

Performance Measurement in British Central Government

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Abstract

This paper reports on a survey that forms part of a wider research project to understand performance measurement practices in UK central government Executive Agencies (EAs) and Executive Non-Departmental Public Bodies (ENDPBs). The 230 EAs and ENDPBs, together with the National Health Service (NHS) and Local Authorities (LAs), are the organisations which deliver services according to government department policies, thus performance measurement should play an important role in their operations and management. However, in comparison with the NHS and LAs, there has been little published on performance measurement practices in these EAs and ENDPBs. The survey, which utilised a 6-page questionnaire, was distributed to all 230 organisations and a 40% response rate was achieved. We will report on the key findings of the survey including the types of performance measurement approach in use, the perceived effectiveness of these approaches, the purposes of performance measurement and the main factors influencing the design of the performance measurement approach adopted. We will also discuss how these findings have influenced and supported the second stage of the research, which is further in-depth qualitative research to explore critical success factors for design, implementation and use of performance measurement systems in this context.

Introduction

Many authors indicate that performance measurement can have benefit on public organisations (Smith 1993; 2002; Behn 2003) but others note that designing, implementing and using a performance measurement system (PMS) is not without challenge (see for eg. Neely 1998), or highlight factors that are critical to successful management through measures (Newcomer 1997; De Lancer Julnes 2001; Sawhill and Williamson 2001; Franco and Bourne 2003). However, there is still little published research which sought a better understanding of the use of performance measurement in the public sector and the factors affecting successful design, implementation and use.

As part of the UK government's Modernisation, Reforms and Accountability in 1999-2000, the Public Services Agreement and Service Delivery Agreement required every government Department to set out their aims and objectives, and the progress they expect to make in return for extra resources. The introduction of these agreements encourages a more devolved approach to performance management within a continuing framework of clear national standards and, as a consequence, we would expect to see a heightened level of performance measurement activities within the public sector.

This paper reports on a survey that forms phase 1 of a three-phase research project to understand and inform performance measurement practices in UK central government. The study focused on Executive Agencies (EAs) and Executive Non-Departmental Public Bodies (ENDPBs) in the UK. The phase 1 survey aimed to develop an overview of current practice. It examined the types of PMS in use, the main purposes of performance measurement, the factors influencing the design, and the perceived effectiveness of adopted approach.

The next section sets the scene for the research with a short discussion of performance measurement in the context of the UK public sector. This is followed by an outline of the conceptual framework for the research, the research objectives and Phase 1 research methodology. The survey findings are then presented and we conclude with a discussion of how we seek to build on these in Phase 2 of the research.

The UK Public Sector and Performance Measurement

'Performance measurement and reporting are intrinsic to the whole process of public management, including planning, monitoring, evaluation and public accountability.'

(The Comptroller and Auditor General 2000)

In times of economic downturn, more constraints were set on public expenditure and obtaining value for money was essential; hence the need for improved public service performance assessment is obvious (Pollitt 1986). The emphasis on managing for results was an effort to regain the confidence of citizens (Wholey 1999) and came about partly in response to a growth of understanding that under-financing was not necessarily the main problem with the services in question Pollitt (1986). In Britain, this 'wave' derived its momentum from 2 major factors; (i) the *energising* factor – the belief system of the Conservative Government of 1979 which was 'for private sector management techniques', 'for public expenditure cuts', and 'against inefficiency in public bureaucracies'; and (ii) the *permissive* factor of the professional groups including doctors, teachers, planners, architects and police, who were not in a position to resist externally imposed tests of economy, competence and achievement, as public confidence in their competencies was diminishing at that point of time (Pollitt 1986).

Many authors observed that performance assessment drives appeared to focus on efficiency and value for money rather than effectiveness, and also to be a mechanism of financial restraint rather than an element in a programme of strategic management (Hopwood 1984; Gray and Jenkins 1986; Pollitt 1986). Newcomer (1997) supported the view that the primary objective for performance assessment was resource allocation rather than a drive to improve internal management, because the focus of government performance initiatives was basically accountability.

British public sector performance measurement has evolved over the years, illustrating the Government's search for the perfect system, integrating management information systems with public accountability as they seek control over public sector performance. The evolution started

with the establishment of the Efficiency Unit in 1979, continuing to the very recent Modernising Government initiative and the introduction of the Public Service Agreement. In 1988, the Next Steps Initiative: Improving Management in Government recommended that executive functions of government be carried out by executive agencies. The report argued that the civil service was too big and too diverse to manage as a single unit and there was a need for smaller, performance-focused units. This programme transformed the delivery of the majority of central government services, emphasising the need to develop performance measurement and performance reporting systems. Central government is allowing greater scope locally to determine other priorities and to decide how best to deliver national outcomes, while maintaining a strategic role and ensuring standards are met and maintained. They are proposing an increased performance management capacity within the frontline, local government and other intermediate tier organisations (HM Treasury 2004).

A scan of the literature on public sector performance shows that much research interest to date has been focused on Local Authorities (LAs) and the National Health Service (NHS), which account for the majority of public spending. Little attention appears to have been paid to EAs and ENDPBs although they are also part of the front line which implements government policies. The EAs and ENDPBs carry out executive functions of the Government with minimum interference from Ministers in the day-to-day running of the organisation. They are well-defined business units that have a clear focus on delivering specific outputs, a pre-requisite for the need of measuring performance.

There is little research documenting developments in the use of performance measurement approaches within Central government, with the exception of survey conducted by the National Audit Office on 17 major Departments (The Comptroller and Auditor General 2001). Critical appraisal of the public sector performance measurement initiative is thus timely and may generate both practical benefits and theoretical understanding.

Defining the Research Framework

Performance Measurement System

A performance measurement system is a component of a broader corporate performance management system (Lebas 1995; Bourne, Neely et al. 2003). A PMS enables organisation to plan, measure and control its performance, and aligns business processes with its strategies to achieve results and create shareholder value (Maisel 2001). "A performance measurement system is the information system which is at the heart of the performance management process, and it is of critical importance to the effective and efficient functioning of the performance management system" Bititci, Carrie et al (1997).

Different characteristics of and perspectives on PMS are highlighted by different authors. Otley (1999) stresses that the information provided supports managers in performing their jobs and organisations in developing and maintaining viable patterns of behaviour and Forza and Salvador (2000) highlight the system feed-forward and feedback loop. Bredrup (1995) proposes a layered system of metrics "...consistent with the hierarchy of planning, strategic, tactical and operational" and Bourne, Neely et al (2003) call for 'a *multi-dimensional* set of performance measures (metrics)'.

