



Organisational Performance  
Management in a Government  
Context: A Literature Review

**ORGANISATIONAL PERFORMANCE MANAGEMENT  
IN A GOVERNMENT CONTEXT: A LITERATURE  
REVIEW**

Dr. Bobby Mackie  
Mackie Public Management

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# **SECTION 1**

## **INTRODUCTION AND CONTEXT**

### **Section introduction**

1.1 This section summarises the research aims and objectives and briefly establishes the context of organisational performance management in contemporary public sector organisations.

1.2 This research aims to review the literature on organisational performance management to identify 'best practice' and then to consider the ways in which this 'best practice' can be applied in a central government context. This requires several questions to be considered by the research:

- What is 'best practice in organisational performance management? (Section 2)
- How can this 'best practice' be applied in a central government context? (Section 3)
- How can organisational performance management frameworks be used to assess organisational risk in the public sector? (Section 4)
- How and why are certain performance management measures and indicators chosen, developed and collated? (Section 5)
- What works in the implementation and ongoing management of a performance management framework? (Section 6)
- How can an organisational performance management framework be sustained? (Section 7)

1.3 This study looks at the literature on organisational performance management in the public sector and stakeholder perceptions of the impact, utility, benefits and beneficiaries of performance management systems in government. The following organisations participated in the research interviews: Audit Commission; Audit Scotland; Cabinet Office; Department for International Development; Improvement and Development Agency; Improvement Service; NHS Ayrshire and Arran; North Lanarkshire Council; South Lanarkshire Council; Stirling Council; and Strathclyde Police. The research interviews took place in the period from January to July 2008. The review ends with conclusions and recommendations for implementing organisational performance management in a government context.

### **Defining performance management**

1.4 The term performance management is commonly used today to describe a range of managerial activities designed to monitor, measure and adjust aspects of individual and organisational performance through management controls of various types. Performance management integrates the management of organisational performance with the management of individual performance. However, for the purpose of this report, the focus will be on organisational performance management literature and will not consider aspects of individual performance such as appraisal, personal development and rewards.

- 1.5 Organisational performance management can serve two distinct functions:
- **Intra-organisational performance management:** To ensure that there are appropriate internal controls to monitor the extent to which the organisation (and its sub-units) is achieving what it is supposed to achieve. This requires the organisational management to periodically review and evaluate performance standards attained and performance trajectories, taking corrective action as appropriate where deviations from the desired standards are detected.
  - **Extra-organisational performance management:** To communicate performance for the purposes of governance and accountability to organisational stakeholders including Government, funding bodies, audit agencies and the wider public.

1.6 There is no requirement for an organisation to have an intra-organisational performance management system. However, there is clear evidence that having clarity of purpose and the means to monitor progress towards goal attainment does promote a performance culture in organisations (public and private) which achieves enhanced organisational performance levels. There are requirements, often statutory, for public sector organisations to maintain high standards of corporate governance, accountability and public reporting. This requires systems of extra-organisational performance management.

- 1.7 A common approach to performance management involves five steps.
1. Define and communicate a future state of affairs that the organisation will attempt to achieve. This serves as the rationale for objectives and targets which stretch organisational capability.
  2. Translate these aspirations into long and short-term objectives, output and outcome performance indicators and targets against which performance and progress can be measured.
  3. Ownership must permeate the organisation structure and cascade through organisational levels with each level and each individual having responsibility for specific objectives and targets which, if realised, contribute to the attainment of key performance indicators and outcomes which the organisation is charged with achieving.
  4. Acceptance by management and organisational members of their collective and individual accountability for performance attained is essential. Accountability for delivering against individual short and long-term targets, once clearly defined, allows for the operation of systematic and comprehensive performance monitoring, review and evaluation.
  5. Reinforcing mechanisms must be in place, encompassing an appropriate set of positive and negative incentives (both organisational and individual) with positive consequences for success and negative consequences for under-performance against plan.

## **Defining organisational performance management in a government context**

1.8 Performance management in the public sector is the managerial activity necessary to promote well-performing policy management and service delivery. A desire for improved performance in public sector organisations has resulted in a results-orientation and a cost consciousness in a range of OECD countries (OECD, 1997:8). Performance management requires a performance information system that can be audited and is related to financial management and policy cycles. Organisational performance management in a government context concerns monitoring the success of public policy, programmes or projects in achieving their objectives and in securing the expected benefits.

**Organisational performance management in a government context is therefore the activities of government or its agencies in planning, implementing, reviewing, evaluating and reporting, the effectiveness of its policies, programmes and projects.**

## **Organisational performance management as management controls**

1.9 The key purpose of organisational performance management is to introduce systematic controls in the management process to guide and regulate the activities of an organisation or any of its parts, by means of management judgement, decision, and action for the purposes of attaining agreed objectives.

1.10 In an organisation, control consists of verifying whether everything occurs in conformity with the plan adopted; instructions issued; and the principles established. Controls can be either strategic or operational. Strategic controls are concerned with the overall performance of the organisation or a significant part of it. Operational controls measure activities within sub-units of an organisation and usually cover a shorter time period than strategic controls. All such controls check whether the organisation's strategic and operational plans are being realised and put into effect corrective measures where deviations from expected performance levels or shortfalls are occurring.

1.11 Control can take place before, during or after an event, (the earlier the better), but many controls can only realistically be introduced after organisational activity has taken place as they gauge the effect of organisational actions.

1.12 Hicks and Gullett (1981:54) use the following framework to differentiate between different forms of control:

### ***Pre-control***

This is essentially pre-emptive, as in planning, as it sets out the future direction, goals, targets, outputs and outcomes and identifies potential difficulties and risks in advance.

### ***Concurrent control***

This mode or phase of control is exercised while an event is taking place or as soon as possible after the event. This monitoring could be daily or weekly reports on aspects of public service activity. The closer to 'real time' the better. Concurrent controls are primarily quantitative focusing on inputs, process and outputs.

### ***Post-control***

This is the poorest form of control in terms of corrective action as it is exercised after the event. However it focuses on quantitative and qualitative evaluations and therefore is an essential component of an 'holistic' approach to organisational performance management. The public service has been delivered to clients and this review and evaluation activity attempts to assess the extent to which the organisation or sub-unit achieved its objectives and the desired outputs and outcomes were attained.

## **The Scottish context**

1.13 Following the elections to the Scottish Parliament in May 2007 the Scottish National Party formed a minority Government in the Scottish Parliament and changed the collective term for the Government and its departments from 'The Scottish Executive' to 'The Scottish Government'. In November 2007 the Scottish Government published a Spending Review containing a new national performance framework (see Appendix I, p35). The Spending Review contains five 'Strategic Objectives' supporting delivery of the Purpose and, in turn, these are supported by 15 'National Outcomes' which describe in more detail what the government wants to achieve over a ten year period. Progress on these outcomes will be measured through 45 'National Indicators and Targets'. The Scottish Government acknowledged the need for government to take a more strategic approach to target setting and set targets where the Scottish Government judge that it will be an incentive to delivery. Elsewhere in the Spending Review the Scottish Government established the direction of travel in which it expects indicators to move in over the Spending Review period.

(Scottish Government, 2007)

1.14 The Scottish Government had earlier in 2007 developed a 'Business Planning Tool (BPT)' in response to findings in the 2006 Capability Review. It contains a planning hierarchy with the 'Plan for Government' at the apex, encompassing overall purpose and purpose targets and a performance measurement framework based on a model used in the State of Virginia, USA. Below this there are 'Strategic Objective Plans' supported by 'Directorate Plans' based around the Scottish Government organisation structure. There are also specific 'Project Plans' and 'Business Improvement Plans'.

1.15 In June 2008 the Scottish Government launched 'Scotland Performs'. This is a website which gives the latest information on how Scotland is performing on a range of topics affecting all aspects of Scottish life. Scotland Performs is an extra-organisational performance management system which communicates how Scotland

is doing in pursuit of the Scottish Government's Purpose; its performance in relation to its aspirations set out in its Strategic Objectives; progress in relation to the National Outcomes; and progress in relation to National Indicators and Targets. It describes the outcomes the Scottish Government wants to achieve and how well Scotland is progressing in key areas: health and wellbeing; justice and communities; the environment; the economy; and education and skills (Scottish Government, 2008b).

1.16 A summary of all Targets and Indicators is given in the section of Scotland Performs entitled 'Performance at a Glance'. Scotland Performs follows the National Performance Framework, which was published as part of the 2007 Spending Review. It also draws on the success of the outcomes-based performance model used in the Commonwealth of Virginia in the United States.

1.17 According to the Scottish Government, the assessments of Scotland's progress are reliable and based on the best, most-up-to-date evidence and are accompanied by a note explaining how the Scottish Government analysts have made their assessment, using clear and objective data. Over time, and as more data become available, the Scottish Government will be providing further assessments of progress towards delivery explicitly.

## **Key points**

- There are two types of organisational performance management: intra-organisational performance management (within an organisation) to better manage organisational performance; and extra-organisational performance management for audiences outside the organisation for the purposes of governance and accountability.
- Organisational performance management in a government context can be defined as the activities of government or its agencies in planning, implementing, reviewing, evaluating and reporting, the effectiveness of its policies, programmes and projects.
- There are three forms of organisational control: pre-control (planning); concurrent control (monitoring); and post control (review, evaluation and reporting).
- The Scottish Government in 2007 introduced a 'National Performance Framework' and in 2008, the Scottish Government launched a reporting system entitled 'Scotland Performs' to communicate a range of performance related data, linked to the National Performance Framework, to the Scottish public.

## SECTION 2

### BEST PRACTICE IN ORGANISATIONAL PERFORMANCE MANAGEMENT

#### Section introduction

2.1 In this section a range of organisational performance management tools and techniques are considered many of which are found in contemporary public management practice both in the UK and globally. There is clearly no 'one best practice' but there are trends in organisational performance management in the public services which have achieved a high degree of consensus amongst their users.

2.2 This section makes use of the Hicks and Gullett (1981:54) framework (see Introduction and Context) of **Pre-control, Concurrent Control and Post-Control** to differentiate between the timing and scheduling of different modes of control and the tools and techniques utilised by the various controls.

#### **Pre-controls: Strategic management and strategic and operational planning**

2.3 A strategy is a decision or series of decisions made within an organisation which determines its medium to long-term objectives, priorities and overall direction. It re-positions the organisation in relation to its external environment including the availability of key resources. Strategic management refers to a set of processes comprising strategy formulation, strategy implementation, monitoring and control.

2.4 The strategic management process is cyclical and ongoing. In public management it is not uncommon for strategic plans to be submitted by publicly funded organisations to government (or its agencies) for scrutiny and approval on an annual basis.

2.5 Strategic Plans are pre-controls and formalise the longer term strategic aspirations of the organisation. Operational Plans are also pre-controls and provide detailed guidance on the ways in which the organisational sub-units will contribute to the achievement of the strategic aspirations in the short to medium term. Planning is an essential pre-requisite for effective organisational performance management.

#### **Concurrent controls**

2.6 There are a number of different types of concurrent controls, including dashboards, traffic lighting and balanced scorecards.

#### ***Dashboards***

2.7 Dashboards are concurrent controls. The Atlanta Dashboard, for example, is a performance management tool that the City of Atlanta uses to track the effectiveness of City services and to hold its managers accountable for service delivery. Each year the City develops a strategic plan based on input from citizens

and other stakeholders. Based on this plan, performance targets are established for all operating divisions. The Atlanta Dashboard allows the tracking of performance against those targets on an ongoing basis. The City Mayor (Franklin) holds weekly meetings with her senior management team to review progress against those targets and to make operational adjustments if needed.

2.8 The Atlanta Dashboard is organised around the four major strategic goals of the Mayor: A Safe City; a Strong Infrastructure; an Efficient and Effective Government; and a Financially Stable Government. Within each of the four major strategic goals there are supporting strategies that help to achieve those goals. The dashboard “cascades” downward through the supporting strategies to the performance measures.

2.9 Dashboards are commonly colour coded using a ‘traffic light system’ (RAG: Red-Amber-Green) to help quickly identify problem areas. Boxes that are green indicate that it is on plan. Red means that it is off plan and intervention is required. Yellow boxes alert management to measures that are off plan but not to the point where an intervention is required.

2.10 Dashboards help to make the performance of an organisation and its sub-units more transparent and accountable to the public. Dashboards help to accomplish this by making the performance goals known to everyone and to make progress against those goals publicly available. The Atlanta Dashboard omits all aspects of internal business processes in favour of the exclusive concern for outcomes.

2.11 CitiStat is also a concurrent control and an accountability tool based on the CompStat program pioneered in the New York City Police Department by Jack Maple. CompStat, utilizing computer pin mapping and weekly accountability sessions, helped the NYPD dramatically reduce crime and is employed today by several police departments around the world.

2.12 A recent study of pilot schemes in Scotland by Sharp et al (2006) concluded that Citistat has worked in the United States as a consequence of its combination of review, enhanced use of data and its accountability process. The key elements in Citistat are:

- Active **leadership** promoting improvement, scrutiny, accountability, prioritisation, partnership and the challenge process;
- **Enhanced data quality and analysis** to ensure that the performance information facilitates concurrent control with as much real-time data as possible;
- **Ownership** of the indicators and subsequent **actions**;
- **‘Hot spots and whole system working’**; and
- **Cultural and organisational change**.

2.13 The Scottish pilot schemes did not generate any conclusive evidence on the claimed merits of Citistat and concluded that any future wider implementation would have to take into account the diverse governance arrangements which exist in the public sector and to ensure that it remains complementary to existing monitoring and evaluations systems.

## **Traffic lighting**

2.14 Many public service organizations find this a helpful tool, particularly with respect to those performance indicators which are crucial to the success of the organisation in achieving its strategic objectives. In the UK, for example, traffic lights are used in a strategic direction context to show how 'Headline Indicators' are changing. Headline indicators are those indicators which focus on the broad strategic direction which the organisation hopes to achieve. They show only the direction of travel, not necessarily whether progress is fast enough. But it needs to be borne in mind that there are time lags between action and movement of an indicator, so traffic light judgements are not necessarily a good gauge of a strategy's effectiveness. A common approach is:

- **Green** for success;
- **Yellow** for mixed results; and
- **Red** for unsatisfactory

2.15 There should also be a note of caution when acting on traffic light data as it is a 'snap shot' and identified sub-standard performance may be short term with the performance improving shortly thereafter without the need for a 'knee jerk' rapid response to a perceived deviation in the level of performance expected. Neil Carter (1991) used the terms 'dials' and 'tin-openers' to describe different uses of performance indicators. Traffic light systems are 'dials' in that they indicate current status and organisations must use traffic light performance information as a 'tin-opener' prompting further analysis of trends and reasons for performance levels achieved (both above and below desired performance).

2.16 A common approach when using concurrent controls is known as 'management by exception' and involves managerial action only when a deviation is detected which takes performance outwith previously determined performance parameters. If performance is within the agreed parameters then no action is required.

## **Balanced scorecards**

2.17 The Balanced Scorecard is a set of measures that are directly linked to the organisation's strategy. The scorecard allows managers to evaluate the organisation from four perspectives: financial performance, customer knowledge, internal business processes, and learning and growth.

2.18 Inside the Balanced Scorecard is a concise definition of the organisation's vision and strategy. Surrounding the vision and strategy are four additional boxes; each box contains the objectives, measures, targets, and initiatives for one of the four perspectives. A properly constructed scorecard is balanced between short- and long-term measures; balanced between financial and non-financial measures; and balanced between internal and external performance perspectives. The scorecard is a management system that can be used as the central organising framework for key managerial processes.

2.19 Managers determine what is required to deliver and sustain the strategy and how to monitor progress in terms of the four dimensions:

- **Finance**
- **Customer**
- **Process**
- **People.**

2.20 The respective measures within these dimensions are used to communicate the strategy, to allocate responsibilities and time frames and to monitor progress. The Balanced Scorecard focuses all parts of the organisation on the critical success factors and shows how each part becomes a determinant of the eventual strategic outcome.

2.21 The Balanced Scorecard was designed for the private sector as a strategic management tool by Kaplan and Norton (1996) and places financial results at the head of the strategic hierarchy. In the Public and Voluntary Sector there is a different focus, with the overarching mission or long-term objective of the organisation sitting at the head of the hierarchy. Within this context, funders (or donors) represent the 'finance' aspect of the framework. They are on an equal footing in the hierarchy with the people the organisation helps, e.g. service users (the 'customer' element). The internal processes must be identified that will deliver the desired outputs and outcomes for both groups. The objectives within the scorecard can then be orientated towards the achievement of the high level mission.

2.22 The financial perspective for public sector models differs from that in the private sector, in the private sector the key financial objectives relate to profitability and returns on investment. In the public sector financial considerations will have an enabling or restraining role but will not be the only criterion for assessing strategic options. Success for local authorities and health boards can be measured in terms of how effectively and efficiently they meet the requirements of their key stakeholders (Government and the general public).

2.23 The client/ customer perspective focuses on the ability of the organisation to provide quality goods and services. It includes issues about the effectiveness of service delivery and overall client/customer service and satisfaction. In general the customer perspective is the primary focus for a public service. Public bodies are also more likely to have a duty of care perspective than private-sector organisations.

2.24 The internal business process perspective covers the internal business results that lead to financial success and satisfied customers.

2.25 The people perspective covers the competence of staff and the capacity of organisational members to develop individually and collectively to enhance organisational effectiveness.

2.26 Griffiths (2005) concludes that the New Zealand experience of using balanced scorecards in Government and Crown entities resulted in modification to the original Kaplan and Norton (1996) model. The key use of the balanced scorecard was not as a strategic management tool but as a tool for clarifying and translating the organisation's strategy (operational).

## **Post-controls**

### ***Reporting***

2.27 Public sector organisations globally are required to account for their performance at least annually to funding bodies and to Government.

### ***Audit***

2.28 Public sector organisations are required to have effective internal audit systems and are required to undergo annual financial audits of their financial procedures and their accounts.

### ***Inspection***

2.29 Many public services including Schools, Social Services, Police and Fire are subject to periodic inspection by agencies who then publish reports on the findings of the inspection.

### ***Best Value***

2.30 Best Value was introduced on a voluntary basis in 1998 following the Programme for Government. Best Value became a statutory duty following the Local Government in Scotland Act 2003. The objective of Best Value is to ensure that management and business practices in local government deliver better and more responsive public services. The nine elements in the Best Value framework are: Sound Governance at a Strategic and Operational Level; Responsiveness and Consultation; Commitment and Leadership; Use of Review and Options Appraisal; Joint Working; Sustainable Development; Equal Opportunities; Sound Management of Resources; and Accountability (see Appendix II, p36).

## **The use of performance management tools in government**

2.31 Research shows that there are multiple tools and techniques being used globally in public sector performance management. There is clearly a tendency towards colour charts and diagrams providing a snapshot of the current status of actual performance against planned performance using information which is as close as possible to real time. These tools have most significance where the focus of the performance relates to service inputs, process and outputs and is disaggregated by service and residential area. Corrective action can be introduced relatively quickly and the expectation is that the corrective action will have a short term impact. Difficulties arise when the focus of the performance is on national level outcomes pursued over the longer term. However 'dashboard' type communication of

performance status does have a place in government performance management systems.

2.32 Government's success or otherwise in achieving policy outcomes will be as a consequence of aggregated performance over a period of time. If sub-units and programmes are achieving their objectives then they will contribute to the attainment of organisational objectives. This is an approach developed from Drucker's (1955) 'Management by Objectives' (MBO). There are difficulties in the process by which long term outcomes are translated to shorter term targets and subsequent cascading of targets horizontally and laterally (through organisational hierarchies and between organisations). But the process of attempting to translate outcomes into process and output targets can be of value in itself as it can lead to a better understanding on the part of organisational members of the fundamental purposes of their roles and the ultimate consequences of their performance.

2.33 Many academics remain critical of managerialism in the public sector but others believe it is better to approach the task of public service provision with greater clarity of desired future and a well developed sense of direction. Tools of performance management must contribute to more effective public management but there is much research and evaluation required to determine the ways in which generic management approaches can be adapted for the distinctiveness of public services organisational performance management.

### **Key points**

- There are many tools and techniques used by private and public sector organisation as part of their systems of organisational performance management.
- The key to effective organisational performance management is to have those tools and techniques which are appropriate to the organisational context. Caution should be exercised when transferring tools and techniques from the business world into a public service organisation. The transferred tools and techniques must take account of the specific context of the public service organisation.
- Effective organisational performance management requires pre-controls in the form of strategic and operational plans.
- Strategic and operational plans require concurrent controls to provide feedback on performance achieved against target, performance trajectories and the early identification of performance issues utilising 'management by exception' reporting.
- Tools and techniques of concurrent control include dashboards, balanced scorecards and traffic light reporting systems and these can all be adapted for use in the public sector.
- Organisational performance management also requires tools and techniques of post-control to allow the organisation to review, evaluate and report on performance attained and to reflect of what worked and what didn't work in an effort to learn and to continuously improve.

## SECTION 3

### PERFORMANCE MANAGEMENT IN A CENTRAL GOVERNMENT CONTEXT

#### Section introduction

3.1 This section considers examples of good practice in organisational performance management systems currently found in governmental activity. National cultures exert influence over organisational and governmental practices in many countries (Hofstede, 2001) and there is clear evidence of global convergence in relation to organisational performance management in a government context. The exact nature of the degree of convergence is not within the scope of this study. According to Pollitt (2001, p 943):

*Many benefits flow to many players from a situation in which there is a dominant, but loosely-specified set of reform ideas which apparently can be applied to a very wide range of public sector contexts.*

3.2 There is therefore an expectation that changes in organisational performance management in one system of government would be replicated in other governments at least in the short term. The OECD (2007:19) has noted that within the past five years 75% of OECD countries have introduced a new initiative on performance management in government. Despite apparent convergence, there remains diversity across countries and differences within countries reflecting governmental policy priorities. The triggers for change are commonly financial crises, pressure to reduce public expenditures and changes in political administration. The objectives of the reforms focus on:

- Budgetary priorities of expenditure control and improving allocative efficiency and productive efficiency;
- Results based management and improving public sector service delivery, efficiency and performance; and
- Improving accountability to politicians and the public.

(OECD, 2007:24-25)

Most of the international performance management reforms have more than one objective.

#### **New Public Management and international trends in organisational performance management in government**

3.3 Organisational performance management in government is not new but was given increasing importance in the UK and elsewhere post-1979 with the emergence of the global New Public Management (NPM) (Hood, 1991). New Public Management (NPM) refers to a series of themes relating to reforming the organisation and procedures of the public sector in order to make it more competitive and efficient in resource use and service delivery (Hood 1995). In the late 1980s and the 1990s certain features of NPM tended to dominate public performance

management practice. Halligan (2007:218) refers to the evolution of NPM in terms of generations of reform with the 1980s representing the first generation of reforms and the managerialism of the late 1980s and 1990s the second generation of reforms. Contemporary public management is described as 'integrated governance' and is the third generation of public management reforms. These reforms are taking place globally in different ways and at different paces but nevertheless there is a trend towards radical change in the ways in which central governments manage the implementation of their policies through organisational performance management systems. The rhetoric of integrated governance is that of more effective delivery of public services and successful policy outcomes.

3.4 Christopher Pollitt (2001:933) considers the global convergence of the New Public Management (NPM) theories of Osborne and Gaebler (2001) to be a 'useful myth'. In 2001 there was little evidence regarding the sustainable benefits of entrepreneurial government but since the late 1990s governments globally have continued to introduce developments that can be broadly classified as being underpinned by the entrepreneurial government/NPM model. Pollitt's argument is that governments are being influenced to:

- Introduce particular models by trans-global organisations such as the World Bank and the OECD;
- Copy other organisations in other countries;
- Develop generic professional and administrative practices that have been advocated by organisational members following training and continuing professional development which exposes them to what their profession considers 'best practice'.

3.5 Pollitt (2001:938-939) also refers to the distinction between convergence *talk, decisions, actions and results*, stating that convergence often ends before there are appropriate actions delivering desired results. The stakeholders who benefit from entrepreneurial government/NPM changes are many and varied and in the late 1990s there was little evidence of effective sustainable entrepreneurial government/NPM reforms. Pollitt (2001, Ibid) concludes by developing a typology of convergence:

- **Type A** Same Talk, Decisions, Actions and Results
- **Type B** Same Talk, Decisions and Actions
- **Type C** Same Talk and Decisions
- **Type D** Same Talk

3.6 The evidence from this part of the literature review suggests that global convergence is a consequence of political and economic aspirations for achieving particular outcomes and this is leading to a greater commitment on the part of governments to achieve sustainable results. Thus organisational performance management in government trends are moving towards Type A convergence, particularly amongst those countries broadly classified as the third generation of NPM (Halligan, 2007).

3.7 Given the relatively recent movements across the globe towards outcome focused public policies, the current status of organisational performance

management in a government context convergence is Type B with a planned trajectory to Type A. Future monitoring and evaluation studies will impact on the extent to which this trajectory continues to be the preferred option of governments across the globe.

3.8 It is possible to look at and learn from examples of performance management systems in other countries. The United States Government Accountability Office, the Canadian Management Accountability Framework, and the Commonwealth of Virginia Model are outlined below.

### ***The United States Government Accountability Office (GAO)***

3.9 In December 2007 The United States Government Accountability Office (GAO) published a report entitled 'A Call for Stewardship: Enhancing the Federal Government's Ability to Address Key Fiscal and Other 21<sup>st</sup> Century Challenges'. In this report the GAO identifies 13 areas of action to enhance the performance of government departments. The GAO, strongly believes that consistent use of the 13 will help policymakers (1) reach consensus on the outcomes Americans most want their government to achieve, (2) increase transparency and accountability, (3) better prioritize competing demands, (4) make more-informed decisions, and (5) modernize federal operations and management. (GAO, 207:iii).

The 13 are grouped under four main headings:

- Direction Setting and Performance Measurement;
- Prioritization and Decision Making;
- Information and Transparency; and
- Implementation and Execution.

3.10 Achieving fundamental change in the federal government will require the executive branch to work with Congress and other key stakeholders in the development of long-term goals and strategies to overcome the significant management obstacles that stand in the way of progress. Through the President's Management Agenda and its related initiatives, including the Office of Management and Budget's **Program Assessment Rating Tool (PART)**, the administration has taken steps in the right direction by calling attention to successes and needed improvements in federal management and performance. The root causes of some persistent problems, including some of the areas identified by GAO (2007) as high risk, stem from outmoded management frameworks or fragmented approaches that require more strategic, systemic, and integrated solutions than can be adequately provided by individual or inter-agency planning efforts.

3.11 GAO provides updates to its list of government programs and operations that it identifies as "high risk" at the start of each new Congress to help in setting congressional oversight agendas.

### ***The Canada Management Accountability Framework (MAF)***

3.12 The Government of Canada committed itself to its core priority of improving the accountability and transparency of government operations. In 2006, the Government of Canada announced that it would renew the expenditure management

system, which is the framework for the development and implementation of its spending plans and priorities within the limits established by the budget, to ensure the following:

- **Managing for results** by establishing clear responsibilities for departments to better define the expected outcomes and actual performance of new and existing programs;
- **Decision making for results** by ensuring that all new programs are fully and effectively integrated with existing programs by reviewing all spending to ensure efficiency, effectiveness, and ongoing value for money; and
- **Reporting for results** by improving the quality of departmental and government-wide reporting to Parliament.

3.13 In 2003, the Management Accountability Framework (MAF) was developed to provide deputy heads and all public service managers with a list of management expectations that reflect the different elements of current management responsibilities (see Appendix III, p37).

3.14 The MAF is intended to be a vision for good management, because it defines the conditions that need to be in place to ensure that government is well-managed and to promote management excellence. The MAF is about strengthening accountability to:

- manage government organizations effectively;
- serve ministers and government; and
- deliver on results to Canadians.

3.15 The MAF consists of 10 essential elements of sound management, followed by a series of indicators and associated measures. It recognises that the role of public service employees is to translate the direction provided by government into results for citizens. The ten essential elements of the MAF are: Public Service Values; Governance and Strategic Directions; Learning, Innovation and Change Management; Results and Performance; Policy and Programs; People; Citizen-focused Service; Risk Management; Stewardship; and Accountability

3.16 Each year, the management results of departments and agencies are assessed by the Treasury Board of Canada Secretariat. The results of the MAF assessments allow for management weaknesses and strengths to be identified and specific management improvement action plans to be developed.

### ***The Commonwealth of Virginia Model***

3.17 Virginia is accepted as one of the leading examples of performance-based reform among US states. Hill and Andrews (2005), report on some of the key factors that have helped to ensure that these reforms have established performance as a basis for both budget ritual and budget practice. Virginia's strong record of implementation is explained as the result of a consistent legislative basis for reform, effective reform leadership by a core agency, the integration of results-oriented activities into all facets of the financial management process, a focus on high levels

of citizen engagement, and an emphasis on ensuring that performance management systems are tailored to be useful (see Appendix IV, p38).

3.18 Every participating state agency uses one or more service areas under the Commonwealth's newly revised budgeting structure. A service area is an area of expenditure that supports one or more products or services and is the foundation of the Commonwealth's budget structure. A service area can cut across one or more organizational units. For each service area an agency will define one or more objectives. An objective is a description of the results that, when achieved, move an organization toward its stated goals. For each objective an agency will specify one or more performance measures. A performance measure is a specific description of some aspect of a product, service, or activity that can be quantitatively measured and indicates the level of performance. State agencies have established key objectives and measures on which to focus and improve performance management.

3.19 Agency management develops planning tools to help formulate, assign, communicate and achieve agency goals. A Strategic Plan is used to monitor overall performance and make course corrections when needed. A Service Area Plan guides activities and supports performance monitoring through the use of objectives, strategies, and measures. The state budget is based on service areas, which are categories of expenditures that support one or more products or services. The Scorecard reports the effectiveness of state agency management in six critical categories: Human Resource Management; Government Procurement; Financial Management; Technology; Performance Management; and Resource Stewardship. Based on performance in each category, every agency is assigned a colour-coded rating:

	Meets Expectations
	Progress Toward Expectations
	Below Expectations
	Results Unavailable

3.20 Agency heads rate their agency's performance according to the criteria. Then, annually, the ratings are reviewed by the Cabinet, central agencies, and the Governor. By clicking on a web link to the Management Scorecard, citizens can view the criteria and track how state agencies are performing in critical management categories year-by-year. Performance Management is measured through 4 key performance metrics:

**PM1: Strategic Planning**

**PM2: Communicates Agency Management Performance**

**PM3: Acts to Correct and Enhance Agency Performance**

**PM4: Continuity of Operations**

3.21 Virginia's performance-based budgeting and management reforms are designed to change both the culture and practice of budgeting and financial management. The Virginia model has been successful partly because of design features in the implementation process that have ensured the reforms are effective, relevant, and enjoy a high level of institutional acceptance. The main factors that have contributed to the implementation success are: a legislative basis for reform;

the creation of a core agency to drive the reform process; the emphasis on ensuring reforms facilitates the development of a highly integrated, results-orientated financial management process; ensuring high levels of citizen engagement; and ensuring the performance management systems are tailored to be useful. As a consequence performance management becomes both valuable as a ceremony (accepted socially) and practice (accepted substantially).

3.22 Examples of good practice include the United States Government Accountability Office (GAO), the Canada Management Accountability Framework (MAF) and the Virginia Model. The examples from the United States Government Accountability Office and the Canada Management Accountability Framework are extra-organisational performance management. The example from the Commonwealth of Virginia incorporates both extra-organisational and intra-organisational features.

### **Key points**

- There is extensive evidence of global convergence in systems of organisational performance management.
- Differences do exist but are becoming less apparent.
- Systems of extra-organisational performance management that have particular strengths include the United States Government Accountability Office (GAO) and the Canada Management Accountability Framework (MAF).
- The Commonwealth of Virginia system 'Virginia Performs' has excellent intra-organisational, and extra-organisational performance management features.

## **SECTION 4**

### **ORGANISATIONAL PERFORMANCE MANAGEMENT AND RISK**

#### **Section introduction**

4.1 This section considers the ways in which risk management systems can be used to enhance the effectiveness of organisational performance management in government. Risk management is complementary to systems of strategic planning, incorporating internal and external assessments of capabilities and constraints. Effective performance management requires continuous risk assessment to ensure that organisational member, leaders, the public and other stakeholders are kept informed of organisational risk including risks to public safety. However it should be noted that this review of literature has not generated examples of performance management frameworks which incorporate comprehensive risk assessment and management.

#### **Risk assessment and management**

4.2 Risk can be defined as the combination of the probability of an event and its consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Risk Management is increasingly recognized as being concerned with both positive and negative aspects of risk.

4.3 According to the Treasury (2006), in recent years all sectors of the economy have focused on management of risk as the key to making organisations successful in delivering their objectives whilst protecting the interests of their stakeholders. Risk is uncertainty of outcome, and good risk management allows an organisation to:

- have increased confidence in achieving its desired outcomes;
- effectively constrain threats to acceptable levels; and
- take informed decisions about exploiting opportunities.

4.4 Good risk management also allows stakeholders to have increased confidence in the organisation's corporate governance and ability to deliver.

#### ***Current risk management***

4.5 Audit Scotland (1999) identified a risk management process for the public sector:

##### **Stage 1 - Risk identification**

Identifying and understanding the hazards and risks facing the organisation is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

## **Stage 2 - Risk analysis**

Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control it or respond to it.

## **Stage 3 - Risk control**

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Risk control usually requires managers to identify and implement projects or revised operating procedures.

## **Stage 4 - Risk monitoring**

The risk management process does not finish with the risk control projects/procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

4.6 Audit Scotland (2008) has identified a local government Priorities and Risk Framework as a national tool used by auditors to plan the risk-based audits of local authorities in Scotland. It is updated annually and identifies the key national initiatives and priorities facing clients in the coming year as well as the main risks to their achievement. This helps to ensure that audit work is properly focused and takes account of sector specific national priorities and risks. It is also used to deliver an integrated audit across Scotland which addresses the priorities and risks of local government from a top down (national) and bottom up (local) perspective.

4.7 Audit Scotland (2007) has also published a Performance and Risk Framework (PRF) for the National Health Service (NHS) in Scotland. The PRF forms an agenda for discussion with senior client officers to help auditors assess their client's arrangements to address the issues and risks identified in the PRF. Auditors may need to meet with many, if not most, of a client's management team to discuss their organisation's risks. These discussions are supported by auditors' cumulative knowledge and experience of NHS bodies and a review of relevant evidence, including the reports of other scrutiny bodies. When combined with an assessment of local issues, audit activity can then be targeted to areas of greatest audit risk.

4.8 The National Audit Office Report 'Managing Risks to Improve Public Services' (NAO 2004) identified five key aspects of risk management and made recommendations for improving risk management practice in central government.

- Sufficient time, resource and top level commitment needs to be devoted to handling risks.
- Responsibility and accountability for risks need to be clear, backed up by scrutiny and robust challenge to provide assurance.
- Departments need to base their judgements about risks on reliable, timely and up to date information.

- Risk management needs to be applied throughout departments' delivery networks.
- Departments need to continue to develop their understanding of the common risks they share and work together to manage them.

4.9 This Section has identified key features of contemporary risk management systems in a public sector context. There is no doubt that many organisational performance management systems should incorporate organisational risk assessment and management and such risk assessment and management elements must complement the elements of the organisational performance management system.

4.10 Risk exists in all organisations which are committed to continuous improvement. The objective is to be 'risk aware', with sound processes of risk management, rather than 'risk averse'. Indeed according to Audit Scotland (2007:3) organisations which seek to avoid risk entirely are unlikely to achieve Best Value.

4.11 There is an evidence base for better integrating risk assessment and management into organisational performance management systems in a central government context drawing on the work of Audit Scotland on local government and the NHS.

### **Key points**

- There was a lack of evidence in the literature of performance management frameworks which incorporate comprehensive risk management.
- Risk Management is increasingly important in the public sector and should be an integral part of any system of organisational performance management.
- Such processes involve risk identification, risk analysis, risk control and risk monitoring.
- External risks can be identified through comprehensive, continuous environmental scanning.
- Audit Scotland has developed risk frameworks for local government and the National Health Service

## **SECTION 5**

### **PERFORMANCE MEASUREMENT AND PERFORMANCE MANAGEMENT**

#### **Section introduction**

5.1 This section considers the research questions which relate to organisational performance measurement. How and why are certain performance management measures and indicators chosen developed and collated? The section reviews the development of performance indicators and evaluates their contribution to organisational performance management in a government context.

#### **Performance indicators and organisational performance management**

5.2 In the 1980s, according to Pollitt (1986:155-170), UK commentators were concerned that there was too much emphasis on the 'triumvirate of virtue: economy, effectiveness and efficiency' in performance indicators (PIs). Economy, on its own, is a very limited concept for providing guidance to managers. Gray and Jenkins et al. (1985) suspected that, at this time, there was a drive to minimise inputs almost regardless of outputs.

5.3 Carter (1991) identified weaknesses in existing performance assessment systems in that indicators tended to be used as 'dials' instead of using them as 'tin openers' (where the indicator prompts investigation prior to the initiation of action) and this led to deficiencies in the design, implementation and utilisation of information from the existing PI systems. Collectively, the academic writers were concerned that performance indicators had become tools of government and senior managers in that they were 'top-down', prescriptive, value laden, input and process focused, and predominantly economy and efficiency-led. Kanter and Summers (1987) urge non-profit managers to try to set objectives and assess results to determine if they are indeed 'doing well while doing good'. Tichelar (1998) identifies that many performance assessment systems still contain a substantial number of indicators that public sector organisations must utilise and consequently report. The audiences for such reports include: government; funding agencies; auditing agencies; client groups; stakeholders; and the general public.

5.4 McKevitt and Lawton (1996:49-54), conclude that performance measurement will fail unless there is a participative approach designed to promote ownership at all levels of the organisation. Kravchuk and Schack (1996) developed a set of design principles, based on US experience, which incorporate good practice in managing change and a concern for clients and other stakeholders, these are as follows:

- Formulate a clear, coherent mission, strategy and objectives.
- Develop an explicit measurement strategy.
- Involve key users in the design and development phase.
- Rationalise operations as a prelude to measurement.
- Develop multiple sets of measures for multiple users, as necessary.

- Consider the clients, customers and stakeholders throughout the process
- Provide each user with sufficient detail for a clear picture of performance.
- Periodically review and revise the measurement system.
- Take account of past, current and potential future complexities.
- Avoid excessive aggregation of information.

5.5 Key decision takers should avoid using measures as a substitute for expert knowledge about, or direct management of programmes. Measures are better placed in a management by exception framework, where they are regarded as indicators that will serve to signal the need for further investigation (Carter's (1991) 'tin-openers' [see above]). Such an approach promotes learning, adaptation and improvement.

### **Observations from literature**

5.6 The themes emerging from the implementation studies are many and varied. These themes have changed over time to reflect the changing context of public management and developing experiences of performance indicators in action. There remains a concern for input, process and output but there is a need to further develop a concern for outcome.

5.7 If organisations consider change management theory, they are less likely to encounter opposition from within the organisation. This requires a participative 'bottom-up' approach where the system develops from within the organisation but is supported from the top and organisational members feel a sense of ownership of performance measures. Criticisms also relate to the over-emphasis on performance indicators as post-controls in that they are used for reporting past performance. There is insufficient use of performance indicators for concurrent controls and for planning purposes (pre-control).

5.8 A study by the Social Market Foundation (2005) identifies recurring criticisms of performance targets:

- There are too many targets
- Targets are too rigid and undermine the morale of staff
- Targets have perverse unintended consequences
- It is not always clear who is responsible for a target
- The data are not always credible

(Social Market Foundation, 2005:19)

5.9 However the study defends the use of targets in government:

*Targets are a useful tool in the armoury of government which needs to ensure that public money is well spent and that important outcomes are realised.*

(Social Market Foundation, 2005:25)

5.10 The study goes on to argue in favour of the retention of targets in government as they have the capacity to give an organisation focus. They can align different

bodies which otherwise might be reluctant to co-operate. They can embody the aspirations and priorities of government. They can provide a transparent framework for holding government to account. They provide useful information for citizens and other stakeholders.

5.11 The aim of performance measurement and target setting by government is to improve the quality, performance and accountability of public services such as health and education. But do targets achieve this aim? To evaluate the extent to which targets are met, and any unforeseen adverse consequences of target setting, requires robust, comprehensive performance measures which cover the full range of services being delivered. Otherwise, providers may concentrate only on areas that are measured to the exclusion of others.

### **Key points**

- Performance indicators in the past tended to focus on economy and efficiency and to a lesser extent effectiveness.
- Performance indicators have been used extensively for reporting performance (post-control). There should be greater use of performance indicators for the purpose of planning (pre-control) and monitoring (concurrent control) in systems of organisational performance management.
- Performance indicators should be used as 'dials' (communicating performance status) and 'tin-openers' (identifying factors which require further investigation to clarify causes and consequences).
- Performance indicators in contemporary organisational performance management should incorporate performance outcomes.
- Performance indicators systems should incorporate the performance information required by external stakeholders as well as information required internally by management and organisational members.
- Performance indicators should be transparent and understandable to those with an interest in the performance of the organisation.

## **SECTION 6**

### **IMPLEMENTING ORGANISATIONAL PERFORMANCE MANAGEMENT**

#### **Section introduction**

6.1 In this section the key successful features of organisational performance management in a government context are considered, making extensive use of the data gathered from the organisations which participated in the research interviews. Eleven interviews were conducted with representatives of public sector organisations currently active in organisational performance management. The following organisations participated in the research interviews: Audit Commission; Audit Scotland; Cabinet Office; Department for International Development; Improvement and Development Agency; Improvement Service; NHS Ayrshire and Arran; North Lanarkshire Council; South Lanarkshire Council; Stirling Council; and Strathclyde Police. Interviews took place between January and July 2008.

6.2 The section begins by considering the views of contemporary public managers in relation to the performance management questions posed in the research interviews. Thereafter, the section develops by clarifying the factors likely to lead to effective implementation by drawing on the concept of 'perfect implementation'. The section ends by identifying what works in the implementation and ongoing management of a performance management framework.

#### **Interview question 1: What has been the impact of organisational performance management in a government context?**

6.3 There was consensus amongst the interviewees that organisational performance management increases managerialism and all interviewees believed that this was an appropriate trend. The impacts have not been systematically evaluated and there has been research which questions the extent to which organisations perceived to be 'high performers' do in fact deliver and sustain high performance levels. The overall opinion was that the impact was more of an internal change than a change which enhanced organisational effectiveness in the short term but there was a belief that organisational performance management improves organisational performance.

#### **Interview question 2: How useful are systems of organisational performance management in a government context?**

6.4 There was general agreement on the potential utility of organisational performance management. If this were not the case, why would governments globally embrace organisational performance management? In addition, why would global organisations such as the OECD, the United Nations and the World Bank promote organisational performance management in government? The conclusion must be that systems of organisational performance management in a government context are useful.

### **Interview question 3: What are the benefits to be gained from the introduction of an organisational performance management in a government context?**

6.5 The interviewees generally believed that in the short term the benefits would tend to be efficiency gains but in the medium to longer term the benefits would be enhanced output levels and possible progression towards planned outcomes. However, there were some concerns about the capability of organisational performance management to deliver outcomes. Outcomes, it was agreed by most, are difficult to predict and some planned outcomes are subject to too many variables and constraints resulting in uncertainty and setbacks.

### **Interview question 4: Who are the beneficiaries of organisational performance management in a government context?**

6.6 The interviewees agreed that the beneficiaries in the short term would be politicians and senior managers as organisational performance management systems enhance 'top-down' control. Most interviewees believe that the potential benefits would accrue both internally and externally and the population as a whole would receive better public services as a consequence of organisational performance management. All agreed that UK evidence of this assertion is limited.

### **Perfect implementation**

6.7 The concept of the 'ideal' model of public policy implementation, developed by Gunn (1978), focuses on the pre-conditions that would ensure the successful implementation of a policy or strategy. Those responsible for implementation should do their best to promote the attainment of these circumstances over the implementation period to ensure success. The concept remains worthy of consideration as a framework for enhancing the effectiveness of organisational performance management in a government context. The original Gunn model has been supplemented by Mackie (2004 and 2005) and others and incorporates elements of contemporary policy analysis, strategic management and change management. The pre-conditions of 'perfect implementation' include factors such as: adequate time and resources available as required; objectives understanding and complete agreement; continuity and competence of decision-takers; perfect monitoring and Best Value; and positive, transparent, robust and objective performance evaluations.

6.8 What works in the implementation an ongoing management of a performance management framework will be contingent on a range of factors not all of which can be controlled. However, there remains consensus amongst the public managers interviewed that organisational performance management is here to stay in the practices of government at all levels. It is a better way of managing public services.

### **Key points**

- There is widespread belief in the merits of organisational performance management particularly for improving internal managerial decision-making and the implications of this for enhancing organisational performance (intra-organisational benefits).

- There is less evidence of the value of extra-organisational performance as it is difficult to identify and quantify the benefits of stakeholder reporting. However, in a democracy there is a need to ensure the transparency of public service decision-making and value for money and these are the drivers for extra-organisational performance management in a government context.
- Effective implementation of organisational performance management requires comprehensive approaches which consider the pre-conditions of 'perfect implementation'.

## SECTION 7

### SUSTAINING ORGANISATIONAL PERFORMANCE MANAGEMENT

#### Section introduction

7.1 The objective of organisational performance management in a government context is to ensure that public policy is effectively implemented. In recent years Governments globally have set out clear public policy objectives in terms of outcomes and are committed to the pursuit and attainment of these societal outcomes. Governments will be held accountable periodically to their electorates for their performance including the extent to which they have made progress towards the attainment of these outcomes.

7.2 Organisational performance management in a central government context will only be sustainable where it achieves its key objectives of enhancing the performance of governments in the attainment of its policy objectives and keeping the electorate and key stakeholders satisfied.

#### **Characteristics of sustainable organisational performance management systems**

7.3 The lessons for best practice have been summarised by global organisations such as the World Bank, the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UN) who advocate performance management systems for governments which incorporate certain pervasive characteristics: **high level public policy aspirations expressed as outcomes; strategic business plan; performance measurement tools and techniques; targets; implementation; monitoring; measuring results; verification; communication; review and evaluation; continuous environmental sensitivity; and ongoing commitment at all levels.** It is these pervasive characteristics that serve as a model for sustainable organisational performance management in the public sector.

#### **The Commonwealth of Virginia: A sustainable model?**

7.4 The Virginia Model provides an excellent example of strategic direction and comprehensive monitoring and performance review and its merits are evidenced by the fact that Virginia is consistently in the top three performing states in the USA. A recent report from the Pew Center (2008) highlights the particular strengths of the Virginia Model in that the state avoids formulas and focuses on the harder work of asking why goals and targets are not being met, then seeks to address the underlying problems (the tin-opener approach). Virginia Performs tracks measurable societal outcomes as well as the agency goals and management benchmarks that will help achieve them. The focus on managing performance has permeated most of the public service agencies in Virginia who make use of their own performance dashboards and scorecards. These approaches create a 'unity of direction and process' whereby organisational performance management systems are complementary and there is a performance management ethos across the state's government and public services. The Commonwealth of Virginia has organisational

performance management approaches which incorporate both intra-organisations and extra-organisation feature thus allowing for management decision making to improve and for the data on organisational performance to be transparent and in the public domain.

### **Key points**

- In democratic societies, Governments are periodically held accountable to the electorate for their performance in government.
- The pervasive characteristics of public sector organisational performance management systems should be present if the system is to be sustained.
- The system of organisational performance management found in the Commonwealth of Virginia is a good example of a sustainable organisational performance management system.

## SECTION 8

### CONCLUSIONS AND RECOMMENDATIONS

8.1 There is global convergence in relation to organisational performance management in a government context. There are consistent features in all contemporary performance management systems including the emphasis on outcomes and the central role for strategic planning, performance indicators and the use of 'easy to understand' concurrent and post-control tools and techniques. In order to achieve National Outcomes, the Scottish Government must work with partner organisations including local government and the NHS. In Scotland there is scope for organisational performance management in a government context to operate at two levels, intra-organisationally and extra-organisationally.

8.2 The system must primarily manage the performance at the level of the Scottish Government and this can be achieved through the introduction of three elements:

1. **Pre-controls** through strategic and operational planning incorporating targets linked to National Outcomes
2. **Concurrent controls** in the form of a system which allows for internal and external communication of progress against targets. An enhanced 'traffic lights' system would be best, showing performance against target and performance trajectories.
3. **Post-controls** including twice yearly formal reporting: one being a summary of highlights and exceptions to planned performance; and the other being a comprehensive review of performance in each area of government activity in advance of budgetary allocation decisions. The reports require a performance management system which makes use of traffic light systems. Both reports would be open to scrutiny by an independent body and the Scottish Parliament.

8.3 This system should preferably be reflected at the strategic level for those partner organisations involved in providing public services. There would be advantages in having the same 'traffic lights' system across all Scottish public services at a strategic level as this could promote performance comparison and performance in cross-cutting projects. Performance management systems within Scottish public sector organisations could be more bespoke as long as the information generated was capable of translation readily into the Scottish Government Organisational Performance Management System (SGOPMS) and Scotland Performs.

8.4 Research by the Improvement and Development Agency (IDeA) (2004) highlights that developing the right environment for performance management to flourish requires clear leadership, both political and managerial, that champions improvement and the use of performance management to achieve it. There is also a requirement for a shared sense of purpose that is evident both in what people say and through their actions and a willingness to pull together and stick with plans even when progress seems slow. There must also be a genuine desire to learn both from

what's working well and from what's not and to celebrate achievements along the way.

8.5 The Crerar Report (2007) advocates careful consideration of the costs and benefits of information collated by public sector organisations for use by inspection and audit agencies. It would therefore be consistent with this approach to advocate such rationality to the design and development of organisational performance management within and across governmental activity in Scotland.

8.6 At the moment many public sector organisations are developing bespoke systems with little regard to their capacity for aggregation. One consequence of this would be that time and other resources would have to be used by the Scottish Government to monitor the extent to which the Scottish public sector was performing to the required standards against the Scottish Government National Outcomes. This 'bottom-up' approach will therefore do little to promote national monitoring, coordination and control of the performance of Scotland's public sector. Such an approach will be inefficient and may lead to unnecessary complexity and duplication of effort and this clearly would not be the best use of public resources. Corrective action can be taken now but this requires a consistency of approach to the development of organisational performance management systems across the Scottish public sector. Does Scotland need or want a proliferation of styles of strategic plan, balanced scorecards, performance prisms and other performance management adaptations?

8.7 The Scottish Government has stated that it will support robust self-assessment within delivery organisations using outcome based approaches, tied into the five national strategic objectives and the key national indicators, to set challenging benchmarks on which to assess progress against. The involvement of service users will be a critical component of self assessment. (Scottish Government, 2008a)

8.8 This review of the literature has demonstrated that there are great difficulties in accommodating outcomes in systems of organisational performance management in government but nevertheless governments across the globe are pursuing such outcome agendas. Organisational performance management systems in a government context must respond to this change by developing and effectively implementing comprehensive, output- and outcome-focused, systems of organisational performance management.

8.9 There may be scope for developing organisational performance management at the level of central government departments by taking the existing global best practice and contextualising for the Scottish Government. This would serve the dual accountability purpose of performance and value for money as well as enhancing the capability of the Scottish Government to implement continuous improvement in public services. Departmental planning, monitoring and evaluation could incorporate performance targets (pre-controls), monitoring systems (concurrent controls) and review, evaluation and reporting (post-controls) which assesses the extent to which the department has been effective and has demonstrated acceptable performance against pre-determined criteria. There would be complementary approaches to organisational performance management across the Scottish public sector although

these complementary approaches need not be 'one size fits all'. This would facilitate benchmarking and comparisons across central, local, health and other public services and would be compatible with Scotland Performs.

8.10 Such an approach could be used to improve on certain aspects of the Virginia Model such as the autonomy of the Virginia Agency Chief Executives over the agency's strategic direction and the Agency self-assessment involved in the reporting of performance levels achieved.

### **Final thoughts**

8.11 Potential problems may arise when policy outcomes are not achieved or there are clearly gaps between desired performance levels and performance levels attained. Ideally the organisational performance management system would cover all of government (holistic), the information would be as close to 'real time' as possible and all of the information relating to the performance achieved would be in the public domain with well presented summaries appearing in the form of 'traffic lights' at regular intervals on the Scotland Performs website.

8.12 If governments are committed to the principles of organisational performance management in government they must be prepared to address both the good news and the bad news. In saying that, the early evidence of comprehensive organisational performance management systems in government must lead to the conclusion that they appear to enhance performance, responsiveness and empower citizens and as such must be seen as a positive development in public management.

8.13 It is too early to conclude that the impact of organisational performance management systems in government has been a success as whole-of-government systems have only been introduced globally over the last five years. At sub-governmental levels the evidence (out with the UK) is that such performance management systems have contributed to enhanced public service performance albeit that these systems have largely focused to date on municipal/local government and evaluations have tended to focus on inputs, process and output enhancement and not on outcomes achieved.

8.14 There is evidence of utility if the system is organisation-wide and linked to strategic planning and budgetary management systems. The organisational performance management systems act as concurrent controls providing essential management information as an aid to decision making at all levels. Benefits relate to improved organisational performance, better management, better stakeholder communication and better relations (both internally and externally). Organisational performance management systems in a government context have potential for multiple beneficiaries: politicians, civil servants, others involved in service delivery; other stakeholders; and the ordinary citizens.

8.15 However, the premise underpinning these answers is that performance improves, in part, as a consequence of an holistic organisational performance management. The difficulties of effective policy implementation and the problematic consequences of performance measurement systems will always apply and an organisational performance management system is no guarantee of policy success.

Policies fail because of bad policy, bad execution or bad luck and there may be some sense that governments have to introduce systems of organisational performance management not because of their potential benefits but because other governments are introducing such systems and the rhetoric of an organisational performance management system in government may be sufficient to appease the public. It may be that the policy of organisational performance management becomes a substitute for action. This approach may be useful when confronted by a problem, which is difficult to address (low tractability), and policy implementation activity may result in no tangible signs of improvement. The policy as a statement of intent is a substitute for action and the organisational performance management system is never effectively implemented.

### **Organisational performance management: fashion or fad?**

8.16 Organisational performance management systems are high on government agendas worldwide and it must be assumed that there is global consensus within governments over the potential merits of such systems. Organisational performance management in government has the potential to enhance the effectiveness of public policy implementation but will only succeed where it is effectively implemented and applied holistically both within government and across governmental activity. Organisational performance management in government is globally fashionable but it may become a transient hobby (a fad) unless it is effectively implemented and continuously responsive to internal and external challenges. Politicians and public managers can promote the sustainability of organisational performance management but the extent to which it becomes embedded will depend on the extent to which organisational performance management performs.

**Dr Bobby Mackie**  
**Mackie Public Management**  
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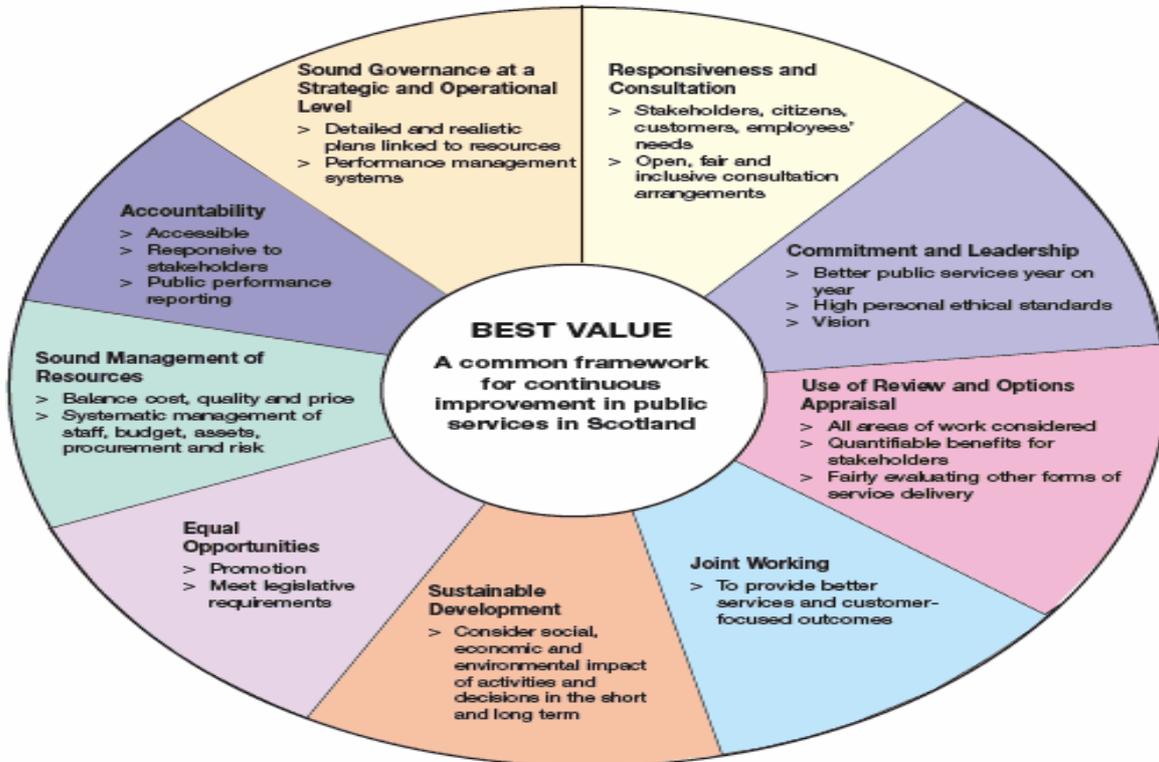
## APPENDIX I

### THE SCOTTISH GOVERNMENT NATIONAL PERFORMANCE FRAMEWORK



## APPENDIX II

### THE BEST VALUE FRAMEWORK



## APPENDIX III

# THE TREASURY BOARD OF CANADA MANAGEMENT ACCOUNTABILITY FRAMEWORK



# APPENDIX IV

## VIRGINIA PERFORMS

### Selected Agency Key Objectives at a Glance



<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>Assist companies that are making investments in Virginia</li> <li>Increase international sales</li> <li>Build additional educational and innovation capacity in southside and southwest Virginia</li> <li>Reduce economic disparity among communities</li> <li>Increase employment among Virginians with low income and/or disabilities</li> <li>Increase financing for small businesses</li> <li>Increase market value of Virginia food, agricultural, and forestry products</li> </ul>	<p><b>Education</b></p> <ul style="list-style-type: none"> <li>Increase number of four-year-olds served by Preschool Initiative</li> <li>Increase third-grade reading passage rate</li> <li>Increase high school graduation rate</li> <li>Increase career readiness of high school students</li> <li>Increase enrollment in GED and post-secondary degree programs</li> <li>Maximize higher education access and affordability</li> </ul>	<p><b>Health &amp; Family</b></p> <ul style="list-style-type: none"> <li>Achieve permanent family for children in foster care</li> <li>Prevent child maltreatment</li> <li>Reduce teenage pregnancy, obesity, smoking and infant mortality</li> <li>Increase immunization rates</li> <li>Increase quality of care/outcomes for Medicaid recipients diagnosed with chronic disease</li> <li>Improve birth outcomes for Medicaid recipients</li> </ul>	<p><b>Public Safety</b></p> <ul style="list-style-type: none"> <li>Decrease juvenile re-offense</li> <li>Reduce recidivism for Therapeutic Community Treatment participants</li> <li>Promote successful re-entry and compliance</li> <li>Decrease traffic fatalities</li> <li>Increase emergency and disaster response capability</li> <li>Reduce civilian fire injuries and deaths</li> <li>Increase compliance with underage alcohol and tobacco use laws</li> </ul>
<p><b>Natural, Historic &amp; Cultural Resources</b></p> <ul style="list-style-type: none"> <li>Improve and protect air and water quality</li> <li>Conserve and enhance resource lands</li> <li>Increase access to safe and affordable drinking water</li> <li>Recognize and help protect historic resources</li> <li>Increase public attendance at arts events</li> <li>Improve museum exhibits and educational programs</li> </ul>	<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>Increase public transportation use</li> <li>Maintain, improve and develop railways</li> <li>Manage congestion growth</li> <li>Improve quality of highway construction projects</li> </ul>	<p><b>Government &amp; Citizens</b></p> <ul style="list-style-type: none"> <li>Support increase in voter participation</li> <li>Achieve best bond rates</li> <li>Issue timely tax refunds and respond to taxpayer inquiries in a timely manner</li> <li>Resolve complaints and bring practitioners into compliance</li> </ul>	

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