Performance Management – An Introduction

Thinking about performance has had a substantial impact on the management of public organisations, as governments around the world increasingly use performance measurement to evaluate their products or services. But how effective are these systems? And how do these measuring tools impact on our societies?

This handout gives a brief introduction to what performance management is all about, its benefits and also the risks that are linked to its introduction into the public sector. It will not set out detailed information about how to measure performance but should provide a platform for discussion on how to implement a more output/output focused approach to organising, managing and developing a public organisation. The idea is to give a brief overview of what performance management is and to describe the different components which must be in place for a holistic approach. The focus is wider than performance measurement, which is just one aspect of performance management.

Change of focus

The evolution of the concept of ‘performance management’ as a new human resource management model reflects a change of emphasis from command-and-control towards a facilitation and support model of leadership. This change has been accompanied by the recognition of the importance of relating individual and institutional performance to the strategic or long-term and overarching mission of the organisation.

In recent years, management techniques from the private sector have had a great influence on public organisations. It is now thought that, just like private companies, public authorities provide products and services and their performance can be appraised. A court can be appraised by standards such as the number of judgments it passes, a police force by the number of penalty notices it issues and scientists by the number of publications in scientific journals. A government organisation that manages to define its products accurately can be transparent about its performance and this might improve the effectiveness, efficiency and legitimacy of government action.

Many countries have revolutionised the management and performance of their government organisations by holding them accountable for their performance. Public sector managers are responsible for setting out exactly what outcomes their agencies are trying to achieve for their stakeholders, the citizens, and for using performance information to manage more effectively. The intended result is improved government performance, with better management leading to increased public confidence.

Just as a company is accountable to shareholders, the government is accountable to its citizens. In Georgia, as elsewhere, citizens have expectations that public sector organisations will deliver ‘value for money’. It is impossible to build and develop a sound tax base without delivering the good quality services needed and demanded by citizens. They have the right to demand that the money they invest in their government is managed and spent responsibly. Today, public sector managers face the challenge to do more with fewer resources and to report the results achieved by their organisations to Georgian citizens. To be able to do this, the public sector has to move away from being input and activities-oriented toward being
result/output-oriented. That is, the main focus should be on the outputs and outcomes of activities.

The basic input/output Model

![Diagram](https://via.placeholder.com/150)

Basic definitions used in the Input/Output Model

**Input**: Resources used – e.g. money, staff, facilities, equipment, supplies

**Output**: Product or Service provided – e.g. people served, inspections made, laws written

**Outcome**: Effect or result on stakeholders/citizens – e.g. conditions of the streets or roads, unemployment rate, citizens satisfied with solid waste collection, quality of medical service, central heating in schools

**Efficiency**: Cost per unit of output/outcome – e.g. cost per km of roads in satisfactory condition

**Effectiveness**: is the relation of outcomes to goals and objectives i.e. doing the right things

The Input - Output Model – a Basis for Understanding Performance Management

There are many different models and theoretical frameworks found in performance management literature; the input/output model is one of the fundamental ones. Other models will be presented later on for comparison. The important thing is to understand the shift from input to output and the basic concepts used in the model, in particular, the differences between efficiency and effectiveness.
Input

Inputs are the resources actually used, usually expressed as the amount of money or the number of employees, etc. This category, when related to information on outputs or outcomes, produces indicators of efficiency or productivity.

For performance measurement purposes, the amount of resources actually used, not the amount budgeted, are the relevant numbers. (Some models call the workload that comes into an organization an input. In this model, workload is not an input as the amount of incoming work is seen as being different from the money, staff or work hours needed to complete the workload.)

Activities - Processes or Workload

This is what the organisation and/or individual actually do, including the work that comes into a programme or is in process but not yet completed. Service organisations usually express their workload in terms of the number of customers that use the service (for example, individual clients, households, or businesses). For other agencies, the number of customers is not an appropriate measure. A road maintenance organisation might, for example, express its workload as the number of miles/km of roads needing repair.

Outputs

Outputs are the products and services delivered (completed) during the reporting period. Reporting output information is standard in all organisations and agencies throughout the world. Keeping track of the output rate is good management. Common examples of outputs include: how many miles/km of road have been paved, the number of reports issued, how many training programmes were held, the number of students served by the programme. However, outputs do not by themselves say anything about the results achieved, although they are expected to lead to the desired outcomes. Managers should ask what results are expected from each output and those results should be recorded as outcomes.
Outcomes

In the field of performance measurement of public services, a sharp distinction is made between outputs and outcomes.

Outcomes are the events, occurrences, changes in conditions, behaviours, or attitudes that indicate progress toward achievement of the mission and objectives of a particular programme of work. Thus, outcomes are linked to the programme and the organisation’s overall mission - its reason for existing.

Outcomes are not what the programme itself did but the consequences of what the programme did.

Outcomes may be something the programme wants to maximize, such as evidence of increased learning by students, or to minimize, such as crime rates. Some outcomes are financial. For example, for public assistance programmes, reducing the amount of incorrect payments (overpayments or underpayments) is likely to be an appropriate outcome. Outcomes include side effects, whether intended or not and whether beneficial or detrimental. If the programme recognises in advance that such side effects can occur, it should design the performance measurement process to measure them regularly.

As long as they are important and can be tracked, outcomes should be included in the performance measurement system, even if they are not explicitly identified in the programme’s mission and objective statements. Formal programme mission and objective statements seldom include all the outcomes that an organisation needs to track.

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<th>Outputs versus Outcomes</th>
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<tr>
<td>Patient served</td>
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<td>Roads repaired</td>
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<tr>
<td>Training programmes held</td>
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<td>Tons of rubbish collected</td>
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<td>Potable water produced</td>
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<td>Managers trained</td>
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Efficiency and Effectiveness – distinguishing the two concepts

In the input/output model, it is important to acknowledge the significant difference between the basic concepts of efficiency and effectiveness. You can be very efficient but at the same time not effective at all. You could be using your resources well and doing things the right way but your activities might not be the right ones in terms of fulfilling your organisational objectives. If you are doing both the right thing and doing it in the right way, you are both effective and efficient.

The four-way model below shows you the four different combinations of effectiveness and efficiency.

<table>
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<tr>
<th>EFFECTIVENESS AND EFFICIENCY</th>
<th>The right thing done in the right way?</th>
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<td>Bad Effectiveness and bad efficiency</td>
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What Is Performance Management?

Performance management, sometimes called ‘results based management’, is an approach to management which focuses on results. It is a system of performance improvement through an ongoing process of establishing performance objectives, measuring performance, collecting, reviewing, and reporting performance data and use that information to achieve performance improvement in order to realise the strategic goals and objectives of the organisation. Once again, the most important thing to emphasise is the focus to output rather than input!

Management deals with activities such as planning, budgeting, controlling, communicating and motivating.

Performance can be defined as produced output and/or achieved outcome.

Performance management is organisational management based and focused on performance as a key concept. Performance management:
- Links strategies to objectives and plans for expected output/outcome and actions
- Links allocation of resources to planning of output and outcomes – it prioritises
- Sets objectives, measures indicators, reports results
- Focuses on management and learning for improved performance
- Promotes accountability and transparency

The performance management model is based upon the important concept of accountability. If accountability is missing, the system will never work effectively. In short, accountability means that the civil servants take personal responsibility for their actions. For this to happen they must feel part of an organisation with which they can identify and where they will make a commitment to their work and to being a proactive civil servant. This naturally requires a
supportive and motivational management which pays particular attention to the inner motivational factors.

Accountability

Taking personal responsibility for one’s actions

In the context of Public Administration and Governance, accountability describes a legal and ethical requirement for public employees to be personally responsible for their work, for carrying out their assigned duties and for achieving policy and programme objectives within the framework of law, prevailing constraints, direction from their superiors, and the limits of authority and resources at their disposal.

Accountability also defines the responsibility of public employees to report any violation of the law to the appropriate authorities.

(UNDP)

Another fundamental principle of performance management is that it requires continuous communication and learning within the organisation. The University of California, San Diego has provided this definition:

“Performance management is an ongoing communication process that involves both the performance manager and the employee in:

- Identifying and describing essential job functions and relating them to the mission and goals of the organisation
- Developing realistic and appropriate performance standards
- Giving and receiving feedback about performance
- Writing and communicating constructive performance appraisals
- Planning education and development opportunities to sustain, improve or build on employee work performance”

Performance management is a flexible approach to organisational and individual work, not a neutral scientific model or tool!
Performance Management and the role of a manager

There are many ways to describe what performance management is, some more detailed than others. Another description is:

*Managing performance by developing and using shared processes for defining business goals; managing team and individual contributions by creating a performance improvement culture and climate; supporting and encouraging all people in an organisation in the delivery of success.*

This statement makes it very clear that one of the prerequisites for successful implementation is that *all people* are involved, therefore it is necessary to develop a climate and a culture that allow participation i.e. a development process which is both bottom up and top down. This is a process that will take time and much of the responsibility for establishing the right climate lies with the managers and leaders of the organisation.

This approach affects the kind of leadership required. The manager and leader should focus on developing participation, motivation, commitment, communication, the building of trust and developing good relationships. In addition, s/he should aim at creating a learning environment! It is necessary to integrate a positive learning cycle into the performance management system and for it to apply both at an individual and organisational level. There is no place for a top-down, controlling and blaming approach because it will lead to a negative learning cycle.
The degree of commitment to performance management from the organisation’s leadership determines its degree of success. Top management must provide the necessary resources in the form of sufficient time, communication, participation and training to develop and implement performance management. Effective communication should be multidirectional, running top down, bottom up and horizontally within the organisation.

The organisation needs to communicate:
- What is being planned
- What is expected to happen
- What is being done as a result of what happened

Performance management is inclusive, not exclusive. The organisation should involve all interested parties. This takes time. Staff involvement creates responsibility and will be the best guarantee of a successful performance management regime.

Performance management supports the achievement of the organisation’s strategies through an integrated process of objective setting, appraisal and pay determination. At an individual level, it will result in action plans related to performance improvement, career development and training. All of this needs to be implemented by the manager of the individual employee.

This requires not only processes that clearly spell out to managers their role and what is expected of them, but also the creation and implementation of a supportive training programme. Specifically, managers need to be assisted in mastering the skills of objective setting, of conducting appraisals, of coaching their staff and of facing up honestly and professionally to difficult performance issues.

Equally, employees of an organisation need to be helped to develop a commitment to the principles of performance management. This requires an understanding of the processes and the benefits to themselves and the organisation.

Finally, it should not be underestimated that it is the level of commitment of the leadership that creates the environment needed to secure the very real benefits of performance management. If organisations are to be successful, then the full capabilities of their employees must be realised and released into action. Ultimately, it is people who implement and achieve objectives and people need to know what is expected of them, be helped to develop their expertise and be recognised and rewarded for their level of achievement – both on an individual and team basis. This is the essence of performance management.

**Performance Management Requires Performance Measurement**

*If we cannot measure performance, we cannot manage it.*

Equity, quality, and accountability in the provision of services to the public are hallmarks of good government. Improving government performance in these areas should be the goal of good managers. Yet if the public sector is to succeed in improving its performance, there must be some means of measuring it objectively.

It is not difficult to track an agency’s outputs - its activities and physical products. But outputs, as shown above, are not true measures of performance – outcomes are. Outcomes,
rooted in an agency’s mission, are the benefits that citizens realise from services. To confuse outputs with outcomes is to mistake activity for accomplishment.

Performance measurement enables managers to define and use specific indicators to measure the outcomes and efficiency of their services or programmes on a regular basis. Such information can help managers develop and justify budgets and make the best use of resources available to them.

Thus performance measurement is a critical component of performance management. If we cannot measure performance, we cannot manage it. Without dependable measurement, there is no way to be certain that we are meeting objectives or that we are being effective and efficient. Hence there is no way that fact-based management decisions can be made.

By measuring performance, an organisation:
- Is able to identify whether it is meeting stakeholders, citizens’ requirements
- Assesses how well a process is working
- Provides information so that the decisions are based on fact, not on emotion
- Realises what the problems are, where improvements need to be made and whether improvement has actually happened

*An major purpose of performance measurement is to raise questions. It seldom, if ever, provides answers by itself as to what should be done.*

It has to be emphasised that there are, of course, certain limitations to performance measurement. People who use performance measurement information should understand what it can and what it cannot do and keep their expectations realistic. There is always a tendency to give numbers alone too much weight when deciding how to make improvements because they look so objective.

In the book *Performance Measurement – Getting Results*, (1999) three limitations to performance measurement are given:

1. Performance data do not, by themselves, tell why the outcomes occurred. In other words, they do not reveal the extent to which the programme caused the measured results.

This is an important point because this limitation raises a major issue that is a source of controversy in performance measurement: *accountability*. What should managers be held accountable for?

The government of New Zealand has taken the view that responsibility for programme outcomes rests solely with officials at the policymaking level, thus removing all accountability for outcomes from the operating departments.

Another way to look at it is that although important outcomes seldom are, if ever, fully under the control of a particular agency, the agency and its personnel do share responsibility for producing those outcomes. As long as a programme has any role in delivering a service intended to help produce particular outcomes, the managers of that programme – and their personnel- have responsibility to track the relevant outcomes and use that information to drive improvements.
2. Some outcomes cannot be measured directly.

A major example is success in preventing undesirable events, such as prevention of crime, corruption or reduction of illicit drug use. In such cases, alternatives can be used, such as indicators that reflect trends over time in the number of incidents that were not prevented.

3. The information provided by performance measurement is just part of the information managers and elected officials need to make decisions.

Performance measurement does not replace the need for basic expenditure data or political judgments, nor does it replace the need for common sense or good management, leadership, and creativity. A major purpose of performance measurement is to raise questions. It seldom, if ever, provides answers by itself as to what should be done.

The principle behind performance measurement is simple - a public organisation formulates its envisaged performance and indicates how this performance may be measured by defining performance indicators. After the organisation has performed, it can be shown whether the envisaged performance was achieved and how much it cost.

The problem is that the effects of interventions by an authority often are difficult to measure. This is because public sector performance is rather complex. Furthermore, the period between an intervention and its eventual effect or outcome may be long. This makes it impossible in many cases to measure the final effect of an intervention by an authority, not least when abstract goals such as safety or quality are involved. What is measurable is the output, the direct effects of intervention by an authority: the licence issued, the penalty notice enforced, the article published.

**Major functions of performance measurement**

Once an authority has defined its products, it can plan the volume of its production over a certain period and establish at the end of this period what production was achieved. As a result, a public organisation – like many organisations in the private sector – works through a planning cycle, in which performance is planned, achieved and measured. This is often accompanied by a strong orientation on setting objectives. Performance measurement forces an organisation to formulate targets for the various programmes for which it is responsible and state the period within which they must be achieved.

According to Hans de Bruijn who has written the book *Performance in the Public Sector* (2002), performance measurement can fill a number of functions. Those mentioned most frequently are the following:

- **Transparency.** Performance measurement leads to transparency and can thus play a role in accountability processes. An organisation can make clear what products it provides and, by means of an input-output analysis, what costs are involved.
- **Learning.** An organisation takes a step further when it uses performance measurement to learn. Thanks to the transparency created, an organisation can learn what it does well and where improvements are possible.
- **Appraising.** A performance-based appraisal can now be given, by the management of the organisation and by third parties, about an organisation’s performance.
• Sanctions. Finally, appraisals may be followed by a positive sanction when performance is good or by a negative sanction, when performance is insufficient.

How can performance be measured?

Various terms are used for the effects that may occur in the area between directly measurable and non-measurable: output – outcome; direct effects – intermediate effects – final effects; output – programme outcome – policy outcome.

It should be pointed out that the terminology in the literature is not always unambiguous. Some writers give the concept output a very narrow definition – only the direct effects– others use a very broad one including the outcome. Concepts like output or product measurement can be regarded as synonymous with performance measurement.

Performance measures, or indicators, help to show whether deliverables have been met, or strategic objectives achieved. There are usually several different indicators which might be used so it is important to identify what we want to measure and then to consider the criteria for a good indicator.

What indicators/measures?

Within private organisation and public agencies, the focus of performance measurement has long been on the selection of indicators. When selecting an indicator, the first thing to ask is ‘What do we want to measure?’ For example, this could be:

**Economy**
Are we minimising the consumption of resources?

**Cost and Efficiency**
What is the ratio of outputs to resource inputs?

**Awareness**
Are the intended beneficiaries aware of the service?

**Service volume / outputs**
Is the service available to the intended beneficiaries?

**Service reception**
Are the intended beneficiaries actually receiving the service?

**Quality**
Are we achieving quality standards?

**Effectiveness**
Do actual outputs and outcomes achieve our intended objectives?

**Impact**
What improvement have we made to the quality of life of the local community?

**Equity/Fair Access**
Is the distribution of outputs, outcomes, benefits and
impacts fair and equitable?

**Time targets/milestones & capacity utilisation**

Is it realistic to achieve the milestones we have set in relation to the time and capacity that we have?

### Criteria for good indicators/measures

Once you have selected your indicator, you ask yourself if it meets the criteria for a good indicator. A popular code is the so-called SMAART indicators, i.e. Specific, Measurable, Attainable, Agreed, Relevant, and Time-bound. The list below presents a list of other criteria of good indicators for performance measurement:

**Direct**

Does it measure as closely as possible the result it is intended to measure?

**Objective**

Is it unambiguous and is there general agreement over the interpretation of the results?

**Adequate**

Does it measure the result in question? (For complex results you may need to include more than one indicator.)

**Quantitative**

Does it lead to a greater degree of agreement on interpretation?

**Disaggregated**

Have you broken down indicators by gender, age, location or some other variable, to make measurement more precise?

**Practical**

Can data be easily gathered, in a time and cost effective manner?

**Reliable**

Will data be sufficiently reliable for confident decision-making?

**Easily understood**

Will stakeholders, in particular communities, be able to understand what is being measured?

Performance standards and indicators are most useful when they accurately describe what it is that we are trying to achieve.

### Performance Management Systems And Balanced Scorecards.

*Having too many measures can generate a large amount of routine data and could distract the managers’ focus on what is truly important*

The performance management system is based on international best practice called the Balanced Scorecard. The Balanced Scorecard is an analytical tool that supplements traditional financial measures with ways of measuring performance from four perspectives. The results must be measured in a balanced way in order to get a complete view of performance and to prevent any distortion.

With the Balanced Scorecard, an organisation’s strategic intent needs to be viewed from four different perspectives. They are:
1. External perspective: the Service Delivery. The view that the organisation’s stakeholders, the government, clients, customers, the general public and the external environment; have of the organisation’s performance

2. Internal perspective: organisational processes. Internal perspective is the view of the organisation in term of its people, processes and structures. It includes the human resource management framework, competencies, organisational behaviour, organisational culture, values, procedures and practices.

3. Learning and Innovative perspective: looks to the organisation’s future capability and includes its capacity to learn continuously by experience, to change, to improve, to think and act strategically and proactively.

4. Financial perspective: focuses on financial matters such as economy, efficiency, value for money and productivity. It also covers fraud and corruption.

Thus it is important to have a balanced perspective when evaluating the performance but it is also important not to have too many measures, as generating a large amount of routine data could distract the management’s focus on what is truly important. The Balanced Scorecard enables managers to measure success in several important areas of organisational performance.
The Balanced Scorecard also assists managers in aligning performance management with strategic planning by:

- Clarifying and gaining consensus about strategy
- Communicating the strategy throughout the organisation
- Aligning departmental and personal goals to the strategy
- Linking strategic objectives to long-term targets and annual budgets
- Identifying and aligning strategic initiatives
- Performing periodic and systematic strategic reviews
- Obtaining feedback to learn about and improve strategy.
Performance Management And Strategic Planning

To achieve the ultimate objective of performance management, which is the achievement of the organisation’s vision, goals and objectives, it is vital that the performance to be measured derives from the organisation’s strategic plan. Performance management uses that performance information to keep the delivery of the strategic plan on target and to ensure the capability of the organisation to deliver the remainder of the plan.

There is a close relationship between performance management and strategic planning but they are not the same:

- Performance management links strategic planning with operational planning
- Performance management provides information primarily about the past, while budgeting, strategic planning and policy analysis are primarily concerned with the future
- Performance management provides a baseline and gives clues about what might happen in the future. Future-oriented processes require estimation and judgement skills that performance systems cannot provide by themselves.

Levels in a performance management system

The major levels in an organisational performance management system usually comprise the following:

**Strategic Level Components**

The departmental vision and its strategic focus, its mission
Strategic objectives

**Organisational Level Components**

Department business plan
Unit business plans
Team work plans

**Individual Level Components**

Performance plans
Work plans
Competency profiles

**A human resource strategy is vital**

An effective human resource strategy is required as an integral part of the strategic plan. The strategic thinking within an organisation can never be visible and accepted unless it is understood. It is not enough for employees to know what the strategic plan is all about, the staff must know why the strategy has been formulated in a certain way. It is not just about top
management transferring their insights into the hearts and minds of the organisation. An impressive programme of communication is not enough. It is in this context that it is vital to understand the need for a human resource. The strategy should embrace not only the officers and other staff members but also all the managers. The managers are the main shapers of the relationship between the organisation and its employees. What is needed is the creation of an environment within which managers can manage. Of all the things which influence people’s perception of what the organisation thinks is important, it is the way managers actually work that is most significant. The way they spend their time, the priorities they set, the languages they use, the standards they demand, consciously or unconsciously all set the tone.

A key element of performance management is the manager/employee relationship. The possibility for both the employee and the manager to develop this trustful relationship requires a systematically developed strategy for all human resources within the organisation. It needs a focus on how to learn by experience in an organised way.

The enhancement of performance through training is most likely to be achieved when the training itself is focused on performing real tasks of significance to those involved. Such activities can be designed effectively through the adoption of the principles of learning which include the learning cycle and individual learning styles and the application of action learning. For this reason it is necessary to create and sustain a good environment for learning both for managers and employees for the development of a learning organisation.

Furthermore, it is necessary to integrate the different kinds of learning offered through training courses and by direct experience. Without this integration, skills training will still be seen as an isolated event which, however brilliantly managed at the time, will cease to have a continuing impact on the manager or employees as learners. This is a way to adopt the principles of continuous learning, which also means continuous change. It is necessary to pay attention to the variety of learning opportunities, which exist within the organisation and outside.

**Continuous Debate about Performance Management and its Applicability**

It is understandable that positions are easily taken in the debate about performance management and its measurement. On the one hand there is the view that performance measurement does not do any justice to the nature of the activities performed by public organisations. Public organisations are professional organisations providing public services. These public services are complex, they must embrace different values and they are delivered in cooperation with third parties (co-production). For example, a school must make its pupils perform well but must also create a good educational climate; its pupils’ performance depends on the school’s effort, but also on the extent to which pupils are stimulated at home. A court must pass judgment as soon as possible, but its judgment must be well considered; a court can hardly influence the number of cases it must deal with or the behaviour of the parties involved. Performance measurement reduces this complexity to a single dimension.

Achieving production targets does not tell us anything about the professionalism and/or quality of the performance; an effort to reach production targets may even harm professionalism and quality.
Another concern is over accountability. The more complex services that public organisations must provide, the more necessary it is to give those organisations space and autonomy in producing such services. Whilst they are autonomous, they are also accountable, however - how do they spend public funds? Does society receive value for money? After all, granting autonomy to a professional organisation may cause it to develop an internal orientation, to be insufficiently client-oriented, to develop excessive bureaucracy and therefore to underperform. Autonomy without accountability conceals both good and bad performance. Lessons can, moreover, be learnt from accounting for one’s own performance – be it good or bad.

Others see performance measurement as a very powerful communication tool: it reduces the complex performance of a professional organisation to its essence. It thus makes it possible to detect poor performance, allowing an organisation to be re-adjusted if it performs poorly. Performance measurement can thus also play an important role in acquiring legitimacy for government action.

Professor De Bruijn has drawn some conclusions on these issues in his book Managing Performance in the Public Sector (2002). In summary, he argues that all the above perspectives are correct. Rather, the main issue is whether it is possible to design performance measurement so it does justice to the complexity of the profession, addresses the need for accountability and hence indicates if intervention is necessary. Thus performance measurement can have a beneficial effect on public organisations. It may improve the professionalism of the service delivery, the public organisation’s innovative power and the quality of political policy making. On the other hand, performance management has many perverse effects: it may bureaucratise an organisation, killing all incentives for professionalism and innovation and causing performance measurement to lead to people focussing on the wrong things (see the section on Possible perverse effects of performance measurement below). Performance measurement may considerably widen the gap between political policy making and implementation. There is a risk that the perverse effects will come to dominate and in the long run the performance measurement system will be delivering only perverse effects. This raises the question how performance measurement can be designed so as to minimise the perverse effects.

Professor De Bruijn emphasises three criteria that must be met to make a performance measurement system fulfil its function properly:

- The performance measurement must be trustful. This means that both management and professionals have confidence in the system of performance measurement. The solution is that a system of performance measurement should be developed in interaction between management and professionals. Applying performance measurement also requires such cooperation.

- The performance measurement should be rich. For management as well as for professionals, performance measurement should do justice to the multiplicity of professional activity and not degenerate into a single activity. This is why performance measurement should always tolerate variety, in product definitions, for example, or performance indicators, interpretations of production targets.

- The performance measurement should be lively. Performance measurement must be an activity that causes management and professionals to feel challenged. This liveliness
can only be created if performance measurement focuses not only on professional’s products, but also on the process of generating them. Apart from product measurement there is process measurement. Liveliness also requires a system of performance measurement to be dynamic: it should adapt itself to changing conditions.

Thus the introduction of the system does not in itself create either better service delivery for the ultimate target group, the citizens, or develop the professionalism and continuous learning of the managers and staff.

**Benefits of Performance Management**

Through the application of performance management, the public sector can:

*Do the right things:* align action with strategy and improve effectiveness

*Do things right:* improve the efficiency of their organisations

*Enhance Public Confidence:* through better communication

Performance management, adequately developed and implemented, can enable the Mongolian public sector organisations to maximise the value of taxpayers’ money by delivering results to its citizens. It can create greater transparency and efficiency in carrying out the business of the government. It also provides better access to performance information needed to strengthen government capacity for policy development and service delivery. It also provides a mechanism for the communication of results to the press, to ministers, to the public. The system can also be used to justify budget requests and provide a rationale for management decisions.

To define the products or services to be delivered and then to meet performance targets, creates a transparency which is an incentive for innovation in the organisation. An internal discussion may be started, for example, about how much the various activities contribute to the organisation’s performance. This transparency may lead to a better linkage between the public, the citizens and the authorities. Citizens might be invited to define – in consultation with the authorities concerned – services for health care, for example, formulating goals, developing performance indicators and measuring and publicising performance. All this is an incentive for improving the quality of health care. Transparency here means that goals are agreed and made in public.

When an organisation can make its performance visible and has goals to concentrate on, performance improvement can follow. Performance measurement can also improve the quality of policy and decision-making. Thus performance measurement can develop the linkage between policy and implementation. Performance measurement is a strong incentive for external accountability, with the organisation having to make its goals and level of performance visible. Consequently, the policy making part of an organisation will, in time, have a great deal of quantitative information available about performance. This information may help the experienced policy maker to appraise performance or to design policy. Performance measurement thus improves the necessary intertwining of policy making and implementation and also improves the quality of policy and decision-making.
Q – What benefits do you see with the implementation of the performance management system in Georgia?

Possible perverse effects of performance measurement

Performance measurement may be an important stimulus to public organisations’ productivity, not least because the organisation’s production will be made visible. There is another side, however. Measuring and rewarding outputs may be an important incentive for strategic behaviour. A public organisation may increase its production in accordance with the performance management system’s criteria, but this increase in production could have no significance or even negative significance from a professional perspective. This form of strategic behaviour is sometimes referred to as gaming the numbers. For example, one performance indicator for the American FBI is the number of arrests. A constant increase in the performance required invites strategic behaviour. The FBI proves capable of reaching higher and higher production figures by arresting deserters from the armed forces. They are easier to detect than other lawbreakers. These arrests hardly serve any social purpose and are only made to meet the performance standards. As a result, the percentage of detainees actually prosecuted is extremely low and actual performance is trivial in the context of the benefit to the citizen.

Performance measurement may also block innovation and ambition. An organisation faced with performance measurement will make an effort to optimise its production process, allowing it to achieve its performance as efficiently as possible, particularly when performance measurement is linked to some form of financial reward. This may be a strong incentive to think in strictly monetary terms. What products are relatively easy to make, enabling as much money as possible to be generated? This blocks innovation. Anyone wishing to innovate will explore the unknown and accepts the risk that the results may be either what was expected or less than expected. Innovation may therefore harm an organisation’s production. In this case, performance measurement rewards the constant reproduction of what the organisation is already doing. Organisations in the public sector have what is often called system responsibility. This means that organisations should make the professional insights they develop available to other organisations in the public sector. Performance measurement may hinder system responsibility, because an internal focus is dominant. Research conducted by the American researchers Fiske and Ladd has shown that schools competing with each other in terms of performance are less prepared to share their best practices regarding methods of education, how to deal with differences between pupils, health issues and so on, with other schools. In this case, performance measurement has a negative influence on the relations between schools.

The underlying mechanism here is that performance measurement forces an organisation to optimise its own performance. This makes performance measurement a disincentive for cooperation. It may consequently lead to compartmentalisation, - compartments optimise their own performance and cooperate insufficiently. As already discussed, performance measurement may also reinforce an organisation’s internal orientation.
Performance measurement can lead to punishment of performance. Performance measurement rewards productivity but, perversely, its effect may also be to give a disincentive to increasing productivity. This is will happen when an organisation invests in something that will improve efficiency but which does not increase output and management then sets them a lower budget for the next year because their costs have fallen. By contrast, in another organisation with static performance and efficiency the budget remains at the same level.

So there is a risk that once a system of performance measurement has been designed and introduced, the perverse effects will, in the long term, force out the beneficial effects. The explanation for this phenomenon is that a system of performance measurement once introduced tends to freeze. Product definitions have been chosen, performance measurement is set into the planning cycle and organisational arrangements have been made to collect and aggregate the required information each year.

As a rule, designing a system of performance measurement is a huge effort for an organisation. Designing it and acquiring support for it initially will take some time, while the transition from an existing system to a new system may easily take a few budget years. Experience shows that the full introduction of a system of performance measurement takes a period of three to four years. When an organisation has invested a lot of time and money in a system, changing the system is not easy. If there had been a lot of opposition during the development of the system, this resistance to change may be even stronger. Decisions taken after much opposition and doubt tend to be difficult to revoke because nobody wants to go through the painful process of decision making again.

Q - To what extent have you experienced any of the above effects? Are there other less desirable effects of performance management seen in Georgia? What could be done to diminish them?

Success factors and strategies for introducing performance management

There is much experience from all over the world of introducing and developing performance management systems. As was mentioned at the beginning of this chapter it must be emphasised that the shift in focus from input to output/outcome orientation is one of the most important aspects to grasp fully. It is this understanding that will affect the perception of how to develop a public organisation’s service delivery of and internal organisation and leadership.

Developing a functioning, flexible, and practical performance management system is not easy. The following lessons about how to achieve it successfully have been learned from international experience:

- Leadership commitment. The degree of commitment to the development of the system determines its degree of success.
- Top management must provide the necessary resources in the form of sufficient time, communication and training.
- Involvement of staff in the development of the system and its practical application is necessary.
Performance management is an ongoing process, not an event and it takes time. It should be developed step-by-step, starting on a small scale and without being too complicated. The system develops through experience and can be adapted to specific circumstances. Rather than expecting it to be perfect from the outset, it should be built continuously. It is more effective for an organisation to make a commitment to performance management and then start developing a system as it goes along rather than trying to grasp a pre-designed blueprint.

Performance management is based upon the concept of accountability and if this platform is missing the system will never work effectively.

Performance management must be linked to the strategic planning. Top management needs to clearly, concisely, and repeatedly convey the organisation’s vision, mission and strategic direction to employees and its stakeholders, involving them in the process.

Communication is vital for establishing and developing performance management. Effective communication should be multidirectional, running top down, bottom up, and horizontally within and across the organisation and then to the outside environment.

An effective human resource strategy and the establishment of a learning environment is a necessity. The strategy should focus on how to learn by experience in an organised way – this is the application of action learning and the development of a learning organisation. Learning should be the aim of performance management. As soon as it develops into a tool to sanction staff, the motivation for continuous learning and improvement will be killed and trust between the manager and his/her staff will be destroyed.

A work culture that values results, teamwork and learning on an individual level and collectively must be encouraged.

Performance measurement is just one component or part of a performance management system and should not be overemphasised when applied within public organisations.

Results must be measured in a balanced way in order to get a complete view of performance. The Balanced Scorecards analytical tool could facilitate measurement from the four different perspectives – external, internal, learning and innovation, and financial.

Delegating work

Once the direction has been set and clarified and the strategies for accomplishing them agreed, the process of delegation can begin. Delegation involves the fixing of the degree of responsibility for each major task to be performed. Employees are fully responsible for some tasks and partially responsible for others. The degree of responsibility given is determined by managers and employees jointly; this is the heart and soul of the delegation process.

What makes delegation easier is having a simple, reliable method for determining an employee’s readiness to perform any given task. This was fully discussed in the previous chapter but the main advice is:
- Gain the employee’s commitment to the task to be delegated by encouraging participation
- Show trust and support throughout the process
- Set up progress checkpoints
- Jointly review the work. Reinforce correctly implemented tasks.
Develop Team Work

A team is a small number of people with complementary skills who are committed to a common purpose, performance objective, and an approach for which they hold themselves mutually accountable.

The particular contribution that a team makes to an organisation is the pooling of the collective creativity, skills, knowledge and experience of its members. This benefit is only realised in a climate of open communication based on trust, mutual respect and commitment to a common purpose. At best, team members commit to an approach to working together which includes specific guidelines or norms to help them to communicate ideas and concerns, give one another feedback, conduct meetings, solve problems and make decisions.

Norms are guidelines for the way that team members will interact with one another. Norms are developed by team members and typically include statements about how they will manage their time, conduct meetings, protect and encourage ideas, listen, confirm understanding, manage conflict and make decisions. Most successful teams establish norms in order to create and protect an atmosphere of open communication and trust. It is invaluable to have team norms in place before any difficulties in interpersonal or meeting processes arise. The norms become the basis for giving feedback constructively.

Feedback in teams should be welcomed, actively sought, timely, carefully considered and respectfully offered. The focus should be on reinforcing and improving performance rather than punishment, on constructive outcomes rather than blame, on common objectives rather than personalities. Team members need to learn team skills as well as to continuously improve their technical and other work-related skills.

On the Job Training and further training and development

Another aspect of the performance management process involves providing the training and development needed to accomplish the objectives agreed upon, the delegated responsibilities and the work to be done in teams or project groups. The skills every manager must have to function as a performance manager include being able to identify training and development needs; being able to prioritise their importance; then being able to deliver training or development effectively. On the job training and action learning are important tools for development and for solving problems. It is important to organise for continuous learning and change.

Performance measurement

This chapter has discussed performance measurement as part of the performance management system. Once again, it is important to emphasise that it is not always possible to measure the complex reality in which public organisations operate and that the qualitative aspects are often forgotten if figures and indicators are the primary focus. The information provided by performance measurement is just part of the information managers need to make decisions. Once again, – a major purpose of performance measurement is to raise questions. It seldom, if ever, provides answers by itself as to what should be done.

Continuous feedback, coaching and counselling
Coaching is a performance management activity a manager engages in to help an employee improve job performance or change behaviour. Coaching is corrective in nature and generally a little less formal and time consuming than training. Coaching is briefer and often done on the spot, close in proximity to the performance problem. During coaching, managers pass on advice and information or set standards to help subordinates improve their work skills.

In counselling, managers help subordinates recognise and address problems involving their state of mind, emotions, or personalities. Thus coaching focuses on abilities, counselling on attitudes. Skilful coaching and counselling are especially important in rewarding positive performance, or correcting problem behaviours or attitudes.

Coaching and counselling are more difficult to perform effectively when employees are not performing up to expectations, when their attitudes are negative, when their behaviour is disruptive, or when their personalities clash with others in the organisation. Whenever managers have to help subordinates change their attitudes or behaviours, coaching or counselling is required. Managers must criticise and correct subordinates, but in a way that facilitates positive work outcomes, positive feelings, and positive relationships. One way is not to lay blame but apply a learning approach to the situation.

Of course, coaching and counselling skills are also required when negative feedback is not involved, for example when subordinates ask for advice, need someone to listen to their problems, or want to register complaints. Sometimes just listening is the most effective form of coaching or counselling.

Simply put, feedback could be defined as:
“Information about past behaviour, delivered in the present, which may influence future behaviour.”
(From The art of giving and receiving feedback, Seashore & Charles, 1992)

Observing work performance and providing feedback should be a routine part of the performance management process. Feedback should be based on observed and or verifiable work-related behaviours, actions, statements and results. Effective feedback helps the employee sustain good performance, develop new skills and improve performance when necessary.

In the chapter about motivation it was shown that giving positive feedback and having clear, shared objectives improves motivation and performance considerably. Feedback should not only be delivered once a year at the more formal performance appraisals. The cornerstone in leadership is motivating and inspiring employees. Continuous feedback gives the very foundation for motivation and it gives the manager a clear picture of what is going on, what is being done or not done and what should be developed further. Recurrent performance appraisals are also necessary.

**Reminder of guidelines for giving feedback**

- Inform the employee that you are going to let them know how you think they are doing
- Give feedback as close to the original event as possible
- Describe specific work-related behaviour or results observed
- Ask for employee input and feedback
- Let employees know about the effects or impact of their performance
It is more effective to ask employees to *do* something differently than to ask them to *be* different!

**Appraising performance through development dialogues.**

The formal performance appraisal process is one of assessing, summarising and developing the work performance of an employee. Performance appraisal, if it is well done, is hardly ever easy. But it can be productive for both parties and perhaps even anticipated as a challenging and stimulating event, especially if a learning environment has been developed and a learning approach is being applied.

If performance is being discussed and managed throughout, there should be few, if any, surprises during the appraisal. Most issues will have been discussed and resolved during the year. From this perspective the performance appraisal interview is best viewed as an opportunity to discuss formally an employee’s past performance and any problems that may impede his/her performance *in the future.* In this case, career planning, salary reviews and the formalised setting of objectives could be left for other occasions.

Later on, performance appraisals through development dialogues will be discussed more in depth.

**Interpersonal skills – crucial for successful performance management**

How performance management discussions are conducted will determine the outcome of the manager’s efforts. That outcome is influenced by the effectiveness of the interpersonal skills used to influence the employee to change his or her behaviour.

Six interpersonal skills have been identified Rollin Glaser (1987) as having a significant bearing on performance management discussions. They are:

- Focussing on behaviour
- Building and maintaining self-esteem
- Solving problems jointly
- Active listening
- Probing for understanding
- Positively reinforcing desired behaviours

**Performance-related pay**

Performance-related pay is probably the most controversial element of performance management. Performance-related pay is a term used to cover a variety of reward arrangements. It is that part of the financial, or financially measurable, reward to an individual that is linked directly to individual, team or organisation performance. Many organisations struggle for success in performance-related pay and the experiences vary. Some find performance-related pay is not effective in their organisations while others believe that it supports improved performance.
It is not our task in this training material to develop the different models for performance-related pay or to fuel the controversy. There is no research, which conclusively shows that there is a causal link between the presence of performance-related pay and high levels of organisational performance but motivation is a field of academic study where theory abounds. In the chapter about motivation it was shown that pay is only a part of a complex motivational system; in particular, due account must be given to individual perceptions of reward and to the balance of internal and external rewards. Pay is not usually top of the list. Better job design, greater employee involvement, mobilisation of employee interest in quality of service and development of new competencies will have an equal, if not greater impact on motivation. Naturally this might differ between societies, depending on the level of development and other factors. In summary, performance-related pay can play a part, but it is unlikely to be the sole means of gaining improved performance.

**Conclusion**

Performance management is a complex system with many interrelated components, which must support each other and be taken into consideration by managers as well as by the staff in their application. To manage performance requires participation, motivation, commitment, communication, building trust and good relationships, designed and organised learning and an output/outcome orientation. The learning cycle must be built into the performance management system both on an individual and organisational level for continuous learning and a move towards becoming a learning organisation.