Franco-Santos et al (2004) focus on the roles of the PMS, classifying these into 3 main categories: strategy management (including formulation and execution), communication (internal and external), and influencing behaviour, with regard monitoring progress and rewarding behaviour. Ittner, Larcker et al (2003) further emphasise the strategic management role, defining a PMS as "information that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives, and aligns management process, such as target setting, decision-making, and performance evaluation, with the achievement of the chosen strategic objectives"

This research does not adopt any specific definition of a PMS but takes it to refer to any tools or approaches used by an organisation to measure performance for whatever reason.

Performance Measurement System Lifecycle

The system development lifecycle (SDLC) model which comprises of the four stages of design, implementation, use and updating, will be used throughout this research to guide the examination of practices in public sector PMS. In adopting it, it is assumed that; firstly the stages in development and use of PMS can be mapped on to the SDLC model; and secondly that this will provide a useful basis for the classification of factors which influence the development of PMS, and the main challenges faced (Bourne, Mills et al. 2000). In phase 1 of the research, the main emphasis is on understanding factors relating to design and use.

The four stages in a PMS lifecycle are as follows:

Design is defined as an understanding *what* should be measured and defining *how* it should be measured (Neely, Adams et al. 2002). It is generally agreed that measures should derive from strategy (see for example Globerson 1985; see for example Dixon, Nanni et al. 1990; Lynch and Cross 1991; Kaplan and Norton 1992; Neely, Adams et al. 2002), encourage behaviour that support the strategy (Smith 1995; de Bruijn 2002) and be designed to avoid perverse behaviour.

The process must begin with a clear understanding of objectives (Kaplan and Norton 1996(a)) which reflects the wants and needs of stakeholders (Neely, Adams et al. 2002). Various approaches to facilitate the process of identifying key objectives have been suggested, including the use of a strategy map (Kaplan and Norton 2001(a)), a success map (Neely and Bourne 2000) or a Logic Model (Kravchuk and Schack 1996; Schalock and Bonham 2003). Quality measurement frameworks such as the EFQM have been used to help public organisations develop strategies, business plans and key measures (McAdam and Walker 2003).

Public managers face dilemmas in deciding what they should measure. As Newcomer (1997) says: "Pushing performance measurement as a tool to assess managerial accountability actually implies both that managers should use the performance data to demonstrate that the money allocated to their programs has been well spent, and to improve the operations of the programs they manage. But can the same performance data be used for both purposes?"

Another factor contributing the public sector manager's dilemma is the great diversity of activities in many government agencies (Lewis and Jones 1990).

It is suggested that a good performance measurement system should consist of both process and outcome measures in order to improve and to be able to demonstrate improvements (Marshall, Shekelle et al. 2000).

Implementation is defined as the phase in which systems and procedures are put in place to collect and process data to ensure the measurement to be made regularly (Bourne, Mills et al. 2000). There is however, evidence that not all attempts to implement performance measurement were successful (Bourne and Neely 2002). Table 1 summarises the critical success factors (CSF) for performance measurement implementation.

| Factors Influencing Successful Implementation | Author |
|--|---|
| Supporting IT infrastructure | Eccles & Pyburn (1992), Eccles (1991) |
| Aligning incentives with new measurement system | Eccles (1991) |
| Leadership | Eccles (1991), Hacker & Brotherton (1997) |
| Actionable vision and strategy | Kaplan & Norton (1996) |
| Linking strategy to department, team & Individual goals | Kaplan & Norton (1996) |
| System should provide strategic feedback rather than tactical ones | Kaplan & Norton (1996) |
| Designing a top-bottom measurement architecture | Meekings (1995) |
| Systematic review of measurement architecture | Meekings (1995) |
| Integrating budgeting and planning process | Meekings (1995) |
| Addressing resistance to measurement | Hacker & Brotherton (1997); Bourne at al (Bourne, Mills et al. 2000), Newcomer (1997) |
| Top management support to secure the necessary support and political commitment from stakeholders | Newcomer (1997) |
| Measures are defined by those stakeholders who hold the most influence over the process | Newcomer (1997) |
| System need to be integrated into the organisation, being part of business planning and management process | Kaplan & Norton (2001(a)), Cabinet Office (2001) |

Table 1: A summary of factors influencing successful implementation

Use is defined as the collection and exploitation of performance information for internal/external reporting, resource management and strategic planning, including assessing the level of success of strategy implementation and challenging of strategy assumptions (Eccles and Pyburn 1992; Kaplan and Norton 1996(b); De Lancer Julnes 2001). It has been largely assumed that performance measurement has been imposed to help public managers manage their processes and subsequently, improve service delivery and public accountability. However, Radnor and McGuire (2003) observe that within the public sector, performance is about measurement and evaluation not management, the system is diagnostic not interactive or about allowing improvement, that targets are not considered nor their baseline appropriately evaluated, and overall there is lack of ownership.

Update (Refresh) refers to the ongoing maintenance and enhancement of PMS to fit the evolving needs of the organisation (Dixon, Nanni et al. 1990; Bourne, Mills et al. 2000). The following quotations highlight some reasons for, and the importance of this:

"A good measurement system needs to be continually changed in order to remain effective. As one set of goals or objectives is satisfied, or as the set of measures becomes too gross to detect improvement, a new set needs to be articulated, and the old set needs to be discarded or modified. This means there can never be a set of good performance measurement that is stable over time." (Dixon, Nanni et al. 1990, p4 & 5)

“Targets and measures evolve naturally during the use of the measures, but if unchecked this evolution may lead to the performance measures diverging from strategy. At times strategies are being reviewed without consideration for the performance measures, if this activity is left unchecked; there is a danger that the old performance measures will conflict with new strategy. There are also cases where financial targets are updated without updating the non-financial performance measures at the same time”. (Bourne, Mills et al. 2000)

Research Objectives

The overall aim of this research is to understand and inform performance measurement practices in UK central government. This research is planned in three phases:

Phase 1: a survey aimed at gaining a broad understanding of performance measurement practices leading to a categorisation of public sector performance measurement systems (PMS);

Phase 2: in-depth interviews designed to uncover, for each category, critical factors to design, implementation and use of performance measurement;

Phase 3: develop and test diagnostic tools for different categories of PMS.

