signal that there might be a problem or an issue relating to performance that has to be clearly identified, understood and resolved. Therefore, they are “tin-openers” rather than “dials”. They are weaker elements of a management information system than performance measures and suggest that further diagnostic investigations are required. They are given meaning when they are compared against targeted performance (i.e. “what has to be done, how much of it has to be done, what quality is expected, and when has to be done?”) (Jackson, 1988c: 11; 1995b: 4; Jackson and Palmer, 1989: 2; and 1992: Chp. 2 and 3).

Most of the performance measures and indicators currently in use focus upon static efficiency, that is, the short-run. We need measures and indicators emphasising dynamic efficiency, that is, the long-run (Jackson, 1993b: 13). They also need to be reviewed and revised to take into account changes in the managerial context and process (OECD-PUMA, 1993: 5, 31).

Some performance indicators can be expressed in quantitative terms (e.g. a statistical number, a ratio). Other indicators are qualitative and describe, for example, processes. Quantification provides information necessary for the task of measurement but it is not sufficient since some areas of performance do not lend themselves to quantification. There are many aspects of public sector performance that are qualitative and difficult to quantify due to political, legal and professional considerations. In measuring performance, the problem of “what gets measured gets attention” is a serious one. Performance gets a bad name if in practice it is equated with the measurable. Unfortunately, economists have an attitude that if you cannot measure it, it does not exist, but it is not true. Overemphasis on quantification can bias decisions and result in distortions of behaviour in the sense that only that which can be measured gets done. Whereas, the immeasurable might be more important than the measurable for many decisions (e.g. advisory activities); or an aspect of public service may not be measured easily but it can be crucial to the users (e.g. quality). Therefore, there is an understandable but disapproved inclination to skew effort towards those activities being measured. The choice of measures and indicators is an exceedingly “tricky” business. Choice of the wrong measures and indicators, which do not capture all-important aspects of the purposes of an organisation or a programme, could bring about unintended and undesirable responses. In addition to quantitative data, performance measurement in the public sector should be based on “good” qualitative indicators that require sensitivity to legislated goals, particular problems encountered in operations, and the impacts of the activity on other organisations and people (see Schultze,

1970: 152; Peirce, 1981: 33-7; Mintzberg, 1982; Arvidsson, 1986; Kelly, 1988; and Mulreany, 1991: 23).

Performance measures and indicators have two main roles. Firstly, there is their internal management role. They can provide managers with information necessary to make decisions, thereby assisting them in judging how far their objectives have been achieved. Their second role is to provide external auditors with a basis for judging performance and establishing accountability (Jackson, 1988c; Rouse, 1993: 66-7). In their first role, Burningham (1990, 1992) sees them having both a “control” and a “development” function. They are extremely useful yardsticks/standards against which to measure the performance of public activities. It performs a roughly similar task to the measure of profitability in the private sector to give information about the performance to managers (Daffen and Walshe, 1990: 146-51). In performing both their roles, they provide the possibilities of comparisons: (i) inter-sector comparisons (i.e. comparisons between the performance of statutory, voluntary and private sector organisations); (ii) inter-authority comparisons with league tables and other benchmarks (i.e. comparisons between the performance of similar authorities like local authorities); (iii) time or trend comparisons (i.e. comparisons with the past performance of the same organisation); (iv) target comparisons (i.e. comparisons with some theoretical model which generates “ideal” performance targets) (see Hill and Bramley, 1986: 187-95; Boyle, 1989: 23-4; Carter, Klein and Day, 1992: 46-8; Flynn, 1992: 113-5; Rouse, 1993: 68-9). They act as a substitute for consumer choice in promoting competition; at the same time, and equally important, they strengthen citizens/customers’ democratic control of public services (Ridley, 1995). Recognising the potential conflict between their internal and external roles due to the different needs of internal managers and external stakeholders, Jackson argues for a “complex mosaic of indicators” rather than a single set, especially comparing performance indicators with “mirrors” which reflect particular aspects of an organisation’s activities (1988c: 11-2).

Some of them reflect the financial dimension of performance such as economy (e.g. cost indicator, source of fund indicator) and efficiency (e.g. level of resourcing indicator, unit cost indicator, workload indicator, productivity indicator, time target, volume of service, utilisation rate) while others illustrate other facets of performance, beyond cost indicators, such as effectiveness (e.g. outcome indicator, casework, customer survey), equity (e.g. availability of service) and quality (e.g. customer satisfaction survey) (Jackson and Palmer, 1992: 21-4; Jackson, 1995b: 1, 5; Rouse, 1993: 69-72). In brief, focusing solely on the financial aspect of performance is too simplistic approach for the public sector. The financial aspect must be treated as one among a broader set of

aspects, including quality, equity, customer satisfaction; and non-financial performance measures and indicators must be developed (Eccles, 1991: 131-7).

