

# THE USE OF PERFORMANCE MEASUREMENT TECHNIQUES IN LOCAL GOVERNMENT

Michaela Strítěská, Lyndon Nii Adjiri Sackey

## **Abstract:**

*In the last 20 years, the academic and practitioner attention on performance measurement and management in public sector has dramatically increased. There is an increasing evidence of the positive impact of performance management on public sector organisations. However, the full potential of this phenomenon is not yet widely used and further research is still needed. Hence, the main focus of this paper is on how diverse performance management techniques are used in local government. The analysis using qualitative research method is performed in English and Czech local government.*

**Keywords:** *Performance management, Performance measurement, Performance management techniques, Local government, Czech Republic, England.*

**JEL Classification:** *H11, H83.*

## **Introduction**

Over the few years' performance management has become a key revolutionise trend in public sector around the world. Scholars describe this phenomenon varyingly as "performance movement" (Talbot, 2005). "the age of performance management" (Bouchaert & Halligan, 2008), "an age of governance by performance management" (Moynihan, 2002). For practitioners, performance management mostly comes in the form of specific tool used to include performance information into management and policy system, such as target systems, performance contracts, performance indicators, controlling, balanced scorecards, at an individual level, as target agreements, performance appraisals and performance-related pay.

Over the past years, it has been observed that there is a booming interest in research on the practical importance and use of performance management and especially its effect on management and the question how and why "management matters" (Boyne et. al, 2006). There is increasing evidence of the positive impact of performance management on public sector (Van Dooren et. al, 2010).

Recent practical studies have found that the application of performance measurement is rising in both state and local governments in the United States, (Breul, Kamensky, 2008). Indeed, state governments "have interestingly embraced the conception of managing for results" (Moynihan, 2002), adapting policy ideas transferred from the United Kingdom, New Zealand, and Australia. However, important developments in performance and results-based accountability have not been fully achieved, and research is still needed to identify the key factors of successful design, implementation, and use of performance measurement systems (Sanger, 2008). As Marr (2009) points out many public sector organizations have created department who shed blood, sweat and tears to put performance management

systems in place, the result is often just an increased administrative measurement burden and is very rarely producing new management insights, learning or performance improvements.

This paper is organised as follows. In the next section, the theoretical background of performance measurement and management in public sector is presented. Next part provides the characteristics of research methodology and methods used. Then the obtained results are analysed, discussed and compared. In final part the conclusions are formulated.

## **1 Statement of a problem**

The performance measurement is the tool that describes the organization's development because it is not practicable for any organization to act effectively without having its performance measured. The importance of performance measurement in the public sector organizations was improved even more by new public management that has the purpose to adjust the performance measurement methods applied in private organizations for the organizations in public sector so that the performance could be advanced to improve to serve the needs of users' more adequately (Diefenbach, 2009).

The theory and practice of performance measurement manifest that it is a multifaceted process and that the use of performance measurement systems in public sector is specific because all the roles of public sector organizations are concentrated to the satisfaction of public interests, i.e. it is more difficult to administer the performance measurement methods for measurement of public sector organizations, because such organizations are more process- and not result-oriented (Behn, 2003).

In public sector organizations, main indicators are equal of collected experience (which is usually replaced by seniority) and amassed skills and knowledge. Civil servants are anticipated to develop continually their skills and knowledge to better match to real line job requirements. Professionalism (in this case - knowledge of the gratified of the job), creativity, organizational and management skills are valued as most important among performance measurement indicators. Private companies tend to measure both tangible and intangible fields of action. More mainly, targeting and performance-based satisfying are probable to be more progressive in the private than the public sector, because of tougher and more positive exterior pressures and of financial enticements (Reichard, Helden, 2016).

Government as owner shed ownership rights and consequently departing interests, lack of goal clearness, but in the private sector limited or multiple owners with mainly financial interests, goal precision. The public sector is controlled by numerous stakeholders at different layers, feeble incentives whiles the private sector is controlled by the market and by shareholders, sturdy incentives.

Performance measurement in the public sector is indeed a necessity. Performance measurement has been introduced in many public organizations to ensure transparency of public decisions and the use of public funds as well as to boost performance. But in practice, this concept strikes many obstacles: defining performance in the public sector, identifying suitable performance indicators, implementation of a performance management system. A challenge, still present, is to identify the most suitable methods

for monitoring and measuring performance, so do not give rise to speculative behaviour among employees and managers (Mihaiu, 2014).

Hence, the main aim of this paper is to analyse whether and how diverse performance management techniques are used in local government.

## **2 Methods**

The research will focus on performance management techniques (hereinafter PMT) used in local governments, because literature review proves that it is one of the public sectors at which performance management techniques application is rising and this paper seeks to find out how diverse it has been used in management practice. The second reason is that research studies have pointed to positive outcomes from BSC and other PMT used in local government organizations: clarifying strategic goals; integrating goals across departments; setting performance measures within a more strategic context; reduction measures to those most meaningful and manageable; supplementing financial measures of past performance with operational measures that drive future performance; and providing a link between the organisation's mission and strategy (Niven, 2006).

There are several performance management techniques that can be used in the public sector. However, based on a literature review, the main analysis will be centred on the mostly used: Key Performance Indicators, Performance Appraisal, Balanced scorecard, Management by Objective, and Benchmarking. Marr (2014) identify top 10 Performance Management Techniques used in the organizations, whether commercial or not-for-profit and above-mentioned PMT have been placed in the top positions.

Based on the main aim and the theoretical review, the following research objectives will be addressed within this study:

1. To find out what kinds of PMT are used in local government.
2. How are these PMT being implemented and used in management practice.
3. The benefits of the PMT used in local government.

Qualitative research method will be applied in this research study because it allows the exploration, and understanding of complex issues. Case study analysis has been selected as appropriate research method. Case study helps explain both the process and outcome of circumstances through complete observation, reform, and analysis of the cases under investigation (Tellis, 1997).

The case study analysis is performed by using document and content analyses of published and unpublished articles, books, strategic plans of selected local government authorities, and other performance management documents. The following is assessed when these documents are being studied:

1. The focus of the PMT, this will assess whether the PMT was implemented in conjunction with the strategy.
2. The objective of the PMT in the organization: to established whether the PMT is for leadership strategic or operational.
3. The benefit of the PMT to Human resource: staff management, staff training and development or learning and improvement perspective.

Czech Republic and United Kingdom (UK) have been selected as the countries for the analyses to be conducted. In the Czech Republic this area has been developing relatively rapidly since 2000, when the Quality Council of the Czech Republic was established and the National Quality Assistance Program was adopted (Kostelecký, Patočková, 2006). The UK was selected because it is one of the countries that Performance management has been radically applied (Pollitt, Bouckaert, 2000). Furthermore, UK is credited as the first country where the term NPM was introduced to describe approaches that were developed during the 1980s as a part of an effort to make the public service more "businesslike" and to improve its efficiency by using private sector management models (Hood, Jackson, 1991). In view, of the status of UK in terms of political structure that is being made up of four countries namely: England, North Ireland, Wales and Scotland, for the purpose of this research work, England is used as the country for the assessment of the performance management techniques used in local government.

The metropolitans with large population size were chosen regarding a recent survey carried out in Netherlands which proves that about seventy percent (70%) of the Municipalities in Netherlands applied Performance Management Instrument. This surveyed further indicated that the larger the municipality the higher the average the usage of these Instruments (Moret, Enrst & Young 1997). The case study analysis was performed in twenty Metropolitan Borough in England (Birmingham, Liverpool, Sheffield, Newcastle, Leeds, Coventry, Bradford, Manchester, Kirklees, Wakefield, Wigan, Wirral, Sandwell, Dudley, Doncaster, Stockport, Walsall, Sunderland, Sefton, and Rotherham) and twenty biggest municipalities measured by number of inhabitants in the Czech Republic (Praha, Brno, Ostrava, Plzeň, Liberec, Olomouc, Ústí nad Labem, České Budějovice, Hradec Králové, Pardubice, Zlín, Havířov, Kladno, Most, Opava, Frýdek-Místek, Karviná, Jihlava, Karlovy Vary, Teplice).

During the analysis over seventy (70) documents were review to ascertain the necessary information on the usage of PMT in Czech and English local government authorities. To verify the information obtained from the documents analysis, a short questionnaire was sent to selected local governments. Unfortunately, only one English municipality responded. The respond rate for Czech municipalities was higher, here it was possible to get half of the completed questionnaires that fully confirmed the results of the documents analysis and refined the benefits of PMTs used.

### **3 Problem solving**

The analyses indicate that performance management techniques are widely used in the metropolitan boroughs of the council of England, because all the twenty metropolitan boroughs selected have a performance management framework created. All municipal boroughs analysed use twelve different performance management techniques to improve performance management, namely: System Application Product(SAP) Business Objects Strategy Management, Best Value Performance Indicators(BVPIs), Key Performance Indicators (KPIs), Benchmarking, Plan, Do, Check and Act (PDCA), Dashboard, Join Health and Wellbeing Strategy (JHWS), Kirkless Economic Strategy (KES), Corporate Improvement Priorities (CPI) and Business Planning Cycles (BPC), Quality Indicators (QIs), Corporate Scorecard (CS) and Service Improvement Plan (SIP), Performance Appraisal (PA) and Continuous

Improvement (CI). Most of the names of the techniques vary from the traditional names that are usually used in PMTs, but have the same principles. However, this occurs in most municipal boroughs because they want to tailor the performance management techniques to suit their conditions. A specific example is the Kirkless Metropolitan Borough using a technique named Kirkless Economic Strategy (KES) and Join Health and Wellbeing Strategy (JHWS). Also, it can be observed that most of the techniques are selected according to the strategy of the council.

The most used PMT by selected metropolitan boroughs is the PDCA, more than half of the boroughs used it as a technique in performance management. The KPIs is the next most used technique, followed by dashboard and scorecard. Despite the fact that benchmarking has been established in the UK as an externally mandated, audit-driven performance management tool deployed by national government to pursue local and national policy objectives (Ferry et al., 2015), the analysis revealed that only 15% of the boroughs use it. Performance Appraisal was only used by Walsall Metropolitan borough as its performance techniques and it was combined with another technique. The analyses indicate that more than sixty percent (60%) of the techniques used by the selected boroughs fall with the top ten most used performance management techniques as reported by (Marr, 2014). It was also realised that 30% of the boroughs combined two or more PMTs in the measurement of performance.

The situation is completely different in Czech local government. The analysed municipalities do not use any framework for systematic performance measurement and management. However, they use a number of sub-tools to measure and evaluate the performance. The most widely used PMT is benchmarking, which is used by 90% of analysed municipalities. The benchmarking is especially used to compare the performance of individual operational and financial agendas as well as selected public services. The second most commonly used technique to measure performance is a measurement and evaluation of strategic goals indicators (75%). Deliberately we are not talking about KPIs at this point, because the indicators used do not meet the basic KPI characteristics (Badawy et al., 2016). The strategic goals indicators used are mostly control measures that reflect past performance and do not adequately reflect "soft issues" that determine future performance. In most cases, the leading measures are completely missing. Moreover the used indicators are not broken down and set as targets for achievement by departments and individuals (FinPa New Media, 2009). The questionnaire survey also showed that local government managers themselves do not see these indicators as KPIs. None of them indicated the use of KPI in their organization. The rest of the PMTs were used to a very limited extent, Balanced Scorecard in 3 municipalities, MBO in 2 municipalities and Performance appraisal in one.

Even though the UK Government accepted the idea of performance management framework to be used by the local government in 2000, (Sharman report, 2001), from the analyses only 30% of the metropolitan boroughs have been able to fully implement the framework and the rest of the 70% are in the process of framework implementation. Even those who have been able to fully implement the framework are still reviewing and updating some of their performance indicators as the needs and demands of the residents are dynamic. Furthermore, all the boroughs analysed have

their corporate plan, strategic plan, and objectives link to the performance management framework, which keeps the completion always extended.

The implementation of the PMTs within the boroughs analysed vary from one borough to the other, depending on their organizational structure and the strategy of the borough. But generally, they all have performance management committees which monitor and measure the performance of the techniques against the indicators set to be measured and mostly these committees are usually members from management and staff from various departments.

It was observed from the analyses that all the boroughs' PMTs were geared towards leadership strategy; to manage, motivate and persuade of the staff to share the same vision, and to help implement change or create organizational structure within a organisation. It can be observed from the boroughs that most of the monitoring and measurement was done by executive management team and heads of departments, which is an effective way of establishing a vision and mission of an organization. Also, it can be observed that, the various applications of the techniques were operational because the various units of the boroughs are linked to each other through the regular reports and reviews of performance against the performance indicators. This however helped the various units to know whether they are working towards a common goal or whether there are some lapses emanating from any department.

On the basis of analysis carried out, it can be stated that the benchmarking is fully implemented in Czech municipalities. The benchmarking method is implemented in most municipalities under the so-called Benchmarking Initiative 2005. This initiative is based on the voluntary cooperation of municipalities, which form together the methodology of data and indicators for mutual comparison in many areas. Currently, results are compared in 53 areas of independent and delegated competencies of operational agenda, and nearly 400 ratios are evaluated in a computer online database. The implementation of other PMTs is at the beginning.

According to Pacheco, (2009), measuring performance in the public sector has added to the success of multiple objectives, including the transparency of costs and results, improvement of service quality, employee motivation, one of the key pillars of the new governance. The analyses performed in English local government confirm that budget and results have become transparent because of the monthly, quarterly, half yearly and yearly reports submitted to the various review committees or management teams. The use of PMTs also improved the participation of residents in the decision-making process, because they were involved in the stakeholder's meetings where their views on how the boroughs can improve their services are discussed. Simultaneously only a few of the boroughs' PMTs were used primarily for reduction of financial demands or cost, but rather to improvement on their services to the residents. It was also identified that the implementation of the performance management system improved the effectiveness and efficiency in discharge of duties of the public servants, because targets were set through the performance indicators to departments and this is intend monitored through regular reports and reviews.

The most stressed benefit of PMTs used in Czech local government are reduction of financial demands or costs, followed by improvement in service provision to residents. Only three municipalities mentioned increase of authority transparency and

accountability and the improvement of employee's skills and abilities was mentioned by two of them.

#### **4 Discussion**

The most fundamental difference which results from the analysis carried out between the English and Czech local governments is that in fact all selected English municipalities have a performance management and measurement framework developed. These frameworks are created through a variety of performance management techniques that are tailored to the specific features of individual metropolitan boroughs. The most widely-used PMT is PDCA cycle, which is very simple and universally usable and the second most used are Key Performance Indicators. This result is consistent with the findings of other studies that found KPIs as the most widely used tool for managing performance, with a usage rate of about 75% in a recent global survey of over 3000 organisations (Keller, 2009).

It was observed that 30% of the metropolitan Boroughs have been able to fully implement the framework and the rest of the 70% are still in different stages of implementation. The reason for this could be that the performance management process needs to be continually improved as well as strategic performance indicators have to be reviewed and updated as they respond for the dynamic environment. Furthermore, all the municipal boroughs assessed have their corporate plan, strategic plan, and objectives link to the performance management framework, which provides a comprehensive view of performance.

The analysis also revealed that all the boroughs' performance management frameworks are strongly focused to manage, motivate and persuade employee to share the same vision, and to help to implement a change. Various units of the boroughs are linked to each other through the regular reports and reviews of performance based on the performance indicators. In all selected municipal boroughs there are performance management committees from managers and staff of various departments established which monitor performance and review the strategy and performance indicators.

In contrast, the benchmarking method and the strategic goals indicators are used for performance measurement in Czech municipalities. The mentioned tools are used separately. The strategic development of territory is managed on the basis of strategic goals indicators evaluation and the benchmarking is used to improve operational performance of individual agendas. Any system of performance measurement and management is completely absent in Czech local government.

The above mentioned results also caused partly different perceptions of the benefits of PMTs use. The English municipal boroughs identify more benefits including productivity improvement. The Czech municipalities fully agree on the benefits and see them mainly in reduction of financial requirements and service improvements.

Interestingