UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Economic and Social Commission for Western Asia

Expert Consultative Meeting on Public Administration and Public Accounting
Development, with Stress on Electronic Tools
Jointly with
Meeting on the Innovation of Public Administration in the Euro-Mediterranean
Region (UNDESA)
Beirut, 1-3 July 2003

ORGANIZATIONAL PERFORMANCE MANAGEMENT AND MEASUREMENT

Co-sponsoring agencies:

United Nations Department of Economic and Social Affairs (UNDESA)

Office of the Minister of State for Administrative Development in Lebanon (OMSAR)

Friedrich Ebert Stiftung (FES)

In cooperation with:

United Nations Development Programme (UNDP)

Professional Computer Association in Lebanon (PCA)

Association for the Development of Informatics and Law in Lebanon (ADIL)

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Organizational Performance Management and Measurement

The Lebanese Experience

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Beirut
July, 2003

Organizational Performance Management and Measurement is one of the most popular terms in today's public sector management terminology. The idea of managing organizational performance is being widely accepted and adopted all over the world. It spread rapidly from the private sector to the public sector in the developed world and has recently found its way in many developing countries. New initiatives and legislations continue to being issued as a sign of governments' insistence on following the new focus on performance orientation.

Performance is referred to as being about doing the work, as well as being about the results achieved. It can be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions. The term "Performance Management and Measurement" refers to any integrated, systematic approach to improving organizational performance to achieve strategic aims and promote an organization's mission and values. In that sense Organizational Performance Management is quite different than individual Performance Management which specifically targets the personal performance of an employee although the latter comprises an essential part of the overall organizational performance framework. In fact, a Performance Management system aims at improving the results of people's efforts by linking these to the organization's goals and objectives. It is, ideally, the means through which employees' performance can be improved by ensuring appropriate recognition and reward for their efforts, and by improving communication, learning and working arrangements.

Many Performance Management systems borrow from or utilize some of the new approaches such as "Balanced Scorecard", "Total Quality Management (TQM), best practice "Benchmarking", or Business Process Re-engineering (BRP). Performance Measurement must be considered as part of the overall Performance Management system and can be viewed as the process of quantifying the efficiency and effectiveness of actions. It is common practice in

public sector performance management literature to talk about the three Es of: Economy, Efficiency, and Effectiveness. A good performance measurement approach should consider measuring and assessing the three Es:

Economy:

Procurement and delivery of <u>inputs</u>

Human, physical and financial resources

Quantity and quality

Cost element

Timeliness

Operational level

Efficiency:

"The optimal transformation (<u>activities</u>) of inputs into outputs" (UNDP)

Utilization of means to achieve results and objectives

Rational use of resources

Least costs maximum results / return

Activities in perspective of results

Work planning and timelines

Tactical levels

Effectiveness:

"The extent to which a program or project achieves its immediate objectives or produces its desired <u>outcome</u>" (UNDP)

Achievements of results, objectives, goals

Focus on target groups, beneficiaries, clients

Medium and long-term perspective

Much more difficult to measure and assess

Strategic level

Historical Background:

Performance management and measurement systems developed as a means of monitoring and maintaining organizational control, which is the process of ensuring that an organization pursues action plans that lead to the achievement of overall goals and objectives. These goals should in turn be direct manifestation of the mission and strategic orientation of an organization.

At its outset, performance measures were concerned with "inputs" aspects, mainly financial resources, a practice that was later criticized and mostly abandoned. As such, the earliest roots of Performance Management can be traced back to the use of cost benefit analysis in the 1960s; to management by objectives (MbO) in the 1960s and 1970s; and to output budgeting in the 1960s. Most of these initiatives, however, were regarded as experimental and some were only adopted as one-off exercises. Throughout the 1960s and the 1970s, a long interval of almost twenty years, much talk took place about introducing Performance Management into the public sector. It was clear by the 1980s that interest in Performance Management has moved from the ivory towers of academia to the corridors of government around the world. Towards the end of the 1980s, many systems of Performance Management were born, adopted and implemented at many levels of the public sector.

By that time, traditional performance measures, those developed from costing and accounting systems, have been criticized for encouraging short termism, lacking strategic focus, and not being externally focused. In an attempt to overcome these criticisms, Performance Management frameworks have been developed to encourage a more balanced view between internal and external factors, financial and non-financial measures. These Multi-dimensional frameworks focused more on non-financial information and are designed to provide a balance by including measures of external success as well as internal performance, and measures which are designed to give an early indication of future business performance as well as a record of what has been achieved in the past. The four perspectives of the "Balanced Scorecard" approach represent

one of the most prominent examples of these frameworks. Another example is the use of the market as a bench mark for comparison of performance (or as an ultimate threat in the case of perceived persistent low performers). These models of Performance Management may be said to comprise the "Anglo-Saxon" model, identified principally with the United States, Canada, the United Kingdom, Australia, and New Zealand although some differences in emphasis and approach are evident between these countries.

Around almost the same time, a growing interest in the assessment and improvement of quality in public services became evident at these countries. Gradually, the quality dimension became an essential part of most, if not all, Performance Management systems. Interest in quality management approaches became evident within many public agencies towards the late 1980s. However the drive towards quality took off in earnest in the early 1990s after the publication of the UK's Citizen's Charter in 1991 and the United States' Reinventing Government in 1993. The Citizen's Charter is said to embody six key principles of public services, emphasizing the importance of standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right, and value for money. The US's Reinventing Government is structured around many principles heavily related to Performance Management with a strong focus on quality of services. In both examples, measurement of performance is to be done by using a number of Performance Indicators (PIs) as external mechanisms that reflect each government's strategic choices and sets of priorities as far as quality of services is concerned. There are other managerial roles for PIs besides giving strategic direction (public entities are held accountable as to whether they pursued these directions – strategic or policy accountability). Other roles include resource allocation (whether they allocated budgets in line with best available information – value-for-money accountability), exercising control (whether they spent these budgets in line with guidelines on probity and regularity – financial accountability), and encouraging learning (how their performance and achievement compares to that of other similar public entities, both locally and internationally – bench marking accountability).

This rather new focus on quality of services and the integration of that aspect into Performance Management systems was accompanied by serious efforts to follow up on progress in implementing the resulting programs. This explains the resulting growing interest in annual reports that helped ministers keep a series of high profile announcements highlighting their achievements. There was a strong move toward increased publication of "performance information", preferably according to a centrally designed format. Standardization of reports was viewed as a facilitating tool that better enables citizens to compare between different reports. Many countries announced principles and guidelines for reporting down to the very detail of paper weight and margins' specifications.

The Lebanese Performance Management Model: PIP

In February 2001, the Office of the Minister of State for Administrative Reform launched a pilot project that aims at improving the organizational performance at a select number of public administrations and agencies. The project was called PIP: Performance Improvement Planning which followed a systematic and highly structured approach which can be implemented within a relatively short period of time (9-12 months). The scope of the intervention was at the micro-level rather than the whole organization's level. At that stage, OMSAR was of the opinion that it would be better, at least initially, to focus on short-term, clear-cut and tangible improvements and demonstrate that something could be done to improve certain aspects of an organization's performance during a reasonable time frame. It was hoped that this would build capacities as well as inspire and encourage the staff and leadership of these organizations to take further steps and carry on with the easy to follow steps and methodology of PIP. The problems and obstacles were big and challenging at the outset. Many of the task forces representing the selected agencies were suspicious and doubtful of the program. The terminology was foreign to them, and the whole approach was regarded as imported, too advanced, and not suitable for the Lebanese public setting. Through group workshops and intense and regular weekly meetings,

most of the doubts were erased. Many valuable lessons were drawn and some of these are listed in the section underneath. When the project was replicated in February 2002, parts of the approach itself were reconsidered and some changes were made to a chosen number of steps, a more localized and practical version was born.

The PIP approach can be summarized in the following steps:

1. Analyze the organization: develop the mission statement, identify the organization's key tasks, and determine the organization's key competences.

2. Prioritize and focus: select a unit or function of high priority, identify that unit's key tasks and key competences, determine unit's goals, develop performance indicators.

3. Analyze context and make choices: define preliminary objectives, identify restraining and enabling forces, elaborate objectives, develop and select strategies, and establish agreement on the selected strategy.

4. Implementation: develop the detailed action plan, secure agreement on all elements, implement action plan, and arrange for process monitoring, evaluation and follow up.

The PIP approach has thus far been applied to nine different public agencies, and OMSAR is now looking at applying it at the macro-point: at the whole organization's level. Special attention should be exerted to ensure synergy with the overall strategy of the selected organizations.

Principles of effective performance management mechanisms: Lessons Learned

**Successfully identifying critical issues for improvement is vital at least at the early stages of introducing Performance Management Programs. If everything is called a priority, nothing is. Goals must be related and focused around the top priorities of the organization and reflecting main concerns for improvement. The Mission and the Strategy should be the primary determinants of the mix and

weighting of what issues should be monitored and measured. This selection also depends on a number of factors such as political, economical and social circumstances, the perceptions and values of key stakeholders, and the judgment of management.

**Measurement: An important principle to keep in mind is not to measure for the sake of measuring. Despite the importance of introducing and establishing a measurement system via the development of key performance indicators, the purpose of measurement is not to collect data that will end up in piles of reports which no body reads. This touches upon two distinct issues: the cost involved in collecting data, and the use of the data. Many performance measurement programs have been harshly criticized for the high cost (and time) associated with collecting data. Also many government agencies have emphasized performance measurement for external reporting purposes only (OECD. 1999). This downplays the supposedly important underpinning purpose of putting performance information to use in internal decision-making purposes.

** Information technology/systems architecture. The Performance Management and Measurement system as envisaged in the PIP approach requires the gathering and dissemination of large amounts of information across many functions and levels of the organization. An effective IT infrastructure (at the levels of hardware, software and communications) is thus vital to the success of such a system. In fact, IT has played a critical role in making a performance revolution possible (Eccles, 1991), enabling organizations to generate, disseminate, analyze, and store more information from more sources, for more people, more quickly and cheaply.

** The role of leadership, at the top of the hierarchy, is consistently rated as the most important human factor in performance management programs. The quality of encouragement, guidance and support by the managers can never be overstated. Experience persistently demonstrated that without the full

endorsement of an organization's leadership, a Performance Management and Measurement is unlikely to survive. Given the length of time required for the implementation of performance measures, distraction of other events is regularly identified as a potential obstacle that needs to be watched for and dealt with in order to keep the momentum.

** Changes may need to be made to the means by which individuals are evaluated and rewarded. One of the main challenges facing the Lebanese public administration is the lack of a system that rewards achievers and motivate them to continue their positive behavior. Setting goals and putting extra endeavors to achieve these goals, not to mention gathering data and tracking performance indicators, require additional effort and time. The system also calls for acquiring new skills and learning new methods. Experience showed clearly that this is an area that needs to be addressed soon in order to guarantee continuity of Performance Management programs.

Finally, it must be recognized that the Performance Management and Measurement system is not cast in stone: its relevance will need to be monitored continuously and changes made when necessary. In fact it is suggested that the Performance Management system should include a mechanism for reviewing and revising targets and standards.

Performance Management Now: Challenges and opportunities

Performance Management has had a major effect on the language of public service around the world. It is difficult to read about "New Public Management" without finding reference to Performance Management or any of the terms associated with it. Many public employees around the world are now learning about "Vision", "Mission", "Goals" and quantified "Objectives". The terms "Inputs", "Process", "Outputs", "Outcomes" and "Results" are also part of that new language. And as if this is not enough, "Impact" is now clearly distinguished from

"Outcomes" and "Results" and many demand that even the impact of services need to be identified, monitored and later on measured. Moreover, internal processes are being scrutinized and found in need of improvement. As a result, "Process Mapping" and "Business Modeling" are becoming part of the techniques that are utilized in a Performance Management system; techniques that for long has been reserved for the most advanced and forward-looking in the private domain.

Despite the widespread of the new terminology related to Performance Management, and despite the apparently strong links between Performance Management and key public sector modernization concepts such as transparency and accountability, Performance Management systems today face a number of challenges and obstacles that continue to hinder its future institutionalization within the public sector agencies. Quite a few of these challenges are largely related to the "measurement dimension" inherent of Performance Management systems. These challenges can be summarized as follows:

Institutional Challenges: To start with, utilization of performance management has been unfamiliar, or even alien, to the background and management style of many public sector managers, especially those who have come up through the ranks or who are from relatively non-quantitative disciplines. These individuals are uncomfortable and unaccustomed to using quantitative data as a basis for decision making: it is not part of their paradigm to use this data in order to understand government problems, operations and results. In many countries, political pressures are often so great that data seem to be beside the point when decisions are made.

Another institutional obstacle to the acceptance and use of performance management systems is a government's degree of openness and political self confidence. Are officials ready to report the bad as well as the good? The prospect of accurate performance information and increased accountability can be very threatening to some officials, managers, line personnel, and interest groups.

Yet another institutional resistance to accepting performance management systems is the "innovation status" that many public agencies have reached. Many have seen different systems being proposed by different international consultants; or have heard of many other innovations that come and go over the years. Many public officials have become cynical concerning the next management "revolution" to come down next.

One last institutional obstacle is connected to the relatively long period of time, several years, needed to properly implement and apply a Performance Management system. Many governments tend to have a short span of attention, and when it comes to introducing and institutionalizing such a system there is a frequent dependence on high-level "champion" within the government. All this accompanied with the rapid turnover that is characteristic of many high-level government positions explain why many promising performance management efforts have withered after the transfer of a key administrator or advocate.

Technical Challenges: Confusion still exists over just what constitutes government performance and what should be emphasized when measuring performance. There is still a lot of confusion regarding the concept of government productivity, a key element of government performance.

The term "performance" itself is still loosely defined and modern management techniques such as Total Quality Management (TQM) has added to the confusion by focusing on "quality improvement" rather than "productivity improvement" as the focus of private sector efforts to improve performance. Many opponents of TQM argue that government managers should concentrate on processes rather than outputs or results to avoid managing "by the numbers". A more serious technical obstacle is making the performance data available in a timely fashion; otherwise the whole idea of having a timely feedback available for managers is hampered. Yet the process of data collection often involves delays in excess of accepted timeframes, with additional time needed for analyzing and reporting the results.

Another technical obstacle to the adoption and use of performance measures and Performance Indicators (PIs) is their wide multiplicity.

Governments' services typically require several PIs to adequately characterize their performance. This rises in part from the multiple objectives that the government decides to address. Another reason is the complex, multifaceted nature of those services, which cannot be captured by one or two measures. A rigorous customer focus often complicates the situation. Different individuals and communities can simultaneously have many objectives and performance measures that actually change over time. If the emphasis is supposed to be on what the "customer" feels is important then the process of articulating objectives becomes increasingly challenging. The result can be information overload that overwhelms already reluctant potential users. It becomes difficult to synthesize, interpret, and communicate the results, and the importance and impact of individual measures id greatly diluted.

One last technical challenge is the absence of a well-established procedure for managing "by the numbers" in many governments around the world that use Performance Management systems. What, precisely, should do with performance data? How doe one use it to manage for results? If performance declines, should resources be increased to overcome the problem or decreased to put them to better use?

Financial Challenges: Developing, introducing and implementing a Performance Management System can involve substantial expenditures of time and money. Measurement in particular is costly and higher costs are especially likely when new measures must be developed and implemented. Collecting data is serious business that requires skill, time, and, greatly scarce, financial resources. The availability of these resources can become a critical obstacle to the adoption of a comprehensive system of Performance Management. It is argued that the costs of performance monitoring must always be balanced against the value of performance monitoring in improving government performance and credibility.

However, rarely have such costs and values been quantified nor have cost/benefit. Analyses of performance measurement been conducted. This is

largely attributed to the difficulty of quantifying these benefits such as motivation or accountability.

If cost/benefit analyses are to be conducted it will require long-term, routine, substantive use of Performance Indicators. Yet without the evidence that such analyses could provide, the Performance Management, and in particular measurement, systems are less likely to be implemented and to survive long enough to be evaluated. When this is combined with a background of tight budgets and financial restraints, it is likely that Performance Management systems are the first to be dispensed with.

Despite the long list of obstacles that hinder efforts to widespread the use of Performance Management systems, there are many forces and signs that point to the need and demand for information on performance intensifying during the foreseen future. The primary source of this pressure will be **growing demands for accountability** from outside government bodies: interest groups, advocates, the media and the general public.

At the same time, governments will, themselves, become a source of pressure for information on performance. As governments continue to seek more information on customer needs and satisfaction, a common thrust of most modern management methods. For years now there has been great doubt and even pessimisms about the possibility of using performance information to allocate resources. Lately, however, there are some signs that performance budgeting and other results-oriented management reforms stimulate the use of performance agreements between managers at various levels. These agreements are the product of **internal pressures** to enhance accountability and authority, and they intensify demands for good performance systems and performance targets.

The **slower expansion of resources**, the **greater competition for available funds**, and the growing **pressure to privatize or partly privatize** services are all factors that increase the need for information on performance; the more competition, the greater the need for information.

One last factor that need to be cited in pointing to the increasing need to manage performance and collect performance data is related to the **tendency of the public sector to imitate the private sector**. Popular current innovations in public management are rooted in the private sector management and the persistence of these themes will increase the demand for good performance information, no matter which management technique or techniques endure.

In addition to the pressuring need for information on performance, there are significant technical and conceptual developments taking place all over the world. A number of services are undergoing serious revisions with a hard look at Performance Management systems including evaluating and reconsidering the appropriate characteristics to measure, the appropriate measures to use, and the application of the results to ensure that the new service delivery process is on-target. Several **new measurement techniques**, such as citizen surveys, trained observers ratings, and analysis of existing records, are being tapped into with an eye of keeping citizen satisfaction at the top of the list of objectives.

Technology is also providing a number of tools for Performance Management. The influx of high-power, inexpensive computers and software applications has reshaped the field and new products continue to be developed. Video cameras can be used to facilitate trained observers ratings. Geographic information systems, which are used by a growing number of governments, can provide numerous performance measures that were once difficult t o obtain. And the global positioning system is allowing transit operators to accurately monitor the degree to which transportation vehicles adhere to prescribed routes and schedules.

In light of the above discussion of organizational Performance Management and Measurement systems, there clearly is a need to overcome the obstacles that have impeded these systems up to this point and learn from the lessons that the PIP experience had demonstrated thus far. Overall indicators, global and local, clearly demonstrate that demand and enthusiasm for performance improvement is not likely to fade any time in the foreseen future.

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