**D) Performance Auditing:** The job is not completed with performance monitoring and performance measurement through developing performance measures and indicators. Performance needs to be audited “internally” and “externally” as well. “VFM auditing”<sup>2</sup> is a part of internal audit function that aims to assist the members of an organisation in the discharge of their responsibilities (see Institute of Internal Auditors, 1988: 3). Within this framework, VFM is a means of assisting public sector managers to improve performance in the dimensions of economy, efficiency and effectiveness (Jackson, 1988b: 9). With this feature, VFM auditing is distinct from the traditional audit aiming at expressing professional judgements about the legality and procedural expediency of the way in which funds have been spent. It determines whether the desired results or benefits are being achieved, whether the objectives established by the legislative or other authorising body are being met and whether the agency has considered alternatives which might yield desired results at lower cost (Morse, 1971: 42). It brings with it assurance and confidence in the operation of government since it is more than just ensuring legal and financial propriety (Jackson, 1995b: 2). Thus, VFM can be thought of as an “analogue” to profit as a measure of management success (Jones, Lewis and Jordan, 1988: 2.4). In other words, VFM auditing is the public sector equivalent of market mechanism (perfect competition) providing a framework for measuring performance in terms of “Three E’s” (economy, efficiency and effectiveness)<sup>3</sup> (Palmer, 1991: 60-1).

In addition to internal performance auditing (i.e. VFM auditing), performance of public organisations or services are audited externally. This is an evaluation of evaluation. The major elements of an “external performance auditing” are: analysis of the external environment; evaluation of past performance and present activities; and identification of future opportunities and threats. External audit function is carried out by impartial supreme “external auditing” bodies such as the General Accounting Office in the U.S., the National Audit Office or the Audit Commission in the U.K., and the Court of Accounts (*Sayıştay*) in Turkey<sup>4</sup>. Some audit bodies, notably those in North America, Sweden, Netherlands (and Turkey), adopt a more judicial style of audit, but the style of audit in U.K. is essentially more politico-managerial (Glynn, Gray and Jenkins, 1992: 68). In both cases, however, external auditing is aimed at not only focusing on financial probity and certification audit but also extending its enquiries to evaluation of the performance of central and local governments against the criteria of economy, efficiency and effectiveness (see Jackson and Palmer, 1992: 10, 42; Gray, Jenkins and Segsworth, 1993; and Jackson, 1995b: 3). Only an independent examination can ensure that

appropriate methodology of measurement is being adopted (e.g. performance measures and indicators, case studies, customer surveys and some quantitative techniques) and measurement is being correctly carried out. An independent audit carried out by an impartial external body is a guarantee of validity and reliability of measurement (Glynn, Gray and Jenkins, 1992; OECD-PUMA, 1993: 5, 35). External auditors are today charged with the legal responsibility of ensuring that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of taxpayer's resources (Jackson and Palmer, 1992: 38). With this feature, external auditing encourages and promotes good management (Glynn, Gray and Jenkins, 1992: 68).

Now we could search more about performance measurement and the difficulties of measurement as an important part of the problems in achieving efficiency in the public sector.

## II) PERFORMANCE MEASUREMENT IN THE PUBLIC SECTOR

The "wave of performance measurement" (Pollitt, 1986b: 315; Carter, 1989: 132-3), accompanied with other managerial and commercial measures, represents a significant technical and cultural change in the public sector. The design and implementation of performance measurement, with the development of performance measures and indicators, is a part of the new public management approach in the public sector (see Jackson, 1995b: 6-7). Performance measurement is a key aspect of performance management on the grounds that "if you cannot measure it you cannot improve it" (Amstrong, 1994: 60). With this feature, performance measurement provides public decision-makers with an effective tool in their struggle for improving performance in the public sector.

**A) Rising Concern for Performance Measurement:** Like general concern for the performance of the public sector, the measurement of this performance is actually not new. It was a concern in ancient civilisations (see Brinkerhoff and Dressler, 1990; Martin, 1992) and is found in classical management literature (e.g. Taylor, 1911; Gulick, 1937; and Ridley and Simon, 1938). Efficiency and effectiveness have become a central concern of management theorists since the classical era. However, the development of a system to measure the performance of public organisations, public services or programmes has been a centrepiece of most attempts to improve governmental performance during the second half of the twentieth century. In the U.S., the measurement of performance (output) in the public sector goes back to the 1960s. Such activities at both federal and state-local government levels gained momentum in the 1970s (Hatry, 1978; Levitt, 1986; also see Levitt and Joyce,

1987: Chp. 7). Since then American presidents have had great concern with performance improvement and launched various performance improvement programmes (e.g. President Nixon's 1973 Federal Government Productivity Programme; President Reagan's 1986 Productivity Improvement Programme; President Clinton's 1993 National Performance Review). Some federal government organisations (e.g. the Bureau of the Budget, the Bureau of Labor Statistics, the General Accounting Office, the Office of Personnel Management; the Office of Management and Budget; and the Civil Service Commissions) have had major roles in promoting performance consciousness and measurement (see Downs and Larkey, 1986: Chp. 3; Rosen, 1993: Chp. 1; also see Holzer, 1992). The Grace Commission (1984) reaffirmed the importance of cost-savings in the public sector. In recognition of the importance of performance measurement, the National Academy of Public Administration passed a resolution in 1991 that urged all agency heads and key programme managers to develop and utilise performance measures (NAPA, 1992). Finally, the Congress enacted the Government Performance and Results Act in 1993 with the aim of a vigorous implementation of performance measurement across federal agencies. The need for development of performance measures and indicators has received emphasis within especially the reinventing government movement (see Osborne and Gaebler, 1992; and Gore, 1993).

