

Paradoxes of improving performance management (systems) in public administration



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New public management set off a new wave of performance management efforts in government. Recent performance literature has documented the shortcomings of performance management and provided recommendations on how to improve it. This emerging issues' contribution revisits this literature and makes a distinction between recommendations for better implementation of what are seen as essentially good systems (single loop learning) on the one hand, and recommendations that target the performance management systems themselves (double loop learning) on the other. It is argued that in complex settings, performance management may benefit from new ways of carrying out performance management. It is suggested that performance management needs to be more agile, more decentralised and more political.

Introduction

Performance management in public administration has had a long ascent, and in all probability, has a long road ahead. Nonetheless, performance management is not without its problems. Practitioners, management consultants as well as academics have sought solutions in response to the paradoxical and often problematic nature of performance management. Based on recent performance literature, this contribution tries to identify some emerging issues for performance management improvement.

The article first outlines some paradoxes in public sector performance measurement and management, which at the same time echoes some of the main challenges. Next, Argyris & Schön's (1996) distinction between single and double loop learning will be used to categorise the character of the proposals, which may stimulate a strategic reflection on where to go with performance measurement and management. Single loop solutions suggest mitigating the implementation problems of performance management. The main argument is that better results in performance management can be obtained by better implementation. The message is *'to have a second go'* with an essentially good system. A second cluster of responses, the double

loop, proposes to change (parts of) the system itself. Here, the message is not just to try it again, but to do it differently. In complex and ambiguous contexts, the double loop proposals have the highest potential to improve the added value of performance management. Alongside the learning approaches, the article stipulates some new ways of improving performance management in the public sector.

Paradoxes in performance measurement and management

NPM reforms worldwide have introduced a variety of performance measurement and management practices. Performance management has gradually become an integral part of modern governance arrangements (Pollitt and Bouckaert 2004). In recent years, evaluative research has uncovered some paradoxes in the current practice.

Counting the uncountable

Albert Einstein's office at Princeton University had a sign stating, 'Not everything that counts can be counted, and not everything that can be counted counts'. Sometimes this insight is forgotten. Managers and politicians inferred

from the conviction that *what gets measured, gets done* that *what does not get measured, does not get done*. This incorrect logical inference was reinforced by management consultants advocating the quest for the ultimate set of Key Performance Indicators (KPIs). Many employees deduced that services not subjected to a KPI are not that important – they are no ‘key performances’ after all. It is not uncommon for divisions in large organisations to lobby to get their activities into the KPI set (Van Dooren 2006). They know; what is counted, counts.

The last decade, several performance management experts have pleaded for a focus on measuring outcomes instead of outputs or processes (Hatry 2002; Perrin 2003). The argument is that only outcomes are ‘real’ key results, i.e. results that matter for society. It does not matter how many police patrols are negotiating the streets (which is an output); citizens want safety (which is an outcome). Therefore, performance measurement should primarily focus on outcomes. Yet, and therein lies the paradox, outcomes are in many instances very hard to count. We know that what is measured gets attention, but we also know that many important dimensions are immeasurable.

Distrusting professionals, but relying on them

Performance management doctrine has an ambiguous attitude towards expertise and professionals. On the one hand, professionals are the key to better performance. In fact, the NPM phrase ‘let managers manage’ reflects confidence in the professionalism of managers (Kettl 1997). Similarly, it is expected that managers are entrepreneurs and leaders that bring about the best in the staff under their supervision. Not in a command and control style, but by empowerment (Osborne and Gaebler 1993). On the other hand, performance management systems often express a certain amount of distrust in professionals. Davies and Lampel (1998), assessing performance management in the British National Health Service, argue that managers primarily used performance information in a tactical way, in order to intervene in the doctor-patient relationship. Hence, a plethora of indicators has been developed to counterbalance doctors’ professional knowledge. Radin (2006) provides the example of the British Research Assessment Exercise (RAE) which audited the research quality of universities based on a number of performance indicators such as the number and type of publications. Rather than trusting the professional researcher, quality is counted. Similarly, Radin points to the No Child Left Behind initiative in public schools in the USA. She asserts that the most vigorous critique was on the standardised tests that allegedly did not leave enough room for teachers’ discretion.

There is a clear paradox. On the one hand, trust in professionalism is vital in an increasingly complex society. On the other hand, we are reluctant to grant this trust and hence we fall back on control and audit. According to Power (1999) these audits are to a large extent ceremonial – he speaks of “rituals of verification”. Many audits are mainly about creating an illusion of control. Similar arguments can be made for other performance measurement initiatives in both public and private sectors (Van de Walle and Roberts 2008).

Paralysis by analysis

Decision makers have to process a lot of information; budgets, audits, impact analyses, evaluation studies, memoranda from interest groups, laws and jurisdiction, personal communication, etc... An almost superhuman analytical capacity is required to process all these sources. Performance information comes on top of this pile, and for this reason, the risk of an information overload increases even more. Although performance management is devised to improve decisions, it may well lead to paralysis. It should thus not come as a surprise that practitioners consider selectivity in measurement to be one of the key challenges for implementing performance management (Mayne 2007).

If everyone is accountable, no-one is

There is increasing awareness that public organisations cannot be effective on their own. A considerable amount of literature on collaboration, partnerships, and networks has developed (see for instance Mandell and Keast 2008). As a result of collaboration, the responsibilities for performance are shared as well. Hence, when many organisations participate, it becomes more difficult to hold a single organisation accountable for results. And if many are accountable, the risk occurs that no one takes responsibility for failure and everybody for success.

Should we then stick to traditional accountability schemes with one principal and one agent? Probably not. The willingness to collaborate can erode when single accountability schemes are maintained. Aristigueta & Denhardt (2008) demonstrated that typical approaches to performance management are impacting partnerships and collaborations. Performance-based accountability systems tend to undermine collaborative efforts unless they are accompanied by other strategies for providing an impetus for alignment and collaboration across agencies.

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Single loop learning - better implementation

The usual response to the paradoxes of performance management is to improve implementation. This can be categorised as single loop learning, the basic premises of performance management are not called into question. The idea is that if only we try harder, performance management will improve. In what follows, four strategies for better implementation of performance management will be discussed.

Improve the quality of performance information

A first strategy is to improve the quality of the information. The attention paid by organisations to quality issues is not always evident. Research suggests that often only modest attention is paid to quality assurance practices in the area of performance measurement (Mayne 2007). Nonetheless, Hatry (2008) argues that investment in the many dimensions of quality can ratchet up the use of performance information. He mentions validity, accuracy, timeliness, analysis and presentation as some important quality dimensions. Clear and timely presentation of performance information may remedy the information overload of decision makers. Professionals may trust performance information more

when validity and accuracy increases. Better analysis may help to focus performance management on what matters and to single out accountability issues.

Quality of performance information alone however does not guarantee the use of performance information. As we argued above, performance information competes with other sources of information for decision-makers' attention. Moreover, research on gaming has revealed that on several occasions information is selected because it fits into a pre-determined agenda and not because it is intrinsically good (Perrin 1998). Yet, it should be clear that in such a context, quality improvements will not help to overcome issues such as disputes about accountability or resistance from professionals.

Leadership

An OECD survey (Curristine 2005) found that strong leadership (also politically) is key in explaining the success of performance management. Someone has to put his or her shoulders under a performance management effort and develop a measurement strategy. Preferably, this person carries some weight. Good leadership may be a response to these paradoxes, because it takes the uncountable into account, quickly identifies core bits of information, motivates professionals and holds people to account in a fair way.



However, leadership as a concept is ill-specified, and hence the interpretation of the OECD findings is more complicated. In particular in survey research such as the OECD's, there is the risk that respondents use leadership as a quick fix when they cannot point to more precise factors. Hence, better implementation through better leadership is not a very actionable recommendation. The issue of leadership certainly raises a host of secondary questions (Van Wart 2003); who should the leader be? What traits are important for performance leadership? Where does leadership in performance come from and how can it be sustained? What should these leaders do in which circumstances? Thus it does not suffice to state that better performance management depends on better leadership. We also need to make clear what it is and what leaders need to do.

Ownership

Another somewhat magical word in the management discourse is ownership. Implementation failures are regularly said to be caused by a lack of it. Mayne (2007) for

instance notes that a system built on filling in performance information forms for others, with no apparent use for those down the line, is unlikely to be robust and survive over time. Better implementation of performance measurement and management requires that those who are affected by the system have to accept and internalise the system (Van Dooren, Bouckaert, and Halligan 2010).

In a thrust to assure ownership, performance management reforms often fall victim of over-commitment (Pollitt 2008). Many people need to be convinced in order to introduce a performance management system; politicians, top and middle managers, professionals and front line workers, to name a few. Hence, an understandable strategy is to create high expectations and to play down the costs. Yet, although this strategy may prove successful in the short term, it almost definitely will boomerang in the medium term. Typically, costs of a performance management system are tangible and become apparent relatively shortly after the introduction of the system. Benefits on the other hand are intangible and may only appear in the longer term. Disillusionment with performance systems that do not (yet) deliver may undermine confidence and therefore the failure of the performance management effort may become a self-fulfilling prophecy. Ownership strategies are hence relatively fragile. It takes much more effort to build acceptance of a performance management system than to lose it.

Variations of integration

Integration, coordination, formalisation, consistency, coherence, routine-building, and alignment are some of the most common key words for those who want to fix performance management without questioning its blueprint. Although the importance of integration and coordination is undeniable, we should also acknowledge its limitations. Complexity and change regularly tear carefully coordinated systems apart. The desire to coordinate all efforts in advance may lead to delay and even deadlock. In some instances, it may make more sense to remedy on the consequences of ill-coordinated performance efforts than to embark on excessively ambitious coordination efforts (see for instance Laegreid, Roness, and Rubecksen 2008).

Double loop learning – new ways of doing performance management

The previous section suggested four strategies for better implementation. Although they may substantially mitigate the paradoxes identified in the first section, also some limitations were pointed out. Recent research on performance management however also suggests new ways of doing performance management. Not only in theory, but also in practice some of these new ways are emerging (see for instance Abramson and Behn 2006). The purpose of this section is to dig deeper into these proposals. Firstly by arguing that the main challenge of performance management lies in making it "ambiguity-proof". Secondly, in proposing more concrete implications of this argument.

Making performance management ambiguity-proof

The context of public administration is complex and ambiguous. Kravchuk & Schack (1996) explain what complexity means; indeterminate objective functions, multiple administrative layers, collective action problems,

system overloads and information overloads, and an increasing scope and scale of operations. There are many sources of ambiguity: history (what has happened?), intentions (what must be done?), technology (what can be done?) and participation (who is present?). Noordegraaf & Abma (2003) add that current performance management, which they label as management by measurement, only fits the rare unambiguous contexts. Defined as such, not many unambiguous situations will be found. Since ambiguity is everywhere, the prospects for performance management in this view are rather limited.

An alternative to giving up on performance management is to rethink it in order to make it 'ambiguity-proof'. This can only be done by taking complexity and ambiguity as a given, and changing the practice of performance management on this foundation. Along these lines, Radin (2006: p. 241-242) argues that many problems with performance measurement and management can be attributed to faulty points of departure. She argues that intelligence is not based on universal principles and literal meanings. Rather, multiple sources, situational knowledge and literal and symbolic meanings are important in making sense. It should also not be assumed that values, politics and conflict are not at play in performance management. They clearly are. Finally, the assumption of linear causes and effect relations, clear goals and planned change does not survive the reality check. On the contrary, Radin paints a picture of complexity, interdependence and unplanned change.

Implications; performance management needs to be agile, decentralised and political

What would such an ambiguity-proof performance management system look like? Three features are discussed below; performance management needs to be (a) agile, (b) close to the action, and (c) political.

A. Performance measurement needs to be agile – use PIs for learning rather than accountability

Kravchuck and Schack (1996) refer to Ashby, a cybernetics scholar, who posited that only complexity can absorb complexity. Rigid information systems will not be able to apprehend and to understand rising complexity in the environment. In the most extreme cases, chaos will appear to reign due to the ever increasing gap between practical experience and the knowledge base as provided by the information system. Information (what we believe to know) and practice (what we experience) risk becoming separated worlds; one orderly, where objectives are set and performance targets are reached, and one chaotic, where people are mainly trying to muddle through the day.

The main implication would be that performance indicators (PIs) should be used for learning, and less so for accountability (see also (Delancer Julnes 2008)). PI based accountability requires stability for the period for which targets are set. Yet, not many fields remain stable for three to six years. Research in New Zealand has demonstrated the difficulties of maintaining stability in an indicator set. As a result, accountability erodes accordingly (Gregory and Lonti 2008). In addition to stability, accountability requires relatively univocal PIs that do not allow for much interpretation. PIs have to be an accurate representation of 'real' performance. Unlike accountability, learning does not

require the same stability and robustness. On the contrary, performance measurement is part of a permanent dialogue in order to make sense of complexity (Moynihan 2008). Hence, indicators can and should be adjusted in response to contextual changes and new insights.

This proposal does not suggest that managers and professionals should not be accountable for performance. It only suggests that accountability through performance indicators is probably not compatible with the need to have agile measurement systems. Accountability however does not solely depend on PIs. Performance assessment can be qualitative, quantitative or both. In a complex environment, it might make more sense to hold managers accountable for, amongst other things, the way they facilitate learning from performance indicators, rather than the performance indicators themselves.

B. Performance management needs to be close to the action-guerrilla tactics and decentralisation

Organisations typically have an undercurrent of repeated decisions they have to make. To these recurrent cycles, a constant stream of unique one-off decisions is added. In recent decades, the relative importance of the stable, recurrent processes has decreased. Kettl (2002) argues that the traditional U.S. public administration boundaries of mission, resources, capacity, responsibility and accountability must be managed in an increasingly complex and political context, necessitating additional negotiation and collaboration between systems and agencies. These complex parallel processes are in a unique way shaped by situational requirements of time and place (Pollitt 2008).

Recurrent financial, HRM and contract cycles have been the main vehicle for incorporating performance information in decision making (Bouckaert and Halligan 2008). Without a doubt, these cycles will remain the foundation of performance management in the future as well. Yet, top down performance management on a yearly (as in the budget cycle) or monthly basis (as in many balanced scorecard systems) will need to be supplemented by flexible efforts to provide performance information on demand. Since complex, unique processes will gain importance, the timing (when is performance information used) and the locus (where it is used) will be challenged.

With regard to the timing, performance management in complex contexts may need to resort to a kind of 'guerrilla tactics'. In complex policy and management processes, the demand for performance information can arise relatively unexpectedly. At the same time, demand can fade away as quickly as it came about. In such a context, expert staff is needed to quickly infuse complex processes with performance information. Those performance information brokers need to be able to both capture the need for and understand the availability of performance information.

With regard to the locus, performance management in complex contexts may benefit from stronger decentralisation. Rather than devising top down systems, performance management needs to be in the hands of middle managers and front-line supervisors who understand the situational requirements best. This strategy might bring about the capacity of public managers that Behn (2004) calls performance leadership. He opposes the

Performance information should primarily refocus political debate rather than curb it

performance leadership model to focus on performance systems and structures. He writes that 'rather than develop public managers with the leadership capacity to improve the performance of their agencies, we have sought to create performance systems that will impose such improvements (p.3)'. The same reasoning can be applied within agencies. Middle management and front-line supervisors need the leadership capacity to improve performance. This includes drawing lessons from performance indicators.

For performance budgeting, this approach would suggest introducing performance information into budget negotiations through policy networks rather than systematically reporting performance in the budget document that is voted in parliament. Since the budget document is mainly an after-the-fact codification of political negotiations that have taken place before, performance budgets risk becoming a bureaucratic exercise. There is some evidence supporting the effectiveness of this approach. Bourdeaux (2008) for instance suggests that performance information mainly enters the legislative discourse through policy networks maintained by key committee staff, rather than through executive budget reports and requests. Some confirmation is also found in an OECD survey on performance budgeting showing that countries do use performance information to inform, but not determine, budget allocations (Curristine 2005). Furthermore, this study argues that much 'linking' of these performance and financial information has been simply to provide them in the same report. A study of Melkers and Willoughby (2001) found that from a list of factors explaining the introduction of performance budgeting at state level, the improvement of decision-making was most important. A further study at local and county level found the strongest usefulness of measures within a budget cycle to be during budget development, with less importance as the budget process proceeds (Melkers and Willoughby 2005).

C. Performance management needs to be political

Some time ago, Innes (1990) observed that the only way to keep data-gathering out of politics is to collect irrelevant data. Good performance information should strengthen the evidence base for solving the political problems of who gets what, when and how. Issues of who gets what, when and how are at play at all levels; in government-wide policy making, in policy sectors and networks, in organisational management, and in micro-management. Performance indicators can elevate the quality of political discussions at all of these levels. It is not suggested that the political institutions (the executive, parliaments, parties, etc) have to interfere with all performance issues at all levels. Rather, we want to stress the importance of recognising the political nature of performance management.

A first implication is that performance management should involve more, rather than fewer actors. In complex settings, performance management is mainly about making sense. Hence, we can expect that performance management will have the highest impact when different perspectives are drawn into the dialogue. Obviously, the interests around the table have to be relevant and the number of participants needs to be workable.

A second implication is that performance management should deal with controversy rather than suppress it. Performance information should not be an authoritative argument to end conflicting views on who should get what, when and how. Rather, it should underpin a careful argumentation of causes, consequences, and priorities in performance. It should bring controversy to a higher level of argument; more evidence based and more focussed on output and outcome. The assumption is that high quality dialogue will lead to improved judgement and decision-making.

The previous paragraphs dealt with the political nature of performance management, and not so much about the political institutions. There are efforts however to strengthen the role of performance information in the political system as well (Moynihan 2009; Bourdeaux 2008). Such initiatives will only be successful however when they acknowledge the different values and positions that political players assume. Performance information that promises to end political debates, to get political argumentation out of the political system, is irrelevant at best, but potentially harmful. Disagreement is essential for the functioning of democracy and therefore performance information should primarily refocus political debate rather than curb it.

Conclusion

New public management set off a new wave of performance management efforts in government. Recent performance literature has documented the shortcomings of performance management and provided recommendations on how to improve it. Some of these recommendations mainly prescribe better implementation (single loop learning) while others suggest new ways of doing performance management (double loop learning). In particular in complex and ambiguous contexts, performance management risks becoming decoupled from practice and hence irrelevant for decision-making. Therefore, new ways are needed. In order to make performance management ambiguity-proof, it may be useful to have more agile measurement systems, to manage performance close to the action, and to better appreciate the political nature of performance management.

NOTES

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