The next sections describe the design, execution and results of Phase 1 and initial thinking regarding Phase 2.

Research Methodology

Research Population

The list of Executive Agencies and Executive Non-Departmental Public Bodies was extracted from [http:// www.knowledgenetwork.gov.uk](http://www.knowledgenetwork.gov.uk) and the listing of Public Bodies 2003 (Cabinet Office) respectively. A total of 62 EAs and 168 ENDPBs were identified. The names of person responsible for performance measurement were identified and their contacts were compiled.

Research Instrument: Questionnaire Survey

A survey in the form of a 6-page mail-out questionnaire aimed to establish a broad view of current practices and to facilitate a categorisation of public sector performance measurement was launched in June 2005.

The questionnaire is designed to elicit information that could provide answers to the following questions:

- What are the performance measurement approaches in use?
- What are the main reasons for measuring performance?
- Whether PMS effective in enabling performance measurement activities?
- How managers rate the overall effectiveness of PMS?

The survey instrument is designed following closely to Dillman’s Total Design Method (1978). The content was informed by literature on performance measurement, and guidebooks and best practice published by government departments such as the National Audit Office, HM Treasury and the Cabinet Office. The survey instrument was been developed through multiple discussions and brainstorming sessions and has underwent series of amendments and revisions. This process was reiterated until it was felt that further discussions would not generate any fruitful results. Then the survey instrument was subjected to 2 different tests, which include, pre-testing and pilot testing before launching.

Pre-Testing Stage

The first try-out stage is pre-testing. The aim of pre-testing the questionnaire was to seek the views of experts in public sector performance measurement on the study as a whole and the design of the questionnaire. It sought to ensure that the; questions were coherent, understandable and successfully measuring what they were intended to assess, as well as whether potential respondents would be able and willing to answer the questions (in terms of providing confidential or sensitive information). The questionnaire was subjected to scrutiny of 3 groups of experts, as suggested by Dillman (1978, page 156-158): (1) academics who are actively engaged in public sector performance measurement research, trained

researchers who understand the study's purpose and who are also likely to use the information generated from this investigation; (2) personnel from the central government whose work is directly related to performance measurement in the executive agencies and the public bodies and are potential 'users' of the data; and finally (3) likely respondents from the population.

The Pilot Test

Following the 'pre-testing' stage, the instrument was piloted with a randomly selected 5% of the total number of organisations. This pilot test was a small-scale survey following all the procedures of the actual survey. A pilot test is helpful for planning of a study as it can provide some sense of estimation of probable response rates and it also pre-tests the ability of the researcher to handle the survey (Dillman 1978, page 158).

Implementation of survey

The survey instrument was sent to the person responsible for organisational performance measurement for each EAs and ENDPBs. Initial correspondence with every organisation sought to identify the name of the specific individual in-charge of organisational performance. This enabled the covering letter to be personalised and the survey instrument to be sent directly to the right person, who would have prior knowledge of the research project and be expecting the survey. This was to distinguish the questionnaire from any bulk mails.

Follow-up calls were planned to ensure a reasonably high response rate. These were made after 10 days to ensure that the named person had received the questionnaire, if not, another copy was sent out; to check if there are any inquiries that needed clarification, and to actively encourage potential respondents to participate.

Data Analysis

The data generated by this questionnaire are measured on ordinal scale (ranked, such as Not-at-all, Some extent, Great extent) and nominal (categorical, such as Yes or No) scales. It is recommended that non-parametric statistical procedures be used to analyse data of this type (Oppenheim 2001, page 157; Pallant 2001, page 253; Sheffield and Coleshill 2001, page 521).

Descriptive analysis, cross tabulations and scatter-plot diagrams were the main tools used to analyse the data obtained from the survey. Statistical analyses were conducted, but the relatively small sample size meant that the main use of these was to indicate areas of potential interest rather than to test for significant results.

The Findings

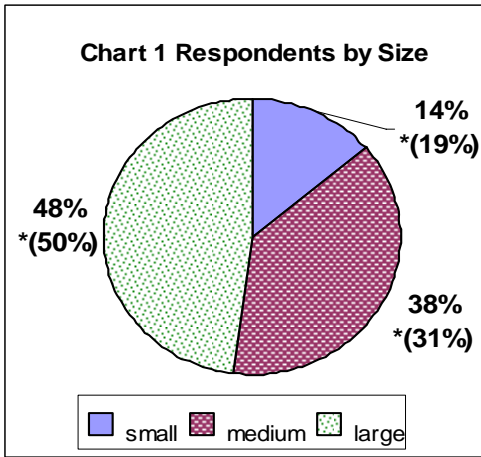
The survey was distributed to 230 organisations and 93 responses were received, yielding a 40% response rate.

Profile of Respondents

The distribution of respondents (Column A of Table 2) between EAs and ENDPBs closely matches the make up of the population (Column B of Table 2) of EAs and ENDPBs. The distribution of respondents is also consistent with the population according to the size of organisation as illustrated in Chart 1.

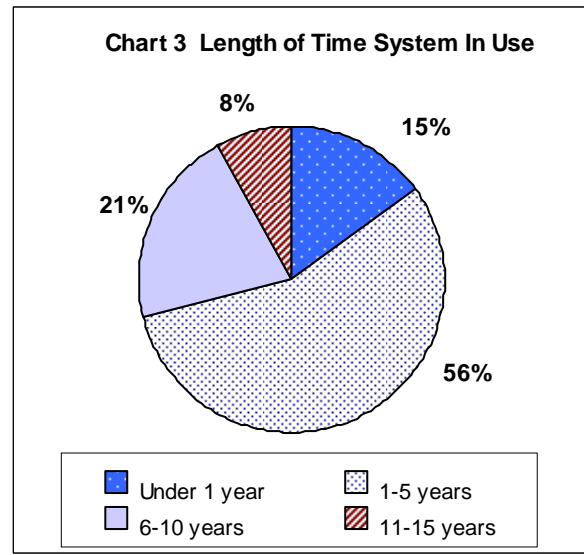
A full statistical analysis indicated no significant differences between EAs and ENDPBs although by definition their functions within the central government differ. Hence the data gathered from these two groups were analysed as one data set.

| Table 2 | Column A Respondents (%) | Column B Population (%) |
|----------------|---|--|
| EAs | 23 | 27 |
| ENDPBs | 77 | 73 |



*Notes to Chart 1:

Figures in parentheses represent the percentage of the population in each size group. Size of organisation is defined by the number of full time employees (a figure extracted from the latest published annual reports and accounts). The three categories of size are small (1-49), medium (50-249), and large (more than 250 employees).



