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PERFORMANCE MANAGEMENT IN PUBLIC ADMINISTRATION

Denita Cepiku

Performance management in public administrations: trends and specificities

The move towards performance management in the public sector is not new, although it has intensified during the past three decades, increasing formalized planning, control and reporting across all the OECD countries (Bouckaert and Halligan 2008: 29). The first wave was the scientific management movement in the 1900s–1940s, introducing planning, programming and budgeting systems (PPBS) and management by objectives (MBO). The New Public Management (NPM) theory arose during the 1980s to 2000, along with the Public Governance approach starting in the mid-1990s in the Scandinavian countries (Van Dooren, Bouckaert, and Halligan 2010). The evolution of performance management practices mirrors modernization trends: its focus shifted from rules and input regulation (Weberianism), to outputs and efficiency (NPM) to outcomes and effectiveness (Public Governance) (Imperial, 2005: 395).

Different literature streams have contributed to the development of performance management theory, including public administration, public management, strategic planning and management controls, evidence-based policy, and evaluation (Van Helden, Johnsen, and Vakkuri 2012). Such multidisciplinary attention may be one reason why the concept of performance is characterized by a degree of ambiguity. “It must be viewed as a set of information about achievements of varying significance to different stakeholders” (Bovaird 1996: 147). Performance is both about results and about intentional behaviours that lead to those results. Such behaviours “can be individual or organizational” while the outputs can refer to outputs, outcomes and public values (Van Dooren, Bouckaert, and Halligan 2010: 2, 16).

Performance management includes measurement, i.e. the construction and measurement of decision-relevant performance indicators, and monitoring, but also reporting to relevant administrative and political bodies and, most importantly, the meaningful use of this information (Van Helden, Johnsen and Vakkuri 2012).

During the NPM period, performance management was introduced as part of reforms aimed at making public management more similar to private management, and therefore more efficient in the intentions of the promoters of the NPM. Thus, it has been accused of neglecting the specificities of public administrations such as their increased goal ambiguity, fewer economic incentives, higher levels of bureaucracy, greater number of stakeholders and higher relevance of
public values (Hvidman and Andersen 2014: 38; Lee, Rainey, and Chun 2009; Rainey 1989; Perry and Rainey 1988; Bozeman 1987; Rainey, Backoff, and Levine 1976). On the one hand, public administrations are characterized by low managerial autonomy in defining strategic objectives and managing resources; on the other, public managers have more flexibility than private ones to choose relevant performance measures, notwithstanding the compulsory nature of such procedures in many countries (Behn 2003: 599).

The literature now acknowledges the relevance of the differences between for-profit firms and public administrations regarding performance management. Most importantly, outcomes matter more than output for the latter. For instance, sales represent a prompt and objective indicator for the success of a firm; presumably, in low inflation contexts, high sales will lead to high profits and good dividends for the shareholders. With a public administration, even one providing services such as a hospital, school or university, output measures alone – for example, the number of surgical interventions or graduate students – although useful, are difficult to interpret according to either metric. The impact of output on the areas of need, like the quality of life after discharge from the hospital or employment opportunities after graduation, is the most meaningful performance indicator. However, it is difficult to measure as it refers to a social rather than an economic impact. It takes time to manifest and depends on the context as well as on the activities of the specific public administration being measured.

This fundamental specificity leads to differences in performance management systems. One direct consequence is the recommendation, found in the literature, for performance management systems in the public sector to be multidimensional rather than balanced towards one specific performance dimension, such as inputs, processes, outputs or outcomes.

Levels of performance management

There are at least four perspectives through which public sector performance can be assessed (see Figure 26.1). First, performance can be viewed at a global level. International institutions produce rankings and measures to assess the aggregate performance levels of different countries’ public sectors.1 Fukuyama (2013) classifies the available empirical measures of public administration quality into four approaches:

1. Procedural measures, such as the Weberian criteria of bureaucratic modernity. These include the impartiality of bureaucrats, a hierarchical organization and well-defined spheres of competence, recruitment and promotion on the basis of merit and technical qualifications, and separation between ownership and management.
2. Capacity measures, which include both resources (e.g. tax extraction measures) and the level of education and professionalization of government officials.
3. Output and outcome measures such as literacy, primary and secondary education test scores, or various measures of health.
4. Measures of bureaucratic autonomy, referring to principal–agent theory: that is, how the political principal issues mandates to the bureaucrats acting as its agent.

The main weaknesses of these measures include being based extensively on expert surveys and being characterized by normative policy preferences that colour the final results. Moreover, output is not considered a valid measure of a state’s performance quality, due to difficulties in divorcing output and outcome measures from procedural and normative measures and exogenous factors (Fukuyama 2013: 351–356).
A second level of assessment is public sector policies. Performance management has been at the centre of public sector reform agendas since the late 1980s. Reforms have made it compulsory in public administrations and often link resource allocations to performance achievements (Bouckaert and Halligan 2008). Public sector reforms were driven by the belief that requiring agencies to define and measure strategic goals and achievements would reduce the performance deficit (Moynihan and Pandey 2010: 849; Poister 2010; Moore 1995). Although deriving from global trends like NPM and Public Governance, the actual implementation of performance management reforms has been affected by national administrative traditions and cultures, resulting in differences between common law and administrative law jurisdictions and between more and less developed countries (Tillema et al. 2010; Alawattage, Hopper, and Wickramasinghe 2007). Some policy sectors have been more affected than others. For instance, centrally defined performance indicators directly influence financial resource allocations in healthcare and higher education in several countries.

At this level, performance management systems have been classified into four ideal types, according to institutional coverage and the learning and development process (Bouckaert and Halligan 2008: 69):

- performance administration;
- management of performance of specific functions;
- performance management;
- performance governance.

The third level is organizational, represented by performance management activities that are part of strategic planning and managing efforts. They comprise a bundle of activities quantifying performance measurement at the global level (international institutions).

![Levels of performance management](image-url)
Denita Cepiku

performance: defining a measurement object, formulating indicators, collecting, analysing and reporting data (Van Dooren, Bouckaert, and Halligan 2010: 25). This chapter focuses on this level.

Finally, performance management can operate at the individual or team level, integrating human resources management through instruments such as performance-related pay. In theory, there should be cause–effect links between these different levels, leading to higher levels of performance of public services and policies, with the ultimate beneficiaries being citizens. International institutions’ rankings are supposed to put pressure on national governments to introduce reforms promoting performance management. These reforms should lead to higher levels of performance orientation in planning and managing resources in organizations and to higher individual performances by public employees. The final result should be better public services and more effective policies. The effects also work the other way around. National-level policies such as spending reviews and budgeting are often dependent on well-functioning performance measurement and reporting systems at the organizational level.

Empirical research on these links offers mixed results, highlighting both the positive and negative effects of performance policies. Although the cause–effect link between performance management and improvement may be problematic to prove, studies show that the former is a crucial determinant of the latter.

Managing performance at the organizational level

Performance can be planned, measured, assessed and acted upon. When such actions occur in an integrated and systemic way, it is usually referred to as performance management. Performance measurement is focused on: how to measure what the administration is doing; detecting the most significant performance deficits and formulating a strategy for mitigating them; and motivating everyone in the organization to pursue the strategy (Behn 2013). Performance measurement without management and leadership is useless. “Despite the universal appeal of the seductive cliché, the data never speak for themselves. When the data speak, they do so only through some framework, some theory, some causal model, some logical construct, some perception of the world and how it works” (Behn 2009).

Performance management at the organizational level is a pillar supporting national government effectiveness and a condition for the non-arbitrary evaluation of individual-level performance. It is a process supporting strategic management and managerial controls, as illustrated in Figure 26.2. It “generates information through strategic planning and performance measurement routines and […] connects this information to decision venues, where, ideally, the information influences a range of possible decisions” (Moynihan 2008: 5). In other words, to be effective, performance measurement systems should not operate on their own but support and strengthen other management and decision-making processes, such as planning, budgeting, human resources management, grants and contract management, among others (Poister, Aristigueta, and Hall 2015).

In April 2011, the New York Times Magazine dedicated its cover to Ramón González, principal of public middle school 223 in South Bronx, whose office overlooks one of the largest, most dangerous housing projects in New York. The M.S. 223 case study (Box 26.1) is very useful to illustrate:

- the links between public sector reforms that emphasize outputs and competition, and performance management at the organizational level, which focuses on outcomes, public value and collaboration;
Performance management in public administration

- the nature and activities of performance leadership, which go beyond performance measurement;
- the impact of a specific organizational mission and vision on performance measures— or, in other words, the specificities of performance management in public vis-à-vis private organizations.

Box 26.1 Performance management in a public middle school in the Bronx

About 70 per cent of M.S. 223 students are Hispanic, and the remainder are black, either African-American or recent immigrants from West African countries like Senegal. Roughly 11 per cent are English-language learners and about 17 per cent have learning disabilities. Many live in impoverished conditions and about 15 per cent live in shelters.

In 2010, after seven years under González’s management, 60 per cent of the students tested at or above grade level in math and 30 per cent did the same in English, making 223 one of the top middle schools in the South Bronx and, according to the progress report from the Department of Education, the 10th-best middle school in the entire city.

But 223’s success remains mixed. Studies dating back to the 1960s have suggested that children’s experiences inside the classroom are responsible for as little as 20 per cent of their overall educational development. No less important is how they spend their evenings, weekends, and vacations.
González is trying to reverse this trend by bringing parents into their children’s lives at 223 in any way he can, whether it’s through sporting events, plays, recitals or classroom celebrations. And yet even as school reform made it possible for González to succeed, as the movement rolls inexorably forward, it also seems in many ways set up to make him fail.

The grading system imposed by the NYC Department of Education, which has bestowed three consecutive As on González, is based in part on how well 223 does on state tests. But the school’s relative success on these tests and other measures also disqualifies it from additional state resources earmarked for failing schools. The ever-growing number of charter schools, often privately subsidized and rarely bound by union rules, skims off the neighborhood’s more ambitious, motivated families. And every year, as failing schools are shut down, a steady stream of children with poor intellectual habits and little family support continues to arrive at 223. González wouldn’t want it any other way – he takes pride in his school’s duty to educate all comers – but the endless flow of underperforming students drags down test scores, demoralizes teachers and makes the already daunting challenge of transforming 223 into a successful school, not just a relatively successful one, that much more difficult. González, who prefers to think of himself as a community activist, has an anachronistic vision for 223 vis-à-vis policies of education reform, which is based on school freedom of choice by low-income families and competition between public and charter schools. This idea of school reform is against the very idea of the neighborhood school with deep roots in a community, which is precisely what González is trying to revive and reinvent. “You know what you have to do to come to school here?” González told the NYT Magazine journalist. “Walk through that door” (Mahler 2011).

Source: extracted and adapted from Mahler 2011.
Further information: www.ms223.org/results.html

The Achilles’ heel: performance information use

Obviously, performance management benefits depend, first and foremost, on the extent to which public managers and other decision makers and stakeholders make use of performance information. The literature on public sector performance management has only recently moved from the analysis of measurement instruments and indicators to question the actual use of information these tools generate, considering this to be “the most pressing challenge for scholarship on performance management” (Kroll 2015; Moynihan and Pandey 2010: 849).

Potential users of the performance information being produced include politicians (Askim 2009), audit institutions, citizens and civil society organizations (Pollitt 2006), and public managers (Kroll 2013; Moynihan and Pandey 2010), among others.

Public managers can use performance information in different ways: managerial, political or merely bureaucratic. This use can be purposeful, aimed at improving management and allocation decisions, or passive, satisfying the procedural requirements of law (Moynihan and Lavertu 2012: 1; Radin 2006). The main factors influencing the use of performance information by public managers are summarized in Table 26.1. These are grouped under three categories: supply side (characteristics of performance information systems); demand side (features of public managers as users of information); context (both internal and external) (Moynihan and Pandey 2010: 850).
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Categories of performance information managerial uses range from the 44 listed in Van Dooren (2006) to the three found in Van Dooren, Bouckaert, and Halligan (2010), who distinguish between learning, steering and control, and accountability. de Lancer and Holzer (2001) distinguish between measuring efficiency, output and outcome for strategic planning, resource allocation, programme management, monitoring and evaluation, and reporting to internal management, elected officials, citizens or the media. Miller, Hildreth, and Rabin (2001) view performance measurement as helping managers make decisions about the budget cycle, human resources management, evaluation and contracting. Melkers and Willoughby (2005) list the following possible uses:

- reporting to elected officials, management and staff, citizens, citizen groups, or media;
- assessing programme results;
- budgeting, including resource allocation or discussions about resource changes;
- planning, such as for programmes, planning, annual business planning, oversight activities like programmatic changes, and strategic planning;
- managing operations (e.g. services or contractors);
- establishing or changing policies and evaluations to determine the underlying reasons for results;
- personnel decisions including staffing levels and evaluations;
- establishing contracts for services;
- benchmarking, or comparison of programme results with other entities;
- holding local jurisdictions accountable for state-funded or state-regulated programmes; determining which programmes, local jurisdictions, or contractors to target for audits;
- special studies and technical assistance.

Bouckaert and Halligan (2008: 28) consider the following uses of performance information: designing policies, making decisions, allocating resources, competencies and responsibilities, controlling and redirecting implementation, self-evaluating and assessing behaviour and results, confirming reporting and accountability mechanisms. They distinguish between internal use by agencies and individuals, budget decisions and processes, and reporting (p. 144). Behn (2003) envisages eight potential uses: evaluating activities under review; control; budgeting; motivating staff, contractors, citizens and other stakeholders; promoting the agency externally; celebrating achievements in order to strengthen organizational culture; learning; and improving performances. These are shown in Figure 26.3.

**The benefits of performance management systems**

Managing performance is a complex, time-consuming and expensive activity for every organization. It is carried out assuming that organizations have a greater probability of achieving their objectives “if they use performance measures to monitor their progress along these lines and then take follow-up actions as necessary” (Poister, Aristigueta, and Hall 2015: 24). However, there is insufficient empirical evidence to back up this claim and, as with any investment, it makes sense to ask if performance management leads to better results.

The benefits of performance management – also called the effectiveness of performance information use – are closely linked to its goals. Van Dooren, Bouckaert, and Halligan (2010) identify: learning and innovation, the improvement of steering and control, and better accountability. Bourdeaux and Chikoto (2008) propose the following categories: improving the effectiveness of agency programmes, reducing duplicated services, reducing/eliminating
ineffective services/programmes, changing strategies to achieve desired results, improving programmes/service quality, and increasing awareness of factors that affect performance results. To these, the three effects on communication proposed by Melkers and Willoughby (2005) can be added: the improvement of communication internal to the agency, with other agencies, and with citizens.

Hvidman and Andersen (2014) have conducted empirical research on how performance management influences performance outcomes by comparing Danish public and private schools. They showed that the effectiveness of performance management in private schools is not transferred to public schools, although the latter use performance management much more than private schools. Poister, Pasha and Hamilton (2013) examined the impact of performance management practices on organizational effectiveness in 88 small and medium-sized local transit agencies in the United States, showing that an extensive use of performance management practices does in fact contribute to increased effectiveness.

The shortcomings of performance management systems

The dysfunctional effects of performance management systems have been widely illustrated, albeit mainly anecdotally, by the literature developed after the first wave of NPM reforms and
refer to the perverse and unexpected effects of performance measures that create opportunistic or blame-avoidance behaviour: for example, Hood (2002) distinguishes between agency, presentational and policy strategies. Other negative consequences refer to tunnel vision, sub-optimization, myopia, convergence, ossification, gaming, and misrepresentation (Vakkuri and Meklin 2006; Smith 1995).

It is interesting to notice that several private firms are abandoning traditional performance management systems – the same systems that recent public sector reforms have forced public administrations to adopt. Excellent examples include Microsoft, Adobe and Deloitte (Box 26.2). This shift in the private sector is occurring following studies highlighting the negative unintended consequences of performance management or at best ineffectiveness. According to a recent survey of private sector managers, today’s widespread ranking and ratings-based performance management is “damaging employee engagement, alienating high performers, and costing managers valuable time” (Barry, Garr, and Liakopoulos 2014: 45). Only 8 per cent of companies report that their performance management process drives high levels of value, while 58 per cent say it is not an effective use of time. Therefore, organizations are scrapping the annual evaluation cycle and replacing it with continuous employee development. In the case of Adobe, a company of 11,000 employees, the traditional performance management system was deemed inconsistent with the company’s culture of teamwork and collaboration. The new system brought about a 30 per cent reduction in voluntary turnover.

**Box 26.2 The simplification and improvement of the performance management system at Deloitte**

The radical transformation of the performance management system at Deloitte was decided after finding out that creating the ratings consumed close to two million hours a year. The new system aimed at pursuing three objectives: (1) recognize performance; (2) be able to see it clearly; (3) be able, not only to measure and reward performance, but also enable leaders to improve it.

The new system is based on four simple questions that, at the end of every project, team leaders were asked about each team member:

1. **Given what I know of this person’s performance, and if it were my money, I would award this person the highest possible compensation increase and bonus (measures overall performance and unique value to the organization on a five-point scale from “strongly agree” to “strongly disagree”).**

2. **Given what I know of this person’s performance, I would always want him or her on my team [measures ability to work well with others on the same five-point scale].**

3. **This person is at risk for low performance (identifies problems that might harm the customer or the team on a yes-or-no basis).**

4. **This person is ready for promotion today (measures potential on a yes-or-no basis).** Some key features are meant to make the system work better than traditional performance management systems based on cascading objectives and backward-looking assessments. First, raters are asked to assess their own actions, rather than the qualities or behaviours of the ratee. Second, the questions refer to extreme performance levels and to single, easily understood concepts such as pay, teamwork, poor performance, and promotion.
Other authors have emphasized how the benefits promised by the performance management movement have not materialized (Grundy 2015; Brodkin 2011). These include: (1) the enhancement of transparency and accountability; (2) unequivocal information about organizational activity; and (3) the enhancement of staff efficiency and performance. Performance management at the organizational level may run up against equity, due process or service quality concerns, actually worsening the problems of transparency and accountability that it intends to resolve. Information produced by performance management systems can be ambiguous, especially when referring to outcomes, as it is often the result of influences besides organizational activity. Finally, organizational efficiency increase may erode staff morale by increasing job insecurity due to missing performance targets, and adding undue administrative burdens of reporting requirements.

**Big, small, open data and the impact on performance management**

A recent and relevant factor is the sheer volume of data, which public administrations can use in new ways that often reach beyond the conventional definition of performance measurement. Local governments, in particular, are using this information to understand and work within their fiscal constraints and meet citizens’ needs. Examples include the following (Goldsmith 2015; Peters 2015):

- In Boston, Uber is sharing a massive and anonymous volume of data about rides to help the city plan for better transportation. Boston’s Chief Information Officer uses how long it takes to get between different neighbourhoods and to make decisions on growth, development, and changes to the transportation system, such as how the city might redesign roads or plan for new housing.
- Boston also uses a mobile app, called Street Bump, to help detect potholes using the accelerometers built into mobile phones.
- The New York City Fire Department collects information from various city departments about building characteristics, such as construction material, fireproofing, height, the date of construction, and the last inspection date to prioritize buildings for inspections.
- Detroit collects information about response times, medical emergencies, and calls for assistance and other matters from the Fire Department, computer-aided dispatch, 911 dispatch, and a geographic information system (GIS) through FireView Dashboard, a real-time tracking system. Budget cuts have forced the department to temporarily shut down some fire stations on a rolling basis to save on overtime costs, but the city had little information about how the brownouts would affect response times. Now City officials use the information to allocate resources for the Fire Department, estimate response times, and plan community outreach.

Small data as well as big data can be valuable for public management. The *Economist* (2015a) highlighted the improved treatments and outcomes deriving from health data that do not come from big databases on genomics, population health and treatment but from modest amounts of information from an individual patient. Relatively small groups of patients with chronic conditions account for a disproportionate share of health costs, so being able to monitor and receive data from patients in real time holds the promise of significant financial benefits for hospitals and health funders. Many personal monitoring devices now transmit data via the patient’s smartphone.
The use of such data by public administrations is changing the way performance management occurs. Decision makers find cross-agency and cross-sector data more useful than the traditional statistics produced by single departments. Such data are also available in real time and are future-oriented, allowing public managers to be more responsive and efficient and to anticipate outcomes. Finally, such data are increasingly becoming open, which means that citizens and advocacy groups may use them as well.

Conclusion

The future of performance management will depend on the extent to which it will be able to adapt to address emerging trends, including: critiques of its use for performance improvement, the recent explosion in the availability of data, and the shift of public management from competition to collaboration.

The many negative effects of performance management are not a reason to abandon performance management systems; rather, they suggest that performance should be governed rather than simply measured. Indeed, often research that concludes performance management is ineffective is just reporting the simple collection of data which “might (or might not) be related to performance – to some public purpose that the organization might (or might not) be trying to achieve” (Behn 2014). As Mintzberg (2015) points out: “Measuring as a replacement for managing has done enormous damage.”

The last global financial and economic crisis, which has passed in some countries and is still taking place in others, has multiple effects on performance management. It strengthens the pressure on public managers to maintain the same levels of performance with decreasing resources, thus increasing their need to rely on data to guide cutback decisions. Meanwhile, fewer resources are dedicated to implementing and developing performance management systems. A different type of performance management is needed, as policy makers need a tool that helps them centralize and control expenditures, rather than decentralize.

An example of how data can help decision-makers in times of crisis is the case of cities’ response to homelessness (Economist 2015b). Housing subsidies and services are often doled out on a first-come, first-served basis, regardless of need. With waiting times measured in years, and little co-ordination between agencies, the homeless who are best served tend to be the easiest to treat. The Housing First project provides homeless people in the most perilous circumstances with homes up front, and then delivers the support these people need – such as drug rehabilitation or job training – to help them stay there, rather than using expensive services such as jails and emergency rooms. But such savings are possible only if cities can identify and prioritize those who need the most help. A new web-based tool designed by Community Solutions and Palantir Technologies, called Homelink, helps cities to collect data about individual homeless clients, such as income, medical history and substance-abuse problems, and then assign a severity score. The results are gathered in a centralized database for each city, which participating agencies can access and update. An algorithm then matches homeless people with the services available, targeting the neediest clients with the most immediate help.

As public sectors across the world are abandoning competition-based management in favour of collaborative arrangements, such as networks and co-production, performance management systems need to respond to the need of evaluating and managing collaborative performance.
Notes


2 For instance, a comparison of the 2012 and 2007 OECD surveys of budget practices shows less reliance on performance information in budget negotiations between central agencies and line ministries (Schick 2013).

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