Managing Organisational Performance in the Public Sector

By

Dr Joe Abah

Introduction

Performance Management denotes a range of managerial activities designed to monitor, measure and adjust aspects of individual, programme and organisational performance through management controls of various types.

The main objective of a Performance Management System (PMS) is to support the transformation of an organisation by developing the structures, processes and procedures for managing the individual, team and institutional performance within a public or private organisation.

The performance of private sector organisations is often measured by one overriding factor – profitability. Profit refers to the economic gains that are achieved for the benefit of the owners of the business. No matter how it is dressed up, whether as corporate social responsibility or the promotion of health benefits, people go into business for one simple overriding reason: to make money. Every other factor is secondary.

On the other hand, the performance of public sector organisations is notoriously difficult to measure. There is no single overriding factor, and, when we speak of performance in government, our meaning will depend very much on the lens through which we are looking at the issues. It is far more difficult to measure public sector performance than it is to measure private sector performance, and to do so successfully requires a complex mosaic of indicators.

It is usual to evaluate public sector performance through the following lenses:

1. Inputs: How much resources (financial and human) are expended to produce a public good or service;
2. Outputs: What is produced by the organisation, relative to the inputs it was given; and
3. Outcomes: The overall effect that the outputs have on wider society.

In the public management literature and recently among donors, there is a current emphasis on “Results.” Results are often couched at two levels: output and outcome. Outputs are made up of those public goods, such as physical infrastructure, university degrees, number of patients treated in public hospitals, and so on, that are delivered by government ministries and agencies.

Outcomes on the other hand are more ambiguous and can best be described as the effects desired by the delivery of the outputs. Focussing on outcomes without paying more detailed attention to outputs takes the essence away from the practice and application of performance management in the public sector. It is clear that public servants have primary responsibility and accountability for the economic and efficient delivery of outputs, without which political leaders cannot achieve those desired effects that can be felt, seen and measured by the public. It is thus logical that some effort should be made for managing performance at the output level in order to ensure eventual achievement of desired outcomes.

To argue for a stronger focus on outputs is not to detract from the importance of other measures. However, Output measurement has a special place in public sector management because the delivery of outputs is what public servants are paid to do. Outcomes can be affected by very many variables that are outside the control of the public service. This includes global economic conditions, cross-country epidemics, climate and weather conditions, and even sheer luck (good or bad). Therefore, our focus for public sector performance management should be clearly around three key questions:

1. What is the mandate of the organisation?
2. What resources, human and financial has it been given by government?
3. What has it delivered against its mandate, given the resources it has been given?

I do not expect this approach to be popular among dyed-in-the-wool Monitoring and Evaluation experts, who will always argue that a proper measure of performance should embrace ALL the interrelated variables of inputs, outputs and outcomes. I am partially sympathetic to their argument, given that much of the performance reporting in developing countries tends to stop at the activity level. People only tend to report the number of boreholes sunk, without assessing whether or not they have water in them. However, I argue that we should always go back to our core mandate and answer the three key questions that I earlier posed. This is equally applicable to individual, programme and institutional performance. Let the politicians worry about outcomes. Public servants should worry about what they are able to produce against their core mandate, given the inputs provided.

It is important to warn that excellent production of outputs in areas outside the organisation's core mandate is poor public sector performance! It is no point doing very well in producing Output B when your core mandate requires you to produce Output A. This is what leads to a duplication of functions and unnecessary turf wars in the public service. Similarly, it is rather difficult to expect the delivery of outputs when the necessary inputs have not been provided. Where, as in many developing countries, organisations have little or no control over the quality of human resources provided to them and do not have the financial resources required to deliver on their mandate, great care should be taken not to promise what cannot be achieved, regardless of any pressure from M&E practitioners. Over-promising in the absence of required inputs is perhaps the main reason why the notion of Performance Contracting has had such a poor track record of success in developing countries.

Having discussed the issue of Performance Management more generally, let us now turn specifically to the relationship between performance management and public service reform.

Performance Management and Public Service Reforms

The current international trend for institutionalising Performance Management into government systems is a direct response to pressure from citizens, civil society organisations and donors (international and domestic) for government to improve in its delivery of service to its people. Performance Management has therefore become a central element of Public Sector Reforms, and one of it main benefits is that it helps to maintain the balance between political control and institutional autonomy. An effective performance management system incorporates a range of managerial activities designed to monitor, monitor, measure and adjust aspects of individual and organisational performance through management controls of various types. Performance management needs however to be seen as more than a system of policing, but rather as a tool in the hands of leaders and managers to enable achievement of targets set for Ministries and agencies and their programmes. Performance management as a principle is also relevant to individuals, especially those who have responsibility for managing organisations and for implementing the programmes and their component activities.

Good performance management practice demands therefore that:

(i) leaders should formulate clear goals and targets and give subordinates agencies (including individual officers) the leeway and discretion for managing routine activities;

(ii) subordinate agencies must report on performance using well developed system of performance indicators; and

(iii) leaders must use reported results to reward good performance and bring appropriate sanctions to bear where performance is found wanting.

Performance management must start from the point of establishing clear goals and targets, against which performance will be measured. This means that our public service needs to become better at planning and deciding what must be done in consultation with citizens and stakeholders. The political nature of this process cannot be over-emphasised, but effective planning and the setting of measurable performance indicators form the basis for results-based reporting and is the backbone of effective performance management.

At present, the performance management systems in many developing countries are inadequate, to the extent that they are designed to measure against those goals and targets set unilaterally by public servants. It is understood and generally accepted that the public service is staffed by professionals who are highly competent in the their various fields of specialisation. They are thus qualified to make informed decisions on what would result in economic growth and social development for their country. However, asking the public service to redefine results from the perspective of the citizens that they serve helps to make government more responsive to the needs and priorities of citizens. By redefining results to make them more meaningful to the public, performance management becomes a powerful tool that supports government to deliver to meaningful results to citizens.

Another limitation of performance management systems in developing countries is that it pays inadequate attention to programmes, and to agencies and parastatals that are vested with the responsibility for delivering on sector outcomes. Managing project and programme performance, especially those funded through capital budgets, is crucial for the achievement of outcomes that are designed to have an eventual impact on the lives of citizens and make public spending more effective.

Additionally, developing countries must resist the natural inclination of M&E experts and donors to encourage, or sometimes even force, them to promise what they cannot deliver, just so that the targets and indicators can align with "best practice." It is always better to under-promise and over-deliver, than the other way round, and the negative performance bashing that many developing countries receive is often as a result of promising to achieve things that they always knew that they are unlikely to achieve. Limitations in terms of institutional capacity, infrastructure deficits, political uncertainties, remuneration and motivation, and the wider external environment should call for realism and caution in agreeing to targets.

Conclusion

In conclusion, we should note that the notion of performance, and whether or not it is satisfactory, only has meaning if actual delivery is compared with some predetermined target. The relevant target must be realistic, given all the circumstances, and should relate directly to the mandate or raison d'etre of the organisation or function. Therefore, the term 'Performance Management' in public sector organisations should simply be used to mean 'the extent to which a public sector organisation has achieved its predetermined goals with regards to its outputs, given a certain level of inputs.'

The main task before the designers or implementers of any performance management system in developing countries is therefore to correctly determine that balance between the inputs provided to the individual, programme or organisation, against the outputs produced, when compared to predetermined targets drawn from organisational mandates, individual job descriptions or project and programme concept notes. Where necessary, the advice of M&E experts and donors should be ignored!

In terms of organisational performance, focus should also be on projects and programmes, which constitutes the bulk of activities and expenditure. Given dwindling economic resources in many developing countries, it is imperative that performance against capital budgets is placed in sharp focus. This should help to inform sensible assessments of individual and organisational performance.

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