In the U.K., the Fulton Committee called for managers and units to be held "responsible for performance measured as objectively as possible" (Fulton Report, 1968). Only later in the mid-1970s, when faced with severe financial problems, the British government began to make a systematic attempt to measure and control the performance of the nationalised industries. The election victory of the Conservatives in 1979, and their desire to get better value for money from the public sector, has given a further boost to the systematic development of performance measurement in all areas of the public sector. The Rayner Scrutinies of early 1980s heightened consciousness about costs and resource use (Jackson, 1988a). The main impetus for this development is the Financial Management Initiative (FMI) (Cmnd 8616/1982 and Cmnd 9058/1983). FMI requires that public managers should have a clear view of their objectives; and, wherever possible, measure their performance in relation to these objectives. The questions public managers are asked to answer are "where is the money going and what we are getting for it?" Another milestone is the Citizen's Charter programme (Cm 1599/1991). This programme promises citizens/customers certain standards of services and the publication of performance indicators. All these initiatives have increased the role of performance measurement and reinforced interest in developing it further in the 1990s. As a matter of fact, both the British Treasury and external auditing bodies (i.e. the National Audit Office for the central government; the

Audit Commission for local governments in England and Wales; and the Accounts Commission for Scotland for the Scottish local governments) have set up the framework for performance measurement and contributed to the development of performance measures and indicators (see Jones, Lewis and Jordan, 1988; Audit Commission, 1988, 1990, and 1995). Also, the British central departments have contributed to the development of performance measurement throughout 1980s and 1990s (see Lewis, 1986; Beeton, 1987; and Durham, 1987).

The trend at large, in many developed countries, has been named as the “rise of the evaluative state” (Cave and Kogan, 1990: 179). The literature on the theory and practice of performance measurement has become far too extensive to cite completely here, but we can say that public sector performance measurement and improvement initiatives have become something of an international movement (see Cave, Kogan and Smith, 1990; Dixon, Kouzmin and Scott, 1996; OECD-PUMA, 1994 and 1996). This trend has become partially influential in Turkey since the late 1980s as well.<sup>5</sup>

Although performance measurement is often undertaken with great fanfare, as an idea it is not new in the public sector. Taylor’s scientific management represents the first wave of this idea; the application of PPBS constitutes the second wave; and performance measurement forms the third and the newest wave. As Savas emphasised, public sector landscape is littered with remnants and reminders of vast arsenal of performance and rationality improvement techniques such as PPBS, ZBB, PAR and MBO, and their impacts have been modest and often short-lived (1992b: 79-80). The contemporary enthusiasm for performance measurement in some ways represents a resurrection of managerialism advocated by the Maud (1967) and Fulton (1968) Reports three decades ago. Many of the same thorny issues that dogged early reform attempts seem to reappear to haunt it (Carter, 1989: 138). However, unlike the previous techniques, performance measurement is unlikely to fall victim to changing fashion in management techniques, for several reasons: (i) the requirement for performance measurement is now enacted in law and administrative regulations; (ii) major professional accountancy firms have now a stronger vested interest in making it work; (iii) it is already recognised that information obtained from such techniques constitutes only one of many elements involved in a policy decision; therefore, authorities who are responsible for measurement now try to collect right and enough data according to the strategic and operational needs; (iv) the institutional and cultural context, overlooked in the 1960s and 1970s, is now given serious consideration (see Glynn, 1986; OECD-PUMA, 1993: 16-7; Rouse, 1993: 73-4); (v) the computer technology for making general use of performance measures and indicators is now available; and (vi) the political context has been different. For example,

Conservative governments in the U.K. in the 1980s and 1990s provided sustained and powerful support for this initiative, unlike the earlier Wilson and Heath governments (Carter, 1989: 138). Thus, performance measurement seems to have an established place in the repertoire of public management (see Carter, Klein and Day, 1992) and the evaluative state is likely to remain a major economic and political preoccupation (Mulreany, 1991: 32).

**B) The Purpose of Performance Measurement:** One of the most important weaknesses of government bureaucracy is its relative isolation from internal and outside feedback and evaluation (see Wriston, 1980: 181). It is often argued that inefficiency is due to lack of proper information, performance measurement and auditing systems. Public managers are actually blind without a proper measurement and auditing system which shows how public services, organisations and managers/employees are successful hitting predetermined economy, efficiency and effectiveness targets. As Jackson aptly points out, performance measurement indicates whether electorate, taxpayers and users of public services (i.e. distinct stakeholders) obtain value for money (1993b: 9).

Within this context, performance measurement is an important managerial aid: (i) to improve decisions about the allocation and, in particular, best using of public resources made by elected public officials or appointed executives and managers of public organisations through giving more and accurate information; (ii) to the control of public expenditure by providing information in order to get more yield out of the taxpayer's money ("more bang for the public buck"); (iii) to improve the general performance of programmes, services and organisations by increasing managerial competence in the areas of budget appropriations, and motivating staff through performance-related pay and promotion etc.; and (iv) to increase accountability of governments to the public (in particular taxpayers), public service providers to their service users, public service executives to their elected bodies or appointed governing boards of their organisations; lower-level public managers and staff to executives and higher-level managers of public organisations (see Jones, Lewis and Jordan, 1988: 1.1; Carter, 1989; Jackson and Palmer, 1992: Chps. 2 and 3; Bouckaert, 1990: 59; Jackson, Beeton, Haselbekke and Ros, 1991; Epstein, 1992: 162-3; Hatry and Fisk, 1992: 139, 153; OECD-PUMA, 1993: 4, 10). Thus, performance measurement fuels main management processes such as budgeting, production, personnel and control with some solid facts. Any failure to measure performance results in (i) detailed regulation of means of production, procedures, inputs, and organisation by the ministry involved; and (ii) defensive behaviour to avoid any action that could be shown to be a mistake (Schultze, see 1970). With all these features, performance measurement is of crucial importance to both an efficient and effective

government and an accountable and democratic government (see Holzer and Halachmi, 1996).

Performance measurement is sometimes regarded as an unwanted form of “backseat driving”. It provides an opportunity for government to retain firm central control over public organisations by exercising strategy of “hands-off” rather than “hands-on” control while pursuing a policy of decentralisation (Carter, 1989). This policy based on the “bureaucratic paradox” that it is necessary to centralise in order to decentralise (Perrow, 1977). This paradox can be overcome by the “tight-loose” principle of Peters and Waterman (1982). Actually, the logic is straightforward: if the government is to retain control and accountability then the centre must be able to state explicitly the form, quantity and quality of inputs, outputs and outcomes that it expects the decentralised service to provide (Carter, 1989).

Although performance measurement is a positive-sum game in the long-run (Hill and Bramley, 1986: 200-201), building support for this activity and overcoming legal, structural and cultural-behavioural blockroads on this way (see Ammons, 1992; Rich and Winn, 1992; Rosen, 1993: Chp. 2) are technically and politically difficult tasks. During the periods of financial restraint, performance measurement can be considered as a means of “central government control” over service delivery to cut costs at governmental level; and as an instrument of “management control” and “punishment” that may lead to salary cuts, an increased workload or even redundancies at organisational level. It is also regarded as a new application of “Scientific Management” control techniques to drive efficiency. Therefore, it calls the resistance of employees, public service professionals and trade unions (Pollitt, 1986b, 1987, 1989, 1990; Flynn, 1992: 110; Jackson, 1993b: 9; Jackson, 1995b: 1-2). Focusing on economy and efficiency aspects of performance with the aim of control tends to alienate employees since they feel as if they are on an assembly line (Osborne and Gaebler, 1992: Appendix B). Downs and Larkey ask that what organisation could be expected to cheerfully provide information that might result in the loss of jobs, resources and prestige (1986; see also Caudle, 1987; Flynn, 1992: 110). In a penal environment of control, those who are the subject of control are only likely to release that information which shows them in the best light. They are also likely to engage in gaming behaviour, which results in the distortion of performance indicators through the equivalent of creative accounting (Pollitt, 1989; Jackson, 1995b: 5-6). Whereas, information obtained from performance measurement should be primarily used for guidance rather than control (see Flynn, 1992: 123; Selim and Woodward, 1992: 163; Jackson, 1995b: 5-6).



Performance concern can easily be turned against bureaucrats, politicians and other stakeholders who feel that the status quo are under threat as well. As a matter of fact, they are all too aware of this Pandora's box character of performance concern and fear it (see Downs and Larkey, 1986: 91-2). Bureaucrats either resist to measurement or manipulate performance indicators. Such behaviour raises question about the accuracy of the results of performance measurement studies in the public sector (see Blankart, 1983: 160). The same goes for politicians. They often hesitate to express policy goals in clear-cut terms and prefer vague terms in order to escape from control (Downs and Larkey, 1986; also see Flynn, 1992: 109). In some cases, outputs of governments could be so politically sensitive that politicians have an incentive not to enquire too closely into what is going on (Flynn *et al.*, 1988; also see Jackson and Palmer, 1992: 35). Furthermore, they make bureaucrats scapegoats for poor governmental performance in the political arena as if they are fully innocent (Millward and Rainey, 1983: 139).

Therefore, performance measurement in the public sector stands at the crossroad of many of the "big issues" (Jackson, 1995b: 2). As Pollitt argues, performance measurement in the public sector is a "political question". Performance measures and indicators are often "value-laden" and rise "perennially awkward, political questions" (1986a: 168). In the construction of them and setting and implementing a performance measurement system we could confront such questions as: "who sets the criteria?"; "whose values are to count?"; "whose interests are being served?"; "how conflicting values can be reconciled?" The key question is: "how can accountable democratic institutions be designed to ensure that appropriate incentives exist to assure high performance (see Jackson, 1993a: 4; 1993b: 9; and 1995b: 2). It is not possible to leave the "political dimension" out of a discussion of public sector performance (Beetham, 1987: 36; also see Rich and Winn, 1992). In the public sector, decision-making is not a simple case of using rational techniques. Strong political lobbying from specific groups plays a significant role (Savas, 1972; and Jackson, 1988c: 14). Performance measurement cannot, therefore, be seen as neutral technical exercise. It is, in practice, structured by the political context in which it is operationalised (Flynn *et al.*, 1988) and it is, at least, partly contingent on the prevailing ideological climate (Rouse, 1993: 67). Performance measurement system, therefore, raises some fundamental questions of governance with its "political" dimension (Flynn, 1986; Carter, Klein and Day, 1992: 2, 46; Flynn, 1992: 110).

Within this political context, public sector performance means different things to different groups. Each group perceives and defines performance according to its own set of interests and values. It reflects the variety of values placed upon the activities of government (Jackson and Palmer, 1992: 11). We

need to recognise the necessity of a “multiple constituency” or “multiple stakeholder” approaches since many “stakeholders”, who have vested interests and potential roles to play, involved in performance measurement. The internal stakeholders are high-level bureaucrats (e.g. political appointees and permanent senior civil servants), middle-level managers, professionals, and employees. The external stakeholders are the public (as taxpayers, suppliers, clients and voters), elected national or local officials (e.g. legislators, government executives), the public sector unions, outside organisations (e.g. budgeting and auditing bodies, professional associations, efficiency centres and researchers), and the media (see Kanter and Summers, 1987; Pollitt, 1989; Harrison and Pollitt, 1992: 101; Jackson and Palmer, 1992: 11 and figure 2; Rich and Winn, 1992; Rosen, 1993: Chp. 2; Rouse, 1993: 74). It is unlikely that the interests of these various stakeholders will be identical. Because different stakeholders have different interests in the performance of public organisations and they prefer different kinds of performance measures and indicators, multiple stakeholder approach helps to force the question “whose value for money is being considered?” Often different perspectives of value for money will come into conflict and will need to be resolved. Such a “pluralistic” approach facilitates the attempts to balance these many perspectives. However, this is not an easy task. This is the “business of politics”. An acceptable balance will vary from place to place and from time to time depending upon the dominant ruling stakeholder values. Thus, performance measurement is not a technocratic value-free concept (Jackson and Palmer, 1992: 11, 35). The views about political aspect of performance measurement, however, should not be a reason for abandoning a rational approach to performance management (Jackson, 1988c: 14; 1993b: 9).

**C) The Application of Performance Measurement:** Performance measurement has been heavily applied to many different public services for last two decades. There is now a substantial body of literature on the introduction of performance measurement to the major public services (see, for example, Jowett and Rothwell, 1988; Jackson, Beeton, Haselbekke and Ros, 1991; and Jackson, 1995a).

In many countries, discussions have also started on the ways of doing performance measurement: whether performance measurement should be situated at and guided from the centre or left at a decentralised level. The extent to which publication of performance data can be left to individual departments, or should be controlled centrally, is also a matter of continuing debate. At present, there is no firm consensus even among countries in the OECD region. Departmental form is supported with the idea of decentralisation; centralised form is supported with the experience that central management bodies help to create good technical and cultural environment to support the development of

performance measurement systems (see OECD-PUMA, 1993). In some countries, central management bodies set the framework and then review the performance of public organisations; in some others, performance measurement programmes are conducted at departmental level. There are some countries that have involved in performance measurement at both levels (see OECD-PUMA, 1994 and 1996). For example, the British Treasury have set out an approach towards performance measurement and have exercised a general control over the whole process (see Jones, Lewis and Jordan, 1988). Within this framework, the British central departments have developed performance measures and indicators and then applied them since the early 1980s (see Lewis, 1986; and Durham, 1987). In all cases, however, there is now hardly a public sector domain that is not subject to performance measurement. A particular culture of corporate management is now being installed in the public sector based upon economic concepts of rationality rather than legal rationality and professional discretion (Cave and Kogan, 1990: 180; and Pollitt, 1990).

A number of factors affect the feasibility, acceptance and success of a performance measurement system when it is applied to the public sector. These are: (i) “external factors” (e.g. the level of political commitment and support, the clarity and measurability of organisational goals, objectives and policy directives, and the width of stakeholder base); and (ii) “internal factors” (e.g. the level of executive-management commitment and support, the readiness of organisational culture, the nature of management style-participatory and democratic or bureaucratic and authoritarian, the level of motivation of staff, the level of support given by the union, the managers and the staff at all levels, the flexibility of organisational structure, the level of relationships with other management systems, service characteristics, the level of technical capacity or organisation, skills of managers and staff, and the cost of performance measurement) (see Glynn, 1986; Holtham, 1988; Jackson, 1988c; Jackson and Palmer, 1989 and 1992; Jackson, Beeton, Haselbekke and Ros, 1991; Flynn, 1992; Osborne and Gaebler, 1992: Appendix B; Selim and Woodward, 1992; OECD-PUMA, 1993; Sørensen, 1993; Jackson, 1995a) Selection of performance measures and indicators in this system is also related to the objectives of the activity concerned and the unit of organisation, in addition to the nature of political climate since performance measurement is a valued-laden exercise. Finally, the success of such a system will be depended on not only its setting but also its way of implementation (see Jackson and Palmer, 1992: Chp. 15; Jackson, 1995b: 1; Meekings, 1995). Tanzi (1982) also indicates that more or less similar factors play important roles in performance measurement in developing countries.

The main issues arising from the strategy of using performance measurement as a “hands-off” instrument of control can be posed as follows:

(i) the difficulty in assessing units that do not “own” some or all of their performance (constraints on performance due to the effect of environmental factors and the interdependence of different units, services or activities within the same organisation); (ii) the lack of clear objectives (multiple, ambiguous and conflicting objectives; and conceptual difficulty in establishing the relationship between the activities of a service and its impact); (iii) the implications for management style (the prescriptive dial performance indicator is a top-down management tool that lends itself to a “command style” of management, but the descriptive tin-opener performance indicator suggests the need for a more “persuasive style” of management); (iv) the inadequacy of information systems; (v) the relationship between the centre and periphery (indirect lines of responsibility and accountability: an arms’-length relationship); and (vi) the relationship between the bureaucrat and the professional service provider (professional expertise and discretion in performance measurement and the independence of professional accountability from the process of political and managerial accountability) (Carter, 1989).

While performance measurement undoubtedly has many benefits to offer, is not a costless activity. It involves “transaction costs” (Jackson and Palmer, 1988: 209). Establishing and operating a performance measurement system takes considerable time, effort and resources. There are also a number of pitfalls that those who use of performance indicators need to be aware of (e.g. information distortion, information overload, difficulties in the interpretation of statistics that are used to form performance indicators, overemphasis on quantification, overemphasis on short-termism, and gaming or manipulation) (see Jackson and Palmer, 1992: 30-3).

It is argued by Ranson and Stewart (1994: Chp. 10) and Stewart and Walsh (1994) that performance in the public domain is an elusive concept since the meaning to be given to it can never be completely defined, and the criteria by which it is judged can never be finally established. It is elusiveness of the nature of performance that makes its measurement difficult for the public service. In other words, the difficulties of measurement are inherent in the uncertain nature of performance in the public domain. The reason why adequate performance measures and indicators cannot be found in the public domain is, therefore, not a matter of technical problem alone; it is inherent in its character. It means that no set of indicators can ever be assumed to be complete, since in the public domain no relevant issues can be excluded. It means, too that the weight to be attached to any factor should be the subject of public discourse and political differences. In the political process there can be trade-offs between different factors (e.g. between economy and effectiveness, between efficiency and equity) as Jackson (1990: 11) indicates. Public sector managers have to choose the appropriate trade-offs between these different

dimensions of performance (Jackson and Palmer, 1992: 20). Again, trade-off is a matter of political judgement rather than a measurement where we weigh one value against another (Stewart and Walsh, 1994: 48). In defining what is appropriate, management needs to pay attention to the views and values of a number of different constituencies or stakeholders, each of whom judge the performance according to different criteria. Once performance in the public domain is recognised as having many dimensions (see Dalton and Dalton, 1988), and being inherently contested, then performance measures and indicators can be seen as competing or reflecting different ethics (e.g. economic, democratic, legal and professional ethics) and value systems. Different ethics reflect different values and different values cannot be reduced to a single measure. The lack of an ultimate measure makes judgement crucial to performance measurement in the public realm; and these issues can only partly resolved by the development of measurement techniques. These are issues which are usually absent from private sector decisions and are often forgotten when simplistic private sector managerial prescriptions are recommended for public services (Jackson and Palmer, 1992: 20, 35).

Public services need to be measured along four dimensions: “inputs” (e.g. number of staff employed in hospitals); “intermediate outputs” (e.g. the number of hospital beds created); “outputs” (e.g. medical care provided for a patient); and “outcomes” (e.g. improvement in general health of the population) (Jackson and Palmer, 1989: 51; and 1992: 16, 28; Palmer, 1991: 65)<sup>6</sup>. Without monetary measures (actual price, profit or rate of return measures), our attention have turned to various surrogates of performance in performance measurement. As public services are very complex, determination of these quite subjective surrogates, which are called as performance indicators, is not a simple task. In order to have reliable information about performance, measures of output and outcome are required and in most instances that simply is not available for many public services. Difficulties in defining and measuring public sector output and outcome are often cited in the literature (for example, see Levitt and Joyce, 1987; and Jackson and Palmer, 1992). The outputs of the public sector are multiple, complex, and often intangible. Outcomes (the final impact that the service has on the recipients) are the subjective judgements by which citizens evaluate their governments. Instead, indicators of intermediate outputs or activities are produced. Whilst these data are useful they are only a step forward a more complete measure (Jackson, 1988b: 11; and 1993b: 12).

In this context, it is not surprising that the indicators of effectiveness are scarce (Jackson, 1988b: 12; 1993b: 12). The general picture which can be drawn both from the literature and the practice is that measuring effectiveness is an exercise fraught with not only technical problems (e.g. the multiple, vague and sometimes conflicting goals and objectives of government, the abstract and

qualitative nature of public sector outcomes, the uncertainties of the connection between these abstract ends and the chosen means to achieve these ends, a time-log between the activity of service and the impact of service, difficulties in the identification of consumers in the public sector, the conflict of competing values of different stakeholders about public services, and expensiveness of collecting data on effectiveness which are external to the organisation) but also political problems (e.g. politically sensitive nature of policy effectiveness measurement) (see Glynn, 1986; Kelly, 1988; Jackson and Palmer, 1989 and 1992; Cave, Kogan and Smith, 1990; Mulreany, 1991; Carter, Klein and Day, 1992; Glynn, Gray and Jenkins, 1992; Hoyes, Means and Le Grand, 1992; and Rosen, 1993). As Cave, Kogan and Smith point out, therefore, attempts to measure effectiveness often take the investigator into “uncharted waters” (1990: 11).

As measuring effectiveness, quality and consumer satisfaction is difficult, they are usually ignored in accordance with the principle that “if it cannot be measured then it does not count” (Jackson, 1988b: 14, 19; see also Plowden, 1985: 407; and Bourn, 1992: 37). Difficulties in measuring effectiveness are often used as an excuse for avoiding effectiveness measurement and then performance measurement concentrates only economy and efficiency (i.e. X-inefficiency) aspects of performance but not enough on issue of effectiveness (i.e. allocative efficiency). Therefore, performance measurement is, in practice, regarded as reducible to economy or, put more simply, cost (input) reduction (Gray and Jenkins, 1985; Greenwood and Wilson, 1989: 12-3; Holtham, 1992: 96-7; Jackson, 1988b); and then public sector managers are often held to account in terms of economy and efficiency rather than through more complex notion of effectiveness. This is easy but a negative attitude. Economy and efficiency measures and indicators are necessary and valuable, but unless they are complemented by some effectiveness measures and indicators (i.e. efficiency at *what?* and efficiency for *whom?*) one is left in a political and ethical desert. It may be efficient or economical to leave remote communities without some major public services but this should not be the only test of public policy (Pollitt, 1990: 173-4). In addition, in the face of overemphasis on economy and efficiency aspects of performance, public officials may change their behaviour that yields unintended effects. For example, a police force whose success is judged by the number of arrests may have a high incidence of wrongful arrest; or if hospitals are required to be efficient in terms of bed use, they may release patients prematurely (Jackson, 1988c: 14; Mulreany, 1991: 21). Short term economy and efficiency gains may lead to ineffective results in the long term. If we cannot measure other aspects of performance nor do we agree about their relative importance (e.g. effectiveness, responsiveness, honesty, equity and fairness, accountability), government will always appear to have poor

performance (Gunn, 1988: 23; Wilson, 1989: 317-8). This ignorance obviously impedes organisational learning within the framework of strategic-management perspective and creates the suspicion that performance measurement is another instrument of organisation control (see Jackson, 1993b).

In the face of the difficulties in measuring performance in the public sector, some may argue that “no measure is better than a poor measure”. This view is extreme and unhelpful. Even fragmentary information and imperfect and relatively simple measurement is an improvement on nothing if used prudently (Sørensen, 1993: 235-6; Jackson, 1988c: 14, and 1993b: 9). Therefore, it would be wrong to conclude that it is impossible to measure and analyse performance and make suggestions for their improvement in the public sector (see Jackson, 1988c: 14, 1993b: 9; Hughes, 1994: 208). Even authors who are critical about the current application of performance measurement admit that it has an important role in supporting politically informed judgement in democratic context (see Ranson and Stewart, 1994: 231; Stewart and Walsh, 1994; and Smith, 1995). The original idea behind the managerial reforms is to provide some surrogates measure for the use of profit as a bottom line in the private sector. If performance measures and indicators cannot be developed, politicians and public managers will have only their personal judgement to rely on. Therefore, they should be used in the full awareness of their limitations and dangers (e.g. the danger of gaming among main stakeholders; the danger of targetology; the danger of becoming tool for control and punishment; and the danger of becoming ends in themselves) rather than abandoning them completely. In spite of the technical difficulties, measuring performance must become embedded in the management culture of the public sector. If used wisely and sparingly, performance measurement is a valuable managerial tool. It can provide the substance of accountable management in improving economy, efficiency and effectiveness in the public sector. If not, public money and managerial time could be wasted, and more seriously, managerial action could be distorted (see Jackson, 1988c; Jackson and Palmer, 1989: 30 and 1992: 12; also see Likierman, 1993; and Rouse, 1993: 72-3). Performance measures and indicators are not a panacea or a mechanical substitute for good judgement, political wisdom or leadership (Jackson, 1988c: 15; and Jackson and Palmer, 1989: 30). It should be seen as an auxiliary means of informing, assessing and judging.

The difficulties of measuring performance in the public sector mentioned above are not ignored if a strategic management perspective, such as that advocated by Jackson and Palmer (1992), is adopted. This approach, which of benefits are well recognised in the literature on private sector performance (see Kaplan, 1990), captures a much richer set of performances than simple and naive approach. It focuses attention on service quality and thus, consumer

satisfaction, not just the simple financial measures. Within the strategic management approach, the information generated by performance measurement is a means of “organisational learning” rather than a means of “organisational control”, as it undoubtedly is in the classical and scientific management paradigm. If actual performance falls short of a pre-set target, the management can ask the question “why was there a shortfall?” and learn from the answer provided. This does not imply that there is never a control role for performance measurement. The question is of striking the right balance (Jackson and Palmer, 1992: 3, 17; and 1995b: 5-6).

### **CONCLUDING REMARKS: THE POLITICS OF PUBLIC SECTOR PERFORMANCE**

It should be clear from the discussion made above that there is nothing straightforward about the concept of public sector performance and that those who believe that government performance can be measured, audited and improved through simple-minded tinkering should take special note. In the public sector, the demand to meet the criteria of performance (economy, efficiency, and effectiveness) is itself a “political demand” which has consequences for the nature and level of the service provided. Performance issue is political because it determines who defines the rates, quality, and quantity of work performed by public employees. Decisions about what kind or level of service is to be offered and what criteria should be applied to measure its performance are inescapably a value-laden “political judgement” as well as a technical matter. However, this does not mean that performance criteria cannot apply to the public sector activities and all evaluations can be made politically.

It can be said that much progress has been made in determining the different aspects of public sector performance and then in measuring and auditing through introducing of new managerial techniques to the public sector. On the subjects of performance measurement, performance auditing and performance improvement, public sector managers can learn something from private sector practices. It is preferable to consider how some of the desirable practices of private sector might be introduced into the public sector rather than insisting either to preserve the traditional control practices of public administration or to increase the role of the private sector practices without regarding the characteristics of public services. As a matter of fact, even supporters of public service by government now admit that governmental performance can be increased by redesigning public organisations with adequate systems of information and measurement, auditing and accountability. It should be kept in mind, however, that the moral and political foundations of



public services as well as their performance should be taken into account in the public service. This is all about the “politics of public sector performance”.

### NOTES:

<sup>1</sup> As Jackson aptly indicates that some mistakenly believe that the public sector has much to learn about performance measurement from the private sector (1995b: 2). It has long been recognised that financial measures alone are inadequate in the public sector because of nature of outputs. This has resulted in the public sector being far ahead of the private sector in developing non-financial performance measurements (Institute of Chartered Accountants in Scotland, 1993). It should also be acknowledged that, as Jackson points out, information about profit comes a long time after the events that generate the profits have taken place. Profit is only known once accounts have been finalised. In the meantime, even private sector managers require a series of measures and indicators against which the performance of current activities can be judged (1988c: 11; also see Carter, Klein and Day, 1992: 28).

<sup>2</sup> For detailed information on VFM auditing in the public sector, see Butt and Palmer (1985); Jones, Lewis and Jordan (1988); Public Finance Foundation (1988); Jackson and Palmer (1989 and 1992); Price Waterhouse (1990); and Jackson (1995a).

<sup>3</sup> VFM framework is made up of three elements, now commonly referred to as the “Three E’s”: “economy” (i.e. minimising resource consumption), “efficiency” (i.e. cost-cutting), and “effectiveness” (i.e. goal accomplishment) (see, Jones, Lewis and Jordan, 1988: 2.4, 2.5). For the clarification of the concepts of Three E’s, see the National Audit Office (no date), Jackson (1988b) and Jackson and Palmer (1988, 1989, 1992). Taken together economy and efficiency approximate the economists’ notion of “X-efficiency” (technical efficiency); effectiveness is an approximation to what economists consider as an “allocative efficiency”. For the connection of VFM framework (Three E’s) with the economists’ definitions of allocative efficiency and X-efficiency in the public sector, see Jackson (1988a: 250-251); and Palmer (1991: 62-63); see also Daffern and Walshe (1990: 144); and Stanbury and Thompson (1995: 426).

<sup>4</sup> External performance auditing is getting popular issue in Turkey as well. With the Law dated 1996 and numbered 4149 (Annexed article 10), which modified The Law of the Court of Accounts dated 1967 and numbered 832, the authority to do performance auditing is granted to the Court of Accounts. For detailed information about the efforts of the Court of Accounts in using performance auditing in the Turkish public sector and its feasibility, see Demirbaş (2001).

<sup>5</sup> The Turkish Court of Accounts has supported the works on performance measurement and performance auditing through its publication facility (*Sayıştay Yayınları*) and its own journal (*Sayıştay Dergisi*) since the late 1980s. The State Planning Organisation (*Devlet Planlama Teşkilatı-DPT*) also emphasised the importance of performance management and performance auditing systems in preventing the waste of public resources in the course of preparatory works for the 7<sup>th</sup> and 8<sup>th</sup> National Development Plans (see DPT, 1994: 6-7 and 2000: Chapter V/2).

<sup>6</sup> It is important to note that these terms and their definitions are not universally accepted (see Carter, Klein and Day, 1992: 36, Table 2.2). And it is not always easy to determine whether their versions reflect semantic or conceptual differences (Carter,

Klein and Day, 1992: 36). These differences may reflect political perspectives of those use these terms. For example, the omission of any notion of outcome may indicate a reluctance to ask fundamental questions about the success of public policies or an unwillingness or inability to define objectives against which performance can be assessed (Carter, Klein and Day, 1992: 37).

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