*Notes to Chart 2:

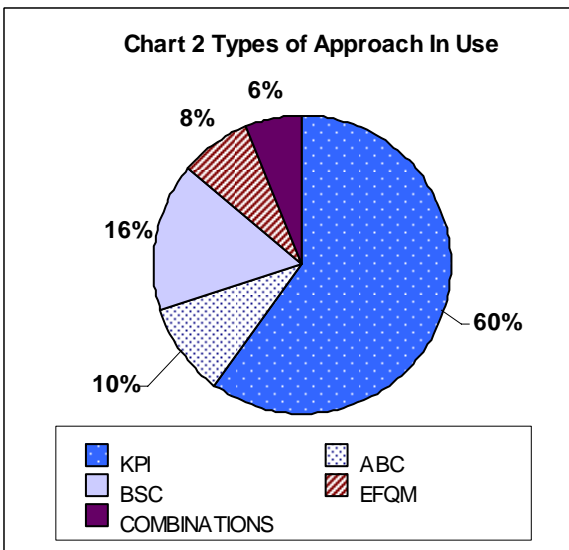
KPI refers to the use of key performance indicators outwith any formal methods;

If KPIs are used with any of BSC, ABC or EFQM they are counted as using BSC, ABC or EFQM respectively

'COMBINATIONS' implies a combination of 2 or more formal methods (such as BSC, ABC, EFQM).

Types of Approach in Use

The most commonly used approach is key performance indicators (KPI), see Chart 2. 56% of respondents state that their performance measurement systems were established in the last 5 years (Chart 3). The heightened level of performance measurement activity in this period is possibly a result of the Modernisation, Reforms and Accountability (1999-2000). None indicated not using some kind of approach to performance measurement.



The use of Key Performance Indicators (KPI) alone is the most common approach irrespective of how long the system has been in use, although it is less common for newer systems, (Chart 4a), and its use decreases with the size of the organisation (Chart 4b). A higher level of use of a widely recognised framework, such as BSC or EFQM, is mainly found in newer systems. The Balanced Scorecard (BSC) is a relatively common approach within large organisations. The survey findings confirmed de Bruijn's (2002) findings that performance measurement frameworks have penetrated the public organisations, with 16% using BSC, 8% EFQM and 6% combinations of 2 or more different frameworks. These frameworks were initially designed for the private sector organisations, and it is interesting to ask if managers need to adapt them for use in the public sector contexts (Micheli and Kennerley 2005).

Chart 4a Types of Approach by Length of Time System in Use

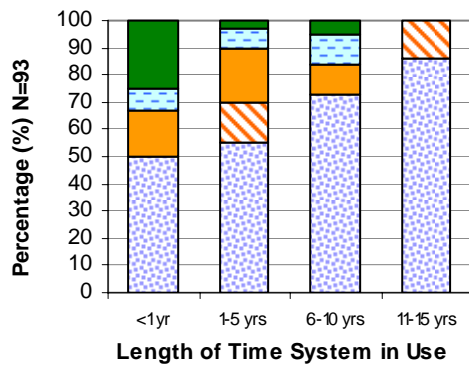


Chart 4b Types of Approach by Size of Organisation

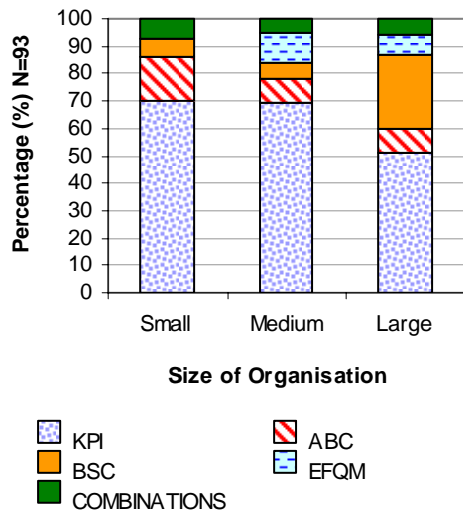
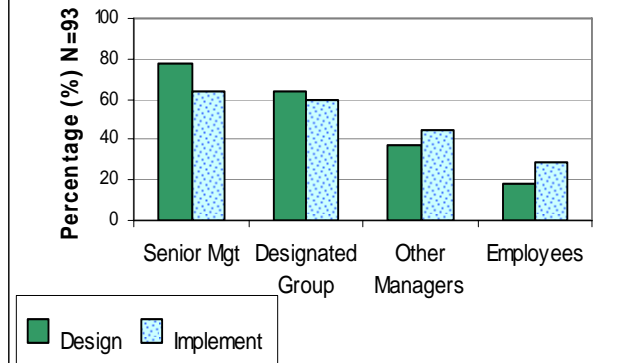


Chart 5 Groups Involved in Design and Implementation



Performance Measurement Department

69% of respondents (82% of medium, 71% of large and 15% of small) indicated that they have a unit or department dedicated to performance measurement.

Engagement of External Consultants

22% of respondents indicated that their organizations engaged external consultants to help develop their performance measurement system. Use of consultants increases with newer systems.

In terms of organisational size, 35% of small, 22% of large and 17% of medium engaged external consultants

Groups Involved in Design and Implementation

Senior Management and 'a Designated Group of people responsible for performance measurement' were most frequently identified as being involved in designing (77% & 63%) and implementing (63% & 59%) the performance measurement systems (Chart 5).

Influence of Stakeholder Groups in Design

Respondents were asked to what extent the requirements of stakeholder groups were taken into account in design on a scale of 'Not relevant', 'Not at all', 'Some extent' and 'Great extent'. Whilst the figures on the charts relate to responses 'To a great extent' and 'some extent' the discussion refers to the former. Similar emphasis is applicable throughout the discussions on the findings.

The requirements of the Board of Directors (61%), Sponsor Department (57%), and Service Users (22%) were the most frequently cited to have influenced design (Chart 6).

Dissemination of Performance Information

Respondents were next asked which group normally receive performance information and their perception on the level of importance of these groups receiving the information. Management Team, Sponsor Department, Board of Directors, Other Managers and 'a Designated Group responsible for performance measurement' were the most frequently identified as recipients of performance information and it is perceived to be of great importance that they receive the information. (Chart 7).

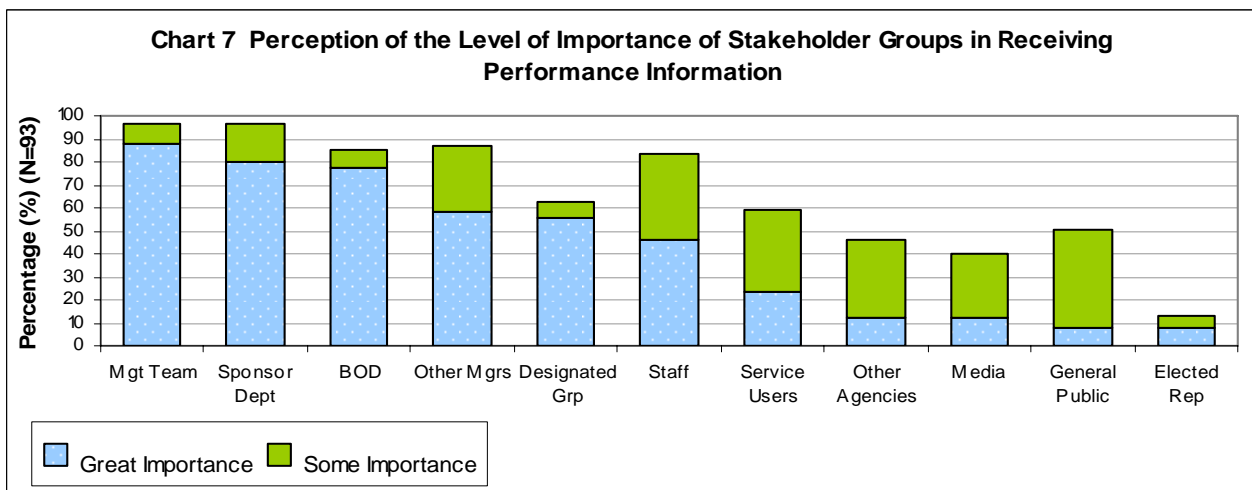
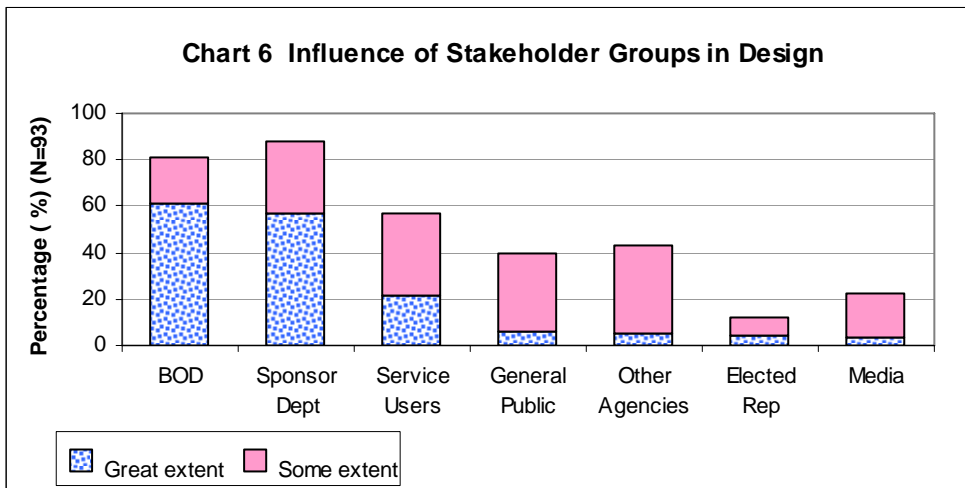
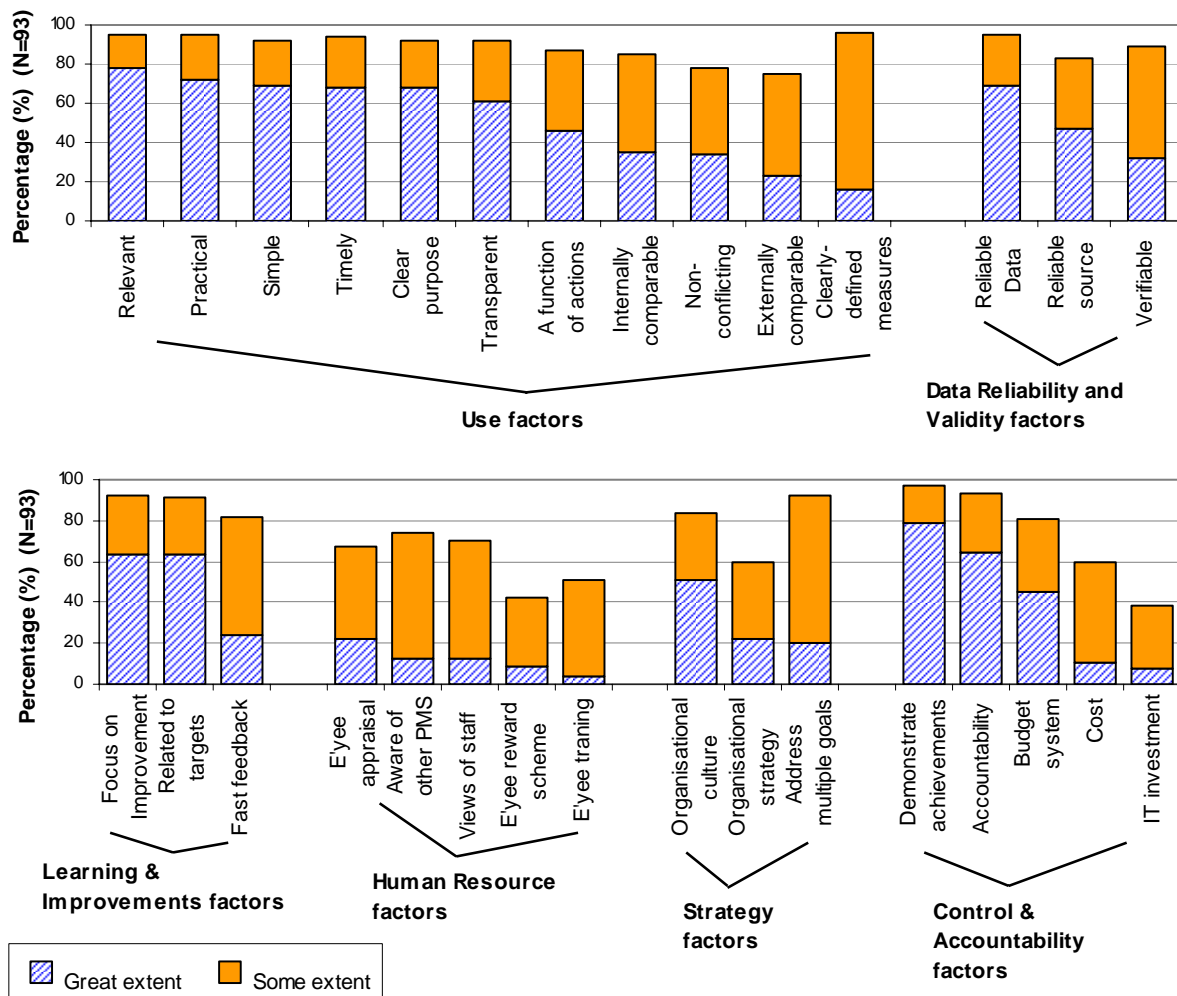


Chart 8 The Extent to Which Factors Influence Design



Factors Influencing Design

Respondents were asked identify from a list the factors that influenced design and the extent of influence on a scale of 'some' and 'great extent'. This section of the questionnaire is appended for reference.

The list of factors influencing design is categorised into 6 groups: strategy, human resource (HR), control and accountability, learning and improvement, reliability and use (Chart 8).

In general, the most frequently cited factors influencing design include the need to demonstrate achievements, the need for reliable data, and for measures that are relevant and clearly defined. The least mentioned were the need to integrate with employee reward schemes, level of IT investment

and employee training. Strategy factors were not seen to be of high priority when it comes to designing measures, contrary to suggestions of many authors (refer page 3): only 21% and 19% of respondents felt that organisational strategy and the need to address multiple goals, respectively, influenced design to a great extent.

Factors relating to usability, data reliability/validity and learning/improvement appear to be reasonably significant in that at least 75% of respondents indicated that they were influential to some or a great extent. In contrast, none of the human resource factors were rated that highly and none were rated as influential to a great extent by over 25% of respondents.

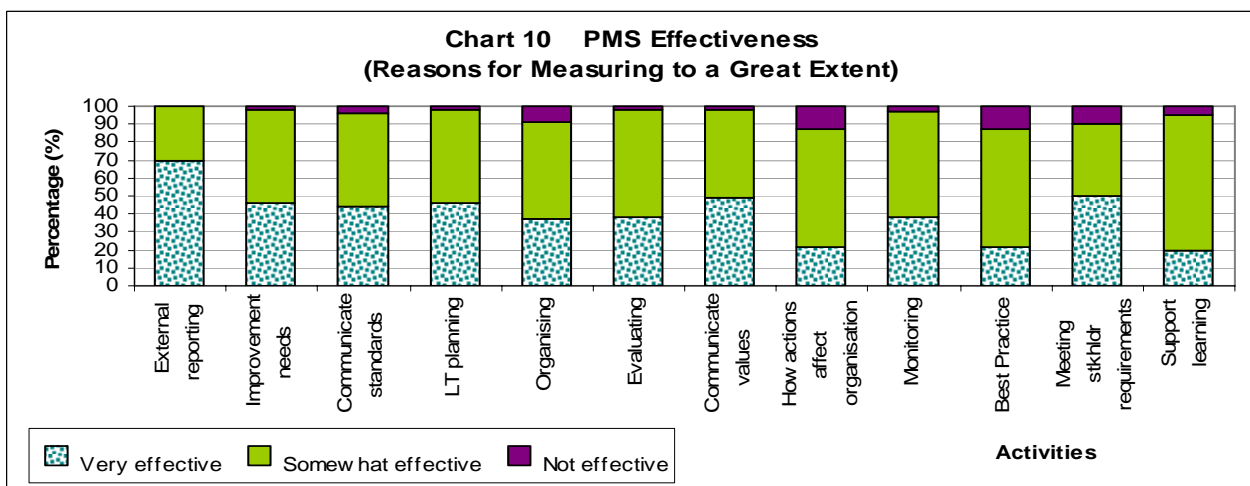
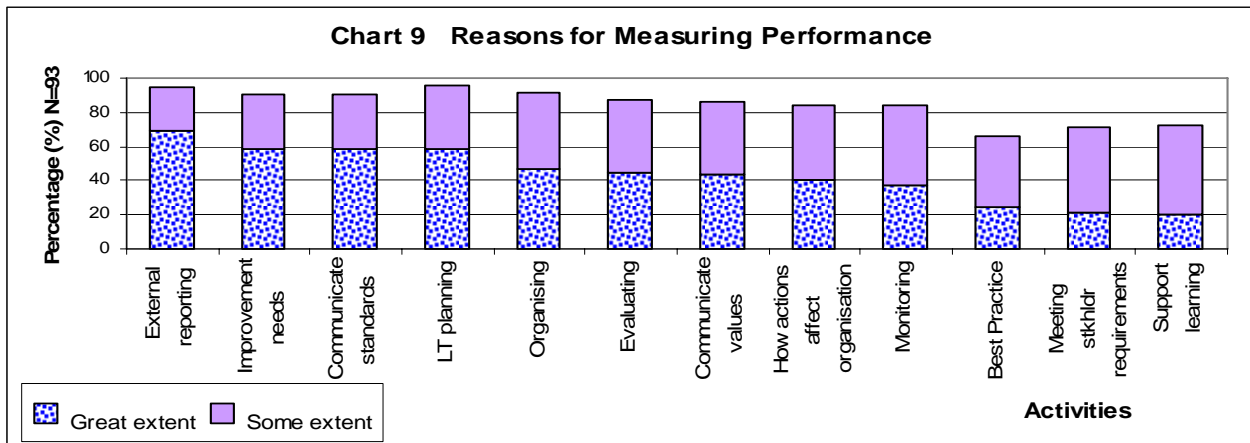
Reasons for Measuring Performance

Respondents were further queried on the reasons for measuring performance, and the extent to which the activity was a reason on a scale of 'some' and 'great extent'. External reporting (69%), identifying improvement needs (59%), communicating performance standards (59%), and longer term planning (58%) were the 4 main reasons for measuring performance (Chart 9).

Contrary to Radnor and McGuire's (2003) findings, these results are a reflection of the use of performance data by public managers for both internal management, and accountability and external reporting; also contradicting Newcomer's (1997) concerns.

Taken together with the influences on design, these results also portray some, but not all of main roles of PMS discussed earlier in the paper. For example, Franco-Santos' (2004) communication role is highlighted, but there is less evidence of the influencing role.

Most managers do not regard identifying best practice, revealing how effectively individual stakeholder requirements are met and supporting organisational learning as reasons for measuring performance.



System Effectiveness of Performance Measurement

Following on from identifying the reasons for measuring performance, respondents were further asked to rate the level of system effectiveness in enabling such activities. Chart 10 only illustrates the level of effectiveness for activities that were identified as a reason to a great extent. Of those respondents who cited external reporting as a reason for measuring performance to a great extent (69%), all indicated that it was very (70%) or somewhat (30%) effective. In general a minimum of 80% of systems were found to be at least somewhat effective for all performance measurement activities.

Overall Effectiveness

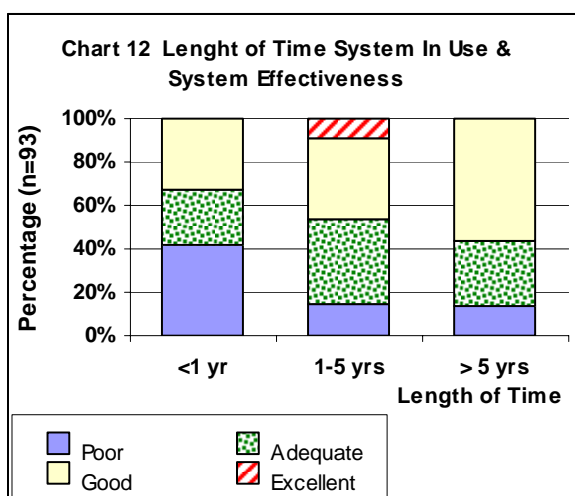
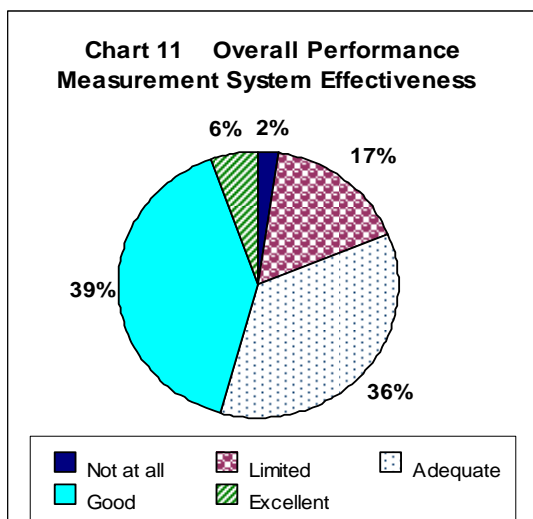


Table 3 Overall System Effectiveness

| PMS | Ratings | | | | |
|---------------------|-----------------|--------------|---------------|-----------|----------------|
| | 1 Not at all | 2 Limited | 3 Adequate | 4 Good | 5 Excellent |
| KPI | 2 | 14 | 21 | 21 | 1 |
| ABC | | | 2 | 3 | 5 |
| BSC | | | 11 | 6 | |
| EFQM | | 1 | 1 | 6 | |
| Combinations | | 2 | 1 | 3 | |
| Total (%) N = 93 | 2 | 17 | 36 | 39 | 6 |

The majority of respondents indicated that their PMS is adequate (36%) or good (39%). However there were also 19% who rated their PMS as of limited effectiveness (Chart 11). All users of ABC or BSC rated their systems to be at least adequate (Table 3).

56% of systems established more than 5 years ago were found to be 'good' while 43% of systems established less than 1 year were rated as 'poor' (Chart 12).

Categorisation of Public Sector Performance Measurement Systems

Findings from the survey suggest a useful categorisation of public sector PMS. A matrix of four categories is developed based on two dimensions; structure of approaches and time length system had been in use (Figure 2). This categorisation of public sector PMS allows a more systematic investigation into the CSFs in phase 2.

Bullen and Rockart (1981) define critical success factors as

"the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department or organisation. Critical success factors are the few key areas where 'things must go right' for the business to flourish and for the manager's goals to be attained." (p7)

The two main assumptions for Phase 2:

1. There are different CSFs for different stages in a PMS lifecycle, and
2. There are different sets of CSFs for different categories of PMS.

| | | |
|---|--------------------------------------|-----------------------------|
| Structure of Performance Measurement Approaches | Newly developed Highly structured | Mature Highly structured |
| | Newly developed Unstructured | Mature Unstructured |
| Time Length Approach in Use | | |

Figure 2: The Four Categories of Public Sector Performance Measurement Systems

Research Methodology: Phase 2

In depth Interviews

Phase 2 will be conducted using semi structured in-depth interviews to capture managers' thoughts, concerns and expert knowledge on key factors for success and failures of performance measurement initiatives to uncover CSFs for the different stages in a PMS development lifecycle, and for different categories of public sector PMS. Semi-structured questions are deemed appropriate as it provide a framework to guide the interview but do not impose too much restriction on the interviewees in expressing what they felt were critical. The design of the interview questions took several reiterations and the interview questions were put to trial on four mock interviews and three pilots.

The mock interviews were carried out with colleagues who are actively engaged in public sector performance measurement. The experience was useful as it gave the researcher a sense of how

an actual interview would be like, how potential interviewees would respond to the questions, whether the questions could generate the information required, and also provided an opportunity to time the interview. As a result of feedback from the mock interviewees and a reflection of the interview process, further changes were made to the initial set of interview questions.

Pilot interviews were conducted with three persons responsible for performance measurement from three different organisations. These were conducted as though they were the actual interview. The pilot interviews sought to ensure interview questions were understandable, coherent, and successfully gathering useful information, and good management of the entire interview process. Slight changes were made and the researcher was confident that the questions were ready for the actual interview process.

Sample

Forty organisations expressed their willingness to participate in Phase 2 when asked at the end of survey. The distribution of respondents according to the types of approach used, time length system had been in use, and the overall effectiveness of the PMS are tabulated in Figure 3. To ensure a good coverage of newly established system through to the mature systems; a good representation of the types of approaches in use and a variety of levels of system effectiveness, ideally there should be at least a representative organisation from each cell; however this is limited by positive responses to the invitation to participate in the follow-up interview. An invitation to participate in Phase 2 was sent to all the 93 survey respondents and a total of 26 acceptances were received.

Distribution of Survey Respondents

| | | Overall Effectiveness | | | | | | | |
|---------------|--------------|-----------------------|------|------|-------|------|------|------|-------|
| | | POOR | ADEQ | GOOD | EXCEL | POOR | ADEQ | GOOD | EXCEL |
| Structured | EFQM | 1 | 1 | 3 | 0 | 0 | 0 | 2 | 0 |
| | BSC | 1 | 7 | 7 | 0 | 0 | 1 | 1 | 0 |
| | ABC | 0 | 1 | 2 | 4 | 0 | 0 | 2 | 0 |
| | COMBINATIONS | 1 | 1 | 2 | 0 | 0 | 0 | 1 | 0 |
| Un-structured | KPI | 10 | 13 | 11 | 1 | 4 | 7 | 9 | 0 |

Novice systems (5 years or less)
Mature systems (more than 5 years)

indicates the existence of positive responses for follow-up interviews

Figure 3: Distribution of Survey Respondents

Conclusions and Future Work

It has been established that performance measurement plays a major role in the management of UK public sector and how little is understood about the practices of performance measurement within the UK central government, particularly EAs and ENDPBs. To address this gap, a 3-phase research is undertaken. This paper reports on the findings of a survey (Phase 1) which examines the types of performance measurement approach in use, the perceived effectiveness of these approaches, the purposes of performance measurement and the main factors influencing the design of the performance measurement approach adopted.

The findings confirmed that the use of widely recognised frameworks such as the BSC and EFQM has penetrated into public sector organisations as observed by de Bruijn (2002). Results also show that such frameworks are increasingly used in more recent systems. Fifty six percent (56%) of current performance approaches were established in the last 5 years. This heightened level of performance measurement activity is in line with the Modernisation, Reforms and Accountability (1999-2000) initiative.

Performance measurement is found to be widely used for long term planning, identifying improvement needs (strategy management) and external reporting (communication). These results provide evidence that public managers use performance measurement for both internal management as well as accountability purposes, providing some evidence counter to concerns about public managers finding difficulty in using measures to achieve the two purposes (Newcomer 1997). In general, it was found that a minimum of 80% of systems were found to be at least somewhat effective in enabling activities which were a reason for measuring performance to a great extent.

The most commonly cited factors influencing design were that the need to demonstrate achievements and for measures to be relevant and clearly defined. Organisational strategy was not seen as a factor influencing design contrary to what has been suggested should be the case by many authors (see for example: de Bruijn 2002; Sawhill & Williamson 2001; de lancer Julnes 2001).

The majority of respondents (81%) indicated that, on overall, their PMS is adequate for their needs. However, with only 39% and 6% rated the level of effectiveness as good or excellent respectively, there

is indication of scope for improvement. Would it be desirable for public managers to have a tool which they can use to diagnose effectiveness of PMS and highlight areas on which they can make improvements?

The results also suggested the categorisation of public sector PMS based on two dimensions: types of approach in use and time length system had been in use. The four main categories include 'newly developed - highly structured', 'newly developed - unstructured'; 'mature - highly structured', and 'mature - unstructured'. This categorisation allows a more systematic investigation into the CSFs in phase 2.

While the survey provided us with a broad overview of the practices of performance measurement amongst agencies and public bodies, it is not encompassing to enable the identification of critical success factors for each stage in a lifecycle of an effective PMS. The next phase of this research is in-depth interviews with public managers to uncover the key factors for success and failures of performance measurement initiatives.

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Appendix

A 9 To what extent did the following factors influenced the design of the performance measurement approach in your organisation?

For each statement, tick (✓) only one box:

| | Not at all | To Some Extent | To A Great Extent | Not Relevant |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Organisational strategy | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to match with organisational culture | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to address multiple goals | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to integrate with employee appraisal scheme | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to integrate with employee reward scheme | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to integrate with budgetary systems | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to address accountability to sponsoring department and other external stakeholders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to demonstrate achievements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to focus on improvement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to provide fast feedback | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Level of IT investment required | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Level of employee training anticipated | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Anticipated cost of performance measurement initiatives | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Awareness of alternative approaches to performance measurement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Views of staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Continuation A9:

| | Not at all | To Some Extent | To A Great Extent | Not Relevant. |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Need for relevancy of measures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for clearly defined measures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for practicality of measures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that are timely | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures to be simple to understand | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that are based on reliable data | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures to be based on explicitly defined source of data | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that are internally comparable | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that are externally comparable | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that are verifiable with supporting documents | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures that do not conflict with one another | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need to show how results are a function of activities undertaken | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures to have a clear purposes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures to be related to specific, stretching but achievable targets | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Need for measures to be transparent | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, please state | | | | |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Part B: Performance Measurement: Its functions and purposes

The following questions relate to the reasons for and effectiveness of performance measurement in your organisation.

- B 1 (a) What are the main reasons for measuring performance in your organisation?**
(b) In your opinion, is the current performance measurement approach effective in enabling you to do this?

Please respond for each listed factor.

| List of Factors | (a) Is the listed factor a reason for measuring performance? | | | | (b) If YES , is the current performance measurement approach effective in enabling you to do this? | | |
|---|---|--------------------------|--------------------------|---|--|--------------------------|--------------------------|
| | NO | YES | | | Not effective | Somewhat Effective | Very Effective |
| | Not at all | To Some Extent | To A Great Extent | | | | |
| Monitoring and controlling day-to-day activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Longer term planning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Organising resources | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluating the performance of specific initiatives | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Identifying which aspects of performance need improvement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting organisational learning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicating the organisation's values and priorities to members of the organisation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicating expected performance to members of the organisation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| External reporting purposes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Revealing to what extent individual stakeholders' requirements are met | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Allowing all members of the organisation to understand how their actions affect the entire organisation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Identifying Best Practice | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, please state | | | | | | | |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | ⇒ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |