Objective of this paper is to describe the comparative research of performance management systems in Russian public and commercial organizations. The research was done in following main directions: legislation, methods and procedures of performance measurement and management.

The main hypothesis was as following: Performance management system of Russian public organizations does not has enough relevant instruments to manage the employee performance in comparison to commercial ones.

Introduction:
There are a lot of approaches in the question of the performance management in public sector in Russia. Many specialists consider that public management is somehow “different”, that the same rules that are applied to the private sector could not apply to the public, or at least not in the same way. For instance, government agencies don’t have a bottom line or profit margin. But recent efforts, as this study shows again and again, attest that this is not true. The bottom line for most government and commercial organization is equal, and it is their mission – what they want to achieve. Both government and private organization have to resolve one question: how to include customers, stakeholders, and employees in their management efforts – to reach the balance among the needs and opinions of all these groups.

Main findings.
Of course it is not that easier to define who exactly is the customer of government agencies, especially for federal ones. But we can’t say it is impossible. Despite the fact that Russia spent already more than ten years moving to the market economy, traditions and approaches of socialistic economy are still strong. And they remain immovable in the area of performance management in public sector in Russia, starting with the question: who is the customer, and finishing with the question: how to reach better performance of civil servants.
There was no formal system of performance management of civil servants in Soviet Union in Russia. The problem of performance was partially resolved through “socialistic competition” and management of the incentives of civil servants performance. This approach is not yet reviewed.

We can assert that there are different objects of performance management systems in the companies of different property type. Private companies can not receive their mission by managing in vacuum. More specifically, the roles of customer, stakeholder, and employee in an organization’s day-to-day performance are vital to its success – and must be incorporated into that success. So, private companies have to manage performance as the unending process, receiving better results on less pay.

In government organizations in Russia customers are still not taken into consideration. We should also bare in mind that usually public organisations have more than one mission and at least two types of customers. For example, Ministry of Energetic has both an enforcement and service mission – and consequently different customer bases. In order to avoid conflicts among missions, special system of mediated performance management was elaborated. This system keeps high professional standards but is not fully connected with the day-to-day results. At the basic of this system are the approaches to classifying, paying and promoting staff. Instead of concentrating on outputs or outcomes, financial results, service quality or client surveys on customer satisfaction, this system measures the level of professional qualification as an integral attribute evaluating the preparedness to show high results on service quality, outputs and outcomes, etc.

This approach requires the policy that builds linkages between qualification and compensation, and not between compensation and effort as it is in private sector. The whole procedure is build as a kind of examination to identify and to measure how good the skills and knowledge of personnel are adopted to their jobs. In this scheme differences in work performed, responsibilities assigned are not evaluated as core features, but are incorporated in the measurement of achieved qualification.

There exists the crucial difference between performance measurement systems in public and private sector in Russia, especially in the question of specific indicators.
Private companies tend to measure both tangible and intangible fields of activity. The main indicators usually are: level of customer satisfaction, level of efficiency, quality and quantity (such as completion) characteristics, timelessness and costs. In other words, the aim of the performance measurement system in private organizations is to cover an organization’s total span of activities and expenditure.

In public sector organizations main indicators are level of collected experience (which is usually substituted by seniority) and accumulated skills and knowledge. Civil servants are expected to develop constantly their skills and knowledge to better correspond to real line job requirements. Professionalism (in this case - knowledge of the content of the job), creativity, organizational and management skills are valued as most important among performance measurement indicators. The whole process is called “attestation” meaning that employees have to prove their qualification and also receive testimony from their colleagues and Attestation Commission.

It could be easily seen that those indicators are static by their origin and do not guarantee results. Nobody is going to doubt that effectiveness and performance of civil servants and success of public organizations as a whole rely on the skills and qualification of these civil servants. But received qualification does not guarantee that the employee will use this qualification during fulfillment of his duties. However, this important quantitative measures say nothing about the quality of the service and work.

The general trend on performance measurement systems changes its orientation on more extensive measurements. Measurements include more levels, more fields of coverage, more management functions are being included. At the same time the Russian approach to appraising civil servants remains unchanged since soviet times.

Both systems also vary on adopted measurement cycles. In private sector performance appraisal is done not less than once a year. Results of performance appraisal are closely tightened with the financial management cycles: budgeting, reviewing and evaluating.

According to the “The Law of attestation of public servants”, attestation procedure is held not often than once in two years, and not rarely than once in four years. This
frequency is related to the main outcome of the attestation, namely grade adjustment. In reality attestation is done once in four years with one exception. An administration can use the procedure as a tool to ground a dismissing.

Both systems also vary on adapted financial management cycles. As discussed above, according to traditional Russian approach, attestation is done usually once in four years. Results of attestation are not connected with annual financial results of an organization, although financial efficiency should remain as the main concern of each organization. As a result financial aspect of public sector outputs is lost during the attempts to reach high results in managing civil servants performance. We could maintain that technical efficiency is likely to be enhanced only if real competition and competitive pressure exists. Public organizations need to be subjected to real and ongoing competitive pressure.

In reality we do not have any competitive pressure from the internal market in the case of public sector management. Ministers and other public bodies do not fight with each other through financial efficiency. Questions of financing are usually solved through bargaining, lobbying and other political instruments.

Commercial organizations tend to build such performance management system that will allow to pick out the best performers and to create direct correlation between results of each financial year and individual pay. We could say that direct dependence between individual efficiency and individual pay is the core feature of performance management system in private sector. Performance appraisal is always done at the end of each financial year and considers both joint and individual results of a company and its employees. Three main steps of performance management system, namely setting of individual performance plans, intermediate assessment and summing up are directly tightened with main activities of Finance Management: budgeting, reviewing and evaluating.

There is a limit of reporting mechanisms and different status of performance information in public organizations compared to commercial ones. First of all, information on performance in public sector is usually difficult to collect. It is difficult to obtain any feedback from the customers in the case of public service.
There was very complicated system of stimulating this feedback through “books of complaints” during Soviet time. According to this system each organization should have had “book of complaints” easily available to everyone where people could have put their positive or negative comments on quality of civil servants service. All the comments were accurately accumulated and considered during attestation process. After the Perestroyka this system was destroyed and not replaced by alternative forms of communication with the market.

There is also no instrument to keep customers informed. Traditional annual reports that are widely spread in commercial organizations do not exist in public sector. And those that exist, for instance government reports, are closed to the public. The outcome of this problem is the lack of easily recognized body of measures of public sector efficiency. That builds serious obstacles to involve everyone in the process and to provide clear, concise guidance to make the system work.

The other side of this problem is how to keep civil servants informed on their results. The more limited set of indicators, the higher the chance of having dysfunctional effect. It is difficult in this situation to guarantee that performance data will mean something to those that use them and to assign accountability for results.

A lot of countries use user surveys to measure public service performance. Surveys are conducted on ad hoc basis. More recently, more systematic customer feedback systems including annual questionnaires are established. These systems allow monitoring and measuring service quality and reaching continuous improvement, promoting communication between parties.

There is a significant limitation in using performance information in public organizations compared to commercial ones. Private companies establish the system with budget and performance related pay. They use very complicated system of measures and indicators that allow reward employees for personal success. Crucial role is played by monetary rewards in comparison to nonmonetary means. Employees can feel this direct dependence between individual effectiveness and pay while receiving annual bonuses and changes in pay.
The lonely instrument which allows building some correlation between success and paying in public sector in Russia is grade change. As discussed above, attestation is being used to measure individual level of qualification of civil servants. Results of attestation influence the grade changes of an employee.

This system classifies positions according to differences in required qualification and responsibilities and ranks these positions into occupational groups. Each group has unified salary schedule and is called grade. There are 17 grades in Russia. They are the same in all the economic sectors and regions of Russia. It means that there are no adjustments based on cost-of-living analysis and differences in industry branches. Each grade contains a flat salary amount and does not contain incremental steps inside. To change the amount of salary civil servant has to receive the grade change. As discussed above, employees typically receive grade change after attestation once in four years. In practice the progress through increments is usually done automatically due to their length of service.

It could be easily seen that this approach result in very rigid and standardized system of performance related pay. Ideally those grade changes should depend on annual results and individual achievements and not on qualification and level of technical expertise.

Conclusion.

This paper has reviewed established differences between performance management systems in Russian public and private companies in order to glean lessons for future change during Public Administration Reform. The position assumed here is that changes should orient on building more flexible and sensitive instruments of performance management and measurement. Achievements of private sector performance management system clearly supply us with possible instruments and inform about activities to be taken.