

# Prologue

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“The Public Service is a public trust,” offered Florida Governor Reubin O’Donovan Askew in his inaugural address in January 1971. This sentiment, reflecting the ideals of public service in a democracy, underlies the modern performance measurement movement. Considerable efforts have been made in advancing this movement. For example, in the 1970s and 1980s, financial auditing was widely used at all levels of government (as it still continues to be) to ensure that money was not stolen or grossly misused. In the late 1980s and throughout the 1990s, the private sector management techniques of total quality management (TQM), customer service, and measurement of processes and activities diffused widely across all levels of the public sector. Governments around the world were also adopting market-based ideologies (often combining democratic reforms with open economies). Countries with many government-owned assets, such as Great Britain, divested themselves and turned to the private sector to help restart sluggish economies, transform sluggish government sectors with competition and management reforms, and, in general, reduce the size of government to the private sector.

This is the historical context of the “New Public Management,” which has evolved from the 1980s to the present into a broad series of often radical

innovations known as “performance management systems.” Implementation of measurement systems, however, has revealed challenges and complications in their use. Recent approaches have acknowledged these limitations and developed new practice-based strategies for effective ongoing measurement of program activities and use in guiding management. It is our goal for this handbook to serve as the vehicle for dissemination of these cutting-edge strategies.

With this goal in mind, we have invited nationally and internationally known scholars and practitioners to contribute chapters that range from introductions, to different aspects of performance management, to case studies describing experiences of government entities around the world, to hands-on application of techniques for improving government’s use of performance data. Thus, the information should be useful to students, academics, and practitioners interested in developing and sustaining performance management systems.

After the prefatory grounding provided in Part I, “State of the Art,” chapters in the following four parts of the handbook are organized as follows:

1. Introduction to the section
2. Theoretical discussions and cases
3. Skill building

Within each part, there is an introductory chapter that discusses the latest theories and major debates surrounding a particular aspect of performance management. This introduction identifies the major themes that will be discussed in the subsequent chapters and relates them to existing theory and practice. This introductory chapter of each part is followed by three theoretical discussion and/or case study chapters. Each chapter provides background information on performance measurement and management in the particular state, region, or country the chapter focuses on, describing and analyzing the experiences and providing some lessons learned. These chapters also include questions intended to elicit further discussion in a classroom setting. Third, concluding each part, readers will find a skill-building chapter that provides explicit “how-to” guidance, focusing on one or several aspects of the themes of the section. The guidance is provided through discussion of techniques, methods, and/or exemplary practice.

The handbook ends with the concluding Part VI, “Pulling It All Together,” which summarizes and analyzes the major themes that emerge in this volume. To prepare us for confronting these themes, we now offer some definitions of terms that will be used throughout the handbook. This is followed by a brief description of the 23 chapters included in this handbook.

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## What Is Performance Management?

As succinctly put by Harry P. Hatry in Chapter 1 in this volume, using performance information “transforms performance *measurement* into performance *management*” (p. 1). Joe Wholey (1999) goes further in his definition by stating that performance-based management or managing for results is “the purposeful use of resources and information to achieve and demonstrate measurable progress toward agency and program goals” (p. 288).

As can be concluded from the definitions provided above, an essential component of performance management is performance measurement, the regular and careful monitoring of program implementation and outcomes (de Lancer Julnes, 2006). Such careful monitoring requires that organizations develop performance measurement systems that can provide numerical data and narratives for analysis to assess progress toward organizational goals and objectives (Wholey, 1999). Thus, a performance measurement system should include the following types of indicators or measures of performance:

- *Inputs* are the funds (budget amounts), number of staff, and other resources that are used in government agencies.
- *Outputs* are the specific activities or immediate results of the program services that are funded by the inputs. So, for example, the outputs of a training program on accounting spreadsheets would be the number of people trained during the session, while the outputs for a transportation program would be the number of miles of road paved.
- *Outcomes* are the consequences of outputs and are often more complex to measure.
  - *Intermediate outcome*: an outcome, to include quality measures, that is expected to lead to a desired end but is not an end in itself. An example of intermediate outcomes would be teachers improving the curricula used in their classrooms after completing a curriculum improvement workshop.
  - *End outcome*: the end result that is sought, such as the number of students mastering a subject.
- *Efficiency measures* indicate the ratio of output-to-input or outcome-to-input. This is also called “unit-cost ratio.”
- *Explanatory information* provides the context for readers to interpret data. This is especially important when outcomes are poor or better than expected.

The information provided by these indicators can then be used by managers for budget formulation, resource allocation, employee motivation, accountability to stakeholders and the public, reporting, program evaluation and control, improving the quality of programs, and enhancing citizens’ trust.

The different uses of performance measurement are discussed and illustrated throughout this book. Furthermore, some chapters focus on a critical aspect of performance management: having a high-quality performance measurement system.

## Chapter Content Descriptions

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### Part I. State of the Art

Part I serves as an introduction to the handbook, providing the context for the theoretical and practical discussions that will be presented in the chapters ahead. The three chapters included here relate the historical and theoretical background of performance management in the public and non-profit sectors. They also discuss the future direction of performance management and the areas in which there needs to be more research in order to support practice.

An assessment of current trends around the world leads Harry P. Hatry to predict in his chapter, "Emerging Developments in Performance Measurement: An International Perspective," that the public sector accountability for results and for using information to improve services is here to stay. However, Hatry also notes that, for a number of reasons, certain performance measurement efforts will not continue at the current pace. After providing an overview of current performance measurement efforts at different levels of government, across sectors, and in disadvantaged countries, Hatry reviews recently emerged technical developments that have greatly improved the quality of performance data and highlights what is still missing in this arena. After pointing out an almost exclusive use of performance information for accountability, he discusses emerging ways to encourage effective use of performance information by decision makers.

Kathryn Newcomer notes in her introductory chapter to this volume, "Assessing Performance in Nonprofit Service Agencies," that, increasingly, nonprofit agencies are asking questions about the results of their programs. Newcomer explores the factors that have contributed to these demands, including those as varied as local governments and private foundations. She also explains that even though there is evidence that service providers are measuring output and, to a limited extent outcomes, in order to meet demands for programmatic performance information, this has not gone unopposed. The measuring of performance has created tensions for executives and managers of social services because of the choices they must make when designing and implementing performance measurement systems. Newcomer discusses this tension and also provides some insight into the less-tractable and still-evolving challenges facing nonprofit service providers.

In the chapter "Performance: A New Public Management Perspective," Owen E. Hughes provides us with a theoretical and cross-national discussion

about transition from traditional public administration to managerial models like “New Public Management” (NPM). Central to this discussion is the idea that improving performance is fundamental for most managerial reforms. While traditional models of public administration reform sought to improve performance, for a number of reasons they fell short of this goal. One of those reasons addressed by Hughes is the inherent difficulty of measuring performance in the public sector. Nonetheless, Hughes argues that it is necessary for governments to measure performance in order to show that public purposes are being served. To make this point, Hughes discusses the NPM perspective in the context of performance management. He also explores the purposes of performance management, the need for performance measurement, and the criticisms often raised about performance indicators. The chapter also provides an overview of the different management reforms that have become part of the NPM.

## **Part II. Using Performance Information to Improve Program Performance and Accountability**

To introduce Part II, Patria de Lancer Julnes deals with the thorny question about the potential contribution of performance information. In her chapter, “Can Performance Measurement Support Program Performance Improvement and Accountability?”, de Lancer Julnes provides a discussion about the major debates surrounding the claims of the contributions of performance measurement to decision making and accountability. She develops her arguments on the basis of the notion that performance measurement may have a less direct, but nonetheless important, impact than proponents of the tool might hope. She also discusses an apparent accountability paradox—accountability efforts may actually hinder performance improvement, the limitations of performance measurement, and ways to overcome those limitations. Examples of state and local government performance measurement systems in the United States are provided at the end of the chapter.

In their chapter, Monica Brezzi, Laura Raimondo, and Francesca Utili discuss “Using Performance Measurement and Competition to Make Administrations Accountable: The Italian Case,” an innovative program designed to elicit competitive and cooperative behaviors in order to encourage performance improvement and accountability in six southern regions of Italy. The program is called the “6% performance reserve system” and was part of a development program, cofinanced by the European Union, that Italy started in 1999 to help increase territorial competitiveness and attract capital to the southern regions. It distributed €2.6 billion (6% of the total amount of a large development program for southern regions financed by the European Union) to administrations in those regions, based on their performance results on 12 indicators. Using agency theory, Brezzi, Raimondo, and Utili provide insight into why the “6% performance reserve

system” worked and about the challenges encountered during the implementation of such a highly complex program.

The chapter “Recognizing Credible Performance Reports: The Role of the Government Auditor in Canada,” by Barry Leighton, deals with three poignant questions about the quality and truthfulness of performance reports: Was the intended audience satisfied with the quality of the performance information presented? Did people get the right information? Was the information balanced, understandable, and credible? In this context, Leighton discusses how certain events have led to what he calls an “audit society,” increasingly demanding independent assurance of the fairness and reliability of performance reports. Leighton presents Canada’s attempt to address these demands through the Office of the Auditor General’s “model for good performance reporting.” Using a logic model approach, the model’s criteria focus on the accomplishments of the department or agency and the quality and use of performance information. Leighton concludes that despite some weaknesses, the model seems to work and provides useful lessons for those interested in instituting similar performance information audit models.

In their chapter, “Advancing Performance Measurement and Management for Accountability: King County’s Collaborative, Incremental Approach,” Cheryle Broom and Edward T. Jennings, Jr. use the theory of incremental decision making to describe and explain the efforts of King County, in Washington State, to implement a performance management system. That King County has made only baby steps toward developing and implementing their system does not surprise the authors. It is not unusual for organizations with competing interests to use this approach. Broom and Jennings explain that such strategy has allowed the county to build a “foundation for a viable countywide performance measurement program transparent to King County’s citizens. The county has been able to build on experience; policymakers appear to have embraced the concept; and there appears to be buy-in from other participants.

Based on the notion that governments need good analysis, David N. Ammons presents in his chapter, “Analyzing Performance Data,” a number of relatively easy-to-use techniques for analyzing performance data. Ammons argues that applying these techniques can greatly improve the usefulness of performance information for management decision making. The impetus for this chapter is Ammons’s own observation that managers tend to focus on reporting data for accountability purposes and miss the chance to develop information that can help them improve service delivery. To help decrease this gap, Ammons discusses a variety of techniques “suitable to addressing common governmental problems.” Thus, for example, Ammons illustrates how to use ratios and performance standards and benchmarks to answer staffing questions. He also shows how a simple adjustment for inflation can make an analysis of revenues and expenses more useful and accurate from one year to the next.

### Part III. Informing and Involving Citizens and Other Stakeholders

In Chapter 9 of this handbook, “Making Performance Measurement Relevant: Informing and Involving Stakeholders in Performance Measurement,” Kaifeng Yang discusses the rationale, importance, practice, and challenges of informing and involving citizens in performance measurement. He argues that since government agencies often have multiple, competing, and changing expectations, their performance measurement has to be understood in relation to an open and dynamic process of coalition building and policy making in which stakeholders must be involved. Yang challenges public managers to take advantage of the accountability pressure and emphasize performance management from the wider perspective of democracy, governance, and citizenship as part of an integrated effort to solve public problems.

In his chapter, “Citizen-Involved Performance Measurement: The Case of Online Procedures Enhancement for Civil Applications in Seoul,” Seungbeom Choi demonstrates the effects and success factors of the OPEN system, an award-winning reform program developed by the Seoul Metropolitan Government, in South Korea. OPEN is an Internet-based system that posts online the details of the status of 26 civil applications in areas such as transportation, urban planning, and construction. Both government and citizens can use the system to monitor the performance of the civil servants processing the applications. Citizens can also obtain additional information and communicate with civil servants via the system. Initial evidence shows that the OPEN system has increased transparency, reduced corruption, enhanced productivity, and improved citizen trust in government. Choi further attributes the success to factors such as strong leadership, creative use of information technology, decentralization, citizen participation, and effective strategic management.

Education performance and accountability is an important policy area, and whether and how stakeholders can be involved in this area is of great significance. In “Performance Measurement and Educational Accountability: The U.S. Case,” Katherine E. Ryan briefly reviews education performance measurement and critically analyzes the standards, assessments, and accountability requirements of standards-based education reform as manifested by the No Child Left Behind Act of 2001 (NCLB). In particular, she examines the potential role of stakeholders, such as states, school districts, public officials, educators, parents, students, and citizens, in determining standards, assessments, and accountability. Acknowledging that these stakeholders have had limited participation in discussions about education performance measurement, Ryan proposes that values inquiry and public engagement can be employed to facilitate stakeholder and citizen action to improve school accountability.

Both performance measurement and stakeholder participation are activities that may be lengthy, costly, and technically demanding. In integrating the two types of activities, one faces even more barriers and hindrances. However, in “Experience With Trained Observers in Transition and Developing Countries: Citizen Engagement in Monitoring Results,” Katharine Mark shows that simple techniques such as trained-observer rating can be used to achieve the integration even when resources are limited. Laypeople, especially stakeholders such as community residents, can be trained to use well-designed ordinal rating scales to evaluate a specific public service area and make recommendations. With cases from traditional and developing countries, Mark illustrates the principles, processes, methods, and positive effects of using trained-observer rating in local governments. She demonstrates that this technique can produce rapid results, facilitate community improvement, and result in strengthened and durable collaboration between civil society and government.

Starting from the observation that traditional bureaucratic institutions and performance measurement are not friendly to citizen participation, Marc Holzer and Kathryn Kloby, in “Helping Government Measure Up: Models of Citizen-Driven Government Performance Measurement Initiatives,” offer an in-depth review of citizen-driven models of performance measurement and argue that institutions and mechanisms outside of government can be designed to align administrative policies with citizen preferences. They review five best practices from projects sponsored by the Alfred P. Sloan Foundation’s Performance Assessment of Municipal Government program. The five cases show that citizens and nonprofits can work with local governments or alone to identify performance aspects they value most, help collect performance data, monitor government performance, and push for performance improvement. Holzer and Kloby also identify four challenges of citizen-driven performance measurement: how to ensure transparency and cooperation from government agencies, how to maintain the integrity of such efforts, how to improve the marketability of such initiatives, and how to make them sustainable by creating win-win partnerships.

#### **Part IV. Performance Budgeting**

The introductory chapter to Part IV, titled “Performance Budgeting Internationally: Assessing Its Merits,” is written by Frances Stokes Berry. She introduces a short history of the development of performance budgets, summarizes the studies that assess the use of performance data in decision making and management, and addresses the issues that must be resolved to increase the effectiveness and use of performance budget information. This sets the stage for in-depth case studies of how performance budgeting is carried out in states and countries around the world.



Developing a standard framework of budgetary reforms that incorporate performance measures is the starting point for “Performance-Based Budgeting in Latin and South America: Analyzing Recent Reforms in the Budgetary Systems of Brazil, Chile, Colombia, and Mexico,” written by David Arellano-Gault and Edgar E. Ramírez de la Cruz. After the presentation of commonalities, the authors provide short case studies of budgetary reforms in the four countries. While all four countries share similar forms of government and similar economic and social problems, the budgeting systems function very differently and allow for some distinct comparisons and lessons to be drawn. They also demonstrate that the political economy of the countries can greatly impact the success or failure of a management reform like budgeting. Budgeting reform is often considered a technical reform, but, in fact, it influences important decisions about whether programs receive more government funding, how allocation decisions will be made, and what the role is of the central budget agency to the program agencies. All of these issues raise conflict and keep a “technical” management system like budgeting from being implemented smoothly and fully.

The state of Florida was an early adopter of performance-based budgeting among the states (in 1994) and was viewed as an exemplar of a central budgeting system with widespread agency discretion over the development of performance measures and targets. Martha Wellman and Gary VanLandingham, in “Performance-Based Budgeting in Florida: Great Expectations, More Limited Reality,” provide an insider’s view of the experience. Their chapter provides a rich discussion of the key issues addressed in implementing a major systemwide reform and links deficiencies in the process back to the scholarly literature on budgeting—demonstrating that some of the key frustrations continue under Florida’s performance-based budgeting. The authors conclude that much useful information for managers, citizens, and policymakers is generated under this new system but that full usage is still in its infancy; one can view the glass as “half full” or “half empty,” and they believe the evidence points most accurately to the glass being half full.

Two countries that have the best international reputations in the last two decades for comprehensive and workable performance management systems are New Zealand and Australia. John Halligan, in “Performance Management and Budgeting in Australia and New Zealand,” provides a comparative discussion of how these two systems developed across three generations of change and the choices made in each country to make their systems distinctive and different from each other. These countries have tackled some of the perennial questions of public administration: Can policy development and implementation be separated? How can transparency and accountability best be achieved? What is the role of incentives and sanctions on managers’ performances? What should the relative roles of central agencies and program agencies be vis-à-vis performance implementation and decision making? Halligan concludes that parliamentary systems

of government may provide the most conducive environment to the adoption of comprehensive performance management systems but that even in a supportive environment, performance data are used at best sporadically for resource allocation.

To conclude Part IV, Carl Moravitz writes a lively skill-building chapter, "Performance-Based Budgeting: Integrating Objectives and Metrics With People and Resources," on the U.S. federal government's budgeting system. He gives many examples from current studies of how performance budgeting is working (or not) at the federal level and how its integration into broader management systems of strategic planning, human resource management, and information technology systems can improve organizational performance. Drawing on his many years working in federal agencies and advising them on system improvement, Moravitz provides a seasoned view of the best and the still-to-be-developed operations of performance-based budgeting in a large national government.

## **Part V. Quality and Performance in Public and Nonprofit Organizations**

Maria P. Aristigueta introduces this part of the handbook with her chapter, "The Integration of Quality and Performance." In this chapter, Aristigueta explores the theoretical disconnect in the quality and performance movements. She defines *quality* and the requirements of performance management and explores the changing definitions of the movements that have occurred in order to allow for the integration of quality and performance. Through a number of examples, Aristigueta illustrates the integration of performance and quality movements in the United States. Trends such as the use of the balance scorecard and quality award programs (e.g., Baldrige Award, Delaware Quality Award) as well as quality and performance initiatives at the state and local levels are explored. Software available for quality initiatives is also mentioned as a step to successful implementation of quality and performance initiatives.

In his chapter, "Quality and Performance Management: Toward a Better Integration?," Wouter Van Dooren argues that quality management and performance management are disconnected and need to be integrated. His discussion includes the next steps in the development of quality models and performance management. In particular, Van Dooren asks how performance management and quality management should adapt in order to deal with supraorganizational realities, such as multiorganizational collaborative networks within and across policy sectors. The rephrasing of performance management and quality management is complicated by an increasing awareness of the need for collaboration in networks. Performance measurement, performance management, and quality management have to adapt to new organizational realities.

In “Performance Information of High Quality: How to Develop a Legitimate, Functional, and Sound Performance Measurement System,” Miekatrien Sterck and Geert Bouckaert discuss the availability of high-quality performance information as a crucial condition for success of performance and quality management. They argue that a systems approach is necessary, as the quality of a performance measurement system is more than the technical quality of the indicators. Besides producing valid and reliable information, a performance measurement system should be legitimate and functional. It has to be supported by the employees of an organization and has to contribute to the goals of the organization. Quality of information has to be a point of interest throughout the measurement process. Control measures have to be taken and an ex post and independent audit of the performance measurement system may be necessary. Auditing performance information may provide incentives to further improve the performance measurement system, but the benefits should outweigh the costs, and organizations have to determine the acceptable level of data quality.

In the “how-to chapter” in this part of the handbook, “Applying the Common Assessment Framework in Europe,” Nick Thijs and Patrick Staes explain the quality management movement and its rise in Europe. This brief historical and contextual overview is useful in providing context to the Common Assessment Framework (CAF), a quality management tool specially designed by and for public sector organizations of the European Union. Thijs and Staes examine a shift in thinking about quality from a focus on inspection and control, output, and assurance to a focus on the processes, to reach a final state where quality management is seen as organizational management. Performance management from this point of view becomes organizational performance management and quality, a necessary component to a well-functioning public sector organization. The last part of this chapter focuses in detail on the CAF in practice and the application of the CAF as a European quality tool. On the basis of experiences with the implementation of the CAF, practical remarks and recommendations are formulated.

## Part VI. Pulling It All Together

Performance management can be viewed from the perspective of three levels, write John M. Kamensky and Jay Fountain in “Creating and Sustaining a Results-Oriented Performance Management Framework.” Those levels are the microlevel (individual agencies), the mesolevel (across policy areas and agencies and jurisdictions), and the macrolevel (across national levels). Each level offers a different set of uses of performance measures and performance systems that require performance measurement in contracts and through intergovernmental or international grants. The authors go on to offer detailed and step-by-step advice on how to use and implement a performance management system in the micro- and mesolevels.

For those managers who are given the tasks of getting their employees to contribute to and use a performance measurement system, they offer proven steps and best practices to make the performance management effort a success.

## References

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