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## **To a High Developed Public Sector**

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## TO A HIGH DEVELOPED PUBLIC SECTOR

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In Romania, the performance within the public sector represents a concept not so analyzed and rarely applied in practice. There is not the same situation in countries with a high developed economy<sup>1</sup>, which represent an interest for us, alongside with the European integration.

Internationally, since the 1970s processes of modernization and reorganization of public institution have been initiated in diverse countries in the world<sup>2</sup>. The society has demanded greater efficiency in rendering of services, a better application of public resources and also questioned the effective bureaucratic model. In this context, the model of managing government institutions gains force, consistence and become more credible.

Flexibility, decentralization, creativity, autonomy of management, and a management contract used as

quantification instrument are basic characteristics of the management reforms that focus on results.

Results determination within the public sector and the implementation of a system meant to measure the financing and non-financing performances need an exact definition of the objectives and purposes of each organization and constituent institution.

### **Performance measurement – theoretical concepts**

Performance measurement is a systematic process who affords evaluation of the efficiency and effectiveness of an organization or a program. It applies real information (quantitative and qualitative characteristics) to help managers and customers (in our case, the citizens) to determine whether the expected results are being achieved.

Thence, measuring process is a sequential action taken inside or outwards public institution to establish performance standards, evaluate performance, and take corrective action where indicated. The process involves the selection, definition and application of performance indicators, which quantify the efficiency and effectiveness of the institution, program or office analyzed, based on inputs, outputs and outcomes.

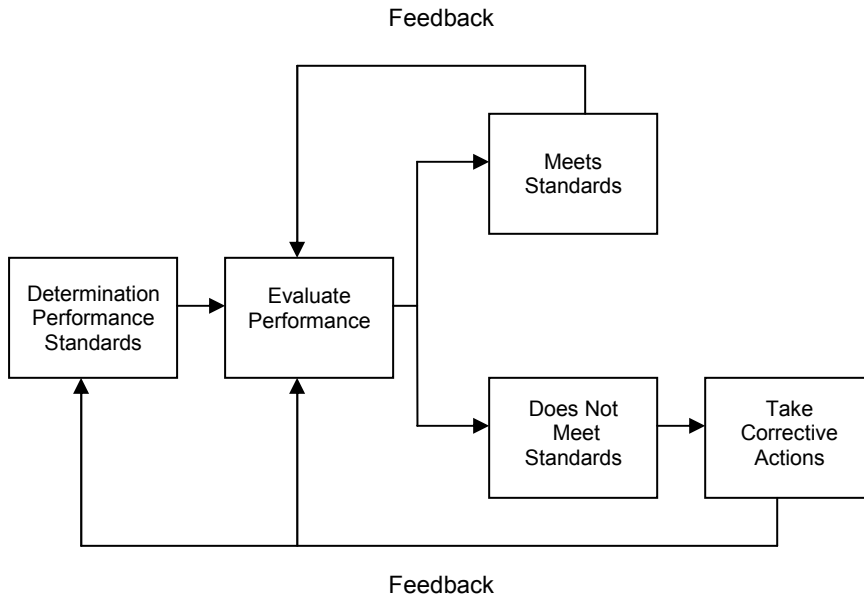
*Input:* measures of what a public institutions or managers have available to carry out the program or activity. These can include: personnel (office workers), funding equipment or facilities, supplies on hand, good or services received, work processes or rules etc.

<sup>1</sup> Nowadays, the performance can be calculated, its measurement getting more and more global dimensions. Countries from different parts of the world, such as France, Great Britain, Germany, New Zealand, United States of America, Brazil, Japan, South Korea etc., indicate lately high investments for the implementation of efficient systems meant to measure the performance within the public sector.

<sup>2</sup> The international experience concerning the measurement of the performance within the public sector started in 1967, in France with the publishing of NORA Report. This report sustained the need for the introduction of a management contract for the state companies, able to cover certain elements and conditions for obtaining the performance. Thus, in 1969 the first managerial contracts were concluded and signed by the Société Nationale des Chemins de Fer (SNCF) – (National Railway Company) and Electricité de France (EDF) – both being companies with state capital.

**Output:** a tabulation, calculation or recording of an activities the program unfurled of a public institution or effort that can be expressed in a quantitative manner such as, the total amount of building tax entered in the debit register or the number of children who need to be vaccinated against a certain disease during .... etc.

**Outcome:** an assessment of the results of a program compared to its intended purpose, such as, the total amount of building tax debited and collected; the number of children effective vaccinated etc.



**Figure 1 – Performance measurement process**

*Performance measurement and evaluation are different but complementary. The European Commission<sup>3</sup> defines performance measurement as “a continual process carried out during the execution of the program, with the intention of immediately correcting any deviation from operational objectives.” Evaluation, on the other hand, “is specifically conducted at a discrete point in time in the life cycle of a program, and consists of an in-depth study”. According to*

<sup>3</sup> Davies, I. C. - *Evaluation and Performance Management in Government*, SAGE Publications, London, 1999, pg. 152.

Davies they differ by the natures of the questions: “evaluation asks the “why and how” questions, whereas performance measurement asks the “what, how much”.

*The standard of performance* (the objective of performance) represents the value of the estimated performance or the purpose of the performance expressed by means of a quantitative value or a rate (when dealing with the comparison between the real level and the estimated one).

The established objectives should correspond to the purpose of the public institution or of the program developed within this institution, and at the same time they should be realistic, otherwise

the presented results can express a false reality. The organization is not motivated to try to reach overestimated goals. Underestimated standards may give the false impression that the organizational performance is better than it is in reality.

As important as the definition of performance standard is the definition of the indicators of performance.

### Indicators of performance

The indicators of performance are primary instruments used in the process. They represent the way of quantifying the changes produced within the standards of performance.

In conclusion, the performance indicator may be defined as a number (a measure) measuring and then transmitting the information concerning a certain aspect in the evolution of the public institution or of a program. Thus, for using it in different analysis, the indicator should be compared with standards or purposes previously established, or with the results achieved by similar organizations.

The works in the field use the term of *benchmarking* for the comparative study with the best results achieved by other similar institution.

The benchmarking concept consists in taking over or creating a database containing significant performances, made up of an analysis of similar public organizations, similar activities of certain departments within the same institution and a comparison of their efficiency to the range of achieved experiences.

At national level, one may mention to this effect, starting from the year 2003, the effort made by the Local Body Federation of Romania (LBFR) together with the World Bank Institute in order to create a database containing at present, 583 performance indicators<sup>4</sup>.

<sup>4</sup> The following classification of the 583 performance indicators is given : 48 financial performance indicators (for example the revenue rate deriving from the property tax within the total amount of revenues; revenues for investments per

The final result is the achievement of a database easily to access by interested persons, which contains indicators specific to the local bodies (in conclusion, very detailed and available at the same time) and may become an instrument used by the managers of the local and central public administration, by analysts, by consultants, civil company, citizens etc.

The financial performance indicators identified by the experts of LBFR involved in this project, may be calculated taking into account the data obtained by them. The financial data, as well as other information, are annually collected by the local bodies.

The creation of a performance indicator system depends on several actions:<sup>5</sup>

- Definition of the vision<sup>6</sup> and mission<sup>7</sup> of the organization;
- Definition of the strategic objectives of the organization;
- Understanding of the critical factors for the reach of those objectives;
- Elaboration of a map that contains the main products or services rendered by the organization;
- Selection of a group of indicators starting from the aspects previously analyzed;

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inhabitant, staff costs distributed per inhabitant etc.); 38 general indicators (for example the whole population, active population, the number of school teachers in different educational stages, recipients of welfare work etc.) and 497 essential indicators (for example the current revenues, capital revenues, revenues with special destination, drawings from the state budget etc.).

<sup>5</sup> Ghisi, A. P. – *Desempenho das Entidades Fiscalizadoras Superiores e Indicadores de Rendimento*, X Assembléia Geral OLACEFS. 2000, pg. 6, (<http://www.olacefs.gov.br/html/Palestras/PalestraMinghisi2.pdf>)

<sup>6</sup> The image of the possible future concerning the institution – the long-term expectation of the party in power, of public managers and office workers from the public institution.

<sup>7</sup> The purpose and the role played by the institution – the mission pulse is very important in order to create a relation based on trust between the wage-earners (office workers). They must believe that the organization exists just for achieving something important.

- Fixation of goals related of each indicators.

Likewise, a criterion for a good set of performance measures is:<sup>8</sup>

- valid;
- reliable;
- understandable;
- resistant to perverse behavior;;
- comprehensive;
- non-redundant;
- accuracy;
- focused on performance.

In this context, the main attributes of the indicators are:<sup>9</sup>

- ⇒ *Adaptability* - capacity to answer to the changes of demands and behavior of the customers. The indicators can become unnecessary along the time and they must be eliminated immediately or substituted by others that are more useful.
- ⇒ *Representation* – unnecessary data or inexistent data should not be collected, these must be eliminated. In compensation, important data should be necessary to reach the objectives and be obtained from the correct source (reliable). This attribute deserves certain attention, because indicators that are very representative tend to be more difficult to be obtained. Therefore, there is a certain balance between the representation and the availability for collection.
- ⇒ *Simplicity* – easily understood and applied by the executioners and also, by the people that will receive their results. The names and expressions should be known and understood by all involved on the process in a

homogeneous way, guaranteeing wide validity for all the organization.

- ⇒ *Traceability* – easily identifying the origin of data, its registration and maintenance. Whenever possible, it is interesting to have the indicator presented in graphs, what allows the comparison with previous actions.
- ⇒ *Availability* – easy access to collection data. The data must be available on time, available for the right people and must be without distortions. There is no use for information that is correct but late and not up-to-date. And also, there is no use for information that is current and correct but available for the wrong person.
- ⇒ *Economy* – it is not appropriated to spend too much time seeking data, much less researching or awaiting new collection methods. The benefits brought with the indicators should be larger than the costs for measuring. If not, in time the organization will be measuring it own bankruptcy.
- ⇒ *Practicability* - it guarantees that it really works in practices and it supports the management decision process. In that, it should be tested in the field and if necessary, modified or excluded.
- ⇒ *Stability* - it guarantees that the indicator is generated in a routine process and this process is not modified allowing the formation of historical sequences.

### Why measure performance?

Performance measurement is one powerful tool available to be used to improve management in public sector. There are many good reasons for public organizations to measure performance. If this activity is well performed, the measurement of the performance may lead to various benefits, from which the organization as well as those outside it, may take advantage.

<sup>8</sup> Kim, J. S. and Kang, H. S., - *Performance Measurement Initiative: A Status Report And Reflection*, KonKung University and Seoul Development Institute, Seoul, pg. 243-244.

<sup>9</sup> Peixoto, P., - *Desenvolvimento de Sistemas de Indicadores de Desempenho Institucional para Organizações Públicas*, IOC, 2004, pg. 15.

As follows, we shall present, according to our opinion, the main arguments in support of the performance measuring.

↻ *Provide accountability* to the public and higher levels of authority. It is the efficient way of communicating with the citizens (electors) involved in a certain program. It helps demonstrate what works well and what does not.

↻ *Stimulate public interest*. If measures of performance are communicated to the public, many citizens will feel that they have a better understanding in how government services are doing, and citizens may become more involved as a consequence.

↻ *Improves the dialogue* in order to clarify the logical character of the programs developed by the public institutions. Achieving the performance determines the program organizers, managers and the staff (wage earners and public office workers) to ask themselves the following question “why doing a certain thing?”, it sometimes may lead to a change of hypothesis and traditional working methods. This benefit is often more valuable when those who are outside the organization, less used with the program, take part together with those who are involved in the elaboration of certain corrective arrangements.

↻ *Help to motivate employees*. Most people like to be part of a winning team. But one can tell that the team is winning only if someone is accurately keeping score. Even if the results are not as good as hoped (the team is behind in the score), the team members are likely to be more strongly motivated when they know where improvement is needed than if this is unclear.

↻ *Focuses the political discourse* upon the results. The political discourse (for example, within the local councils) depends on the type, the quality and the volume of the available information. When information regarding the proportions of the performance lacks, there is the unfortunate tendency that the discourse might relay on speculations

and anecdotes. An exact determination of the performance may orient the discussion to questions and elevated observations concerning the execution of the projects, their effects and efficiency.

↻ *Identify opportunities for improvement*. If performance shortfalls are identified early, the agency can take timely corrective actions and evaluate the effect of the actions.

↻ *Directs the management for the allocation of resources*. An adequate measure of the performance may provide valuable entries, for the process of budgetary planning as well as for the budget execution. Thus the program organizers and the managers of the public institutions are able to perform a better determination of the investment rate.

↻ *Builds the political support*. It is perfectly legal and justified to use the proportion of the performance for proving the favorable influence of certain programs and political actions over the key electorate, in order to obtain electoral support or the growth of funds allotted to those programs.

### **Difficulties of implementation of performance measurement systems**

According to Newcomer<sup>10</sup>, for applying a performance measuring system within a public institution, there are four types of challenges for the managers: “*communication, analysis, measurement and political*”.

#### *Communication*

The managers responsible for implementing the system must communicate clearly and frequently with all stakeholders involved in the processes. The communication with the high administration is necessary to keep the system correctly aligned with the strategic objectives of the organization.

Managers in each department (service, office) involved in achieving the

<sup>10</sup> Newcomer, K. E., - *Measuring Government Performance*, George Washington University, Washington, USA, 2003, pg. 330.

standards or the established objectives need an adequate harmony of the indicators and of the way they are affected by the activity developed.

It is also necessary the existence of a channel of communication between similar public institutions, having non-governmental organisms or organizations etc., whose activity may affect the planned objectives.

In short, it necessary to owe a clear communication with all those who contribute directly or indirectly to achieve the purposes or the planned objectives.

#### *Analysis*

*“The analytical capacity to map program logic accurately and to conceptualize appropriate outputs or outcomes to measure is a second fundamental challenge for those charged with measuring performance of public programs”<sup>11</sup>.*

Only starting from a necessary and systemic analysis of the organization, its mission and objectives, is it possible to identify what should be measured. The evaluation can concentrate on the inputs and outputs, or in the outcomes, following a line guided for administration for results.

#### *Measurement*

The ability of designing, dimensioning and using significant indicators sufficient to capture (illustrate, emphasize) the achieved performance, depends on the analytical capacity of the persons who are charged with it. But, to spread this responsibility related to the performance to the entire personnel within a public institution supposes a good knowledge of all the examination methods concerned with data precision and security.

#### *Political*

Finally, the efforts made for proportioning the performance will be successful if there is enough political capital in order to involve those who detain a real or psychological position within the organization (office workers, public managers, citizens, bankers etc.)

and to convince the leaders politically involved that the performance indicators, belonging to the proposed system, may be used by those who adopt managerial status within the public institutions.

Along these four types of influence factors, the American researchers Julnes and Holzer<sup>12</sup> identify a fifth one, namely *the organizational culture*.

According to their research, when the political system concerned with the use of performance indicators comes from inside the organization as an internal requirement, there is a greater chance to have this system of indicators implemented.

As a conclusion we may say that the implementation of the performance indicators constitutes an indispensable instrument of management in a modern public administration. The civil society solicits more quality in performing the public services and a higher efficiency in administrating the public resources. Thus the performance dimensioning is necessary.

The process of performance quantification is not a form of forcing people, but this important instrument of management used by the public institution can convince and determine them to achieve performance, this fact depends only on the honesty of the persons involved. All the principles concerned with guiding the process and the rules must be put before, discussed and agreed by all the persons living in the area where the public institution carries on its activity.

<sup>11</sup> Newcomer, K. E., - *Op. cit.*, pg. 333.

<sup>12</sup> Julnes, P. L., and Holzer, M. - *Promoting the Utilization of Performance Measures in Public Organizations: An Empirical Study of Factors Affecting Adoption and Implementation*, Public Administration Review, November/December, 2001. pg. 701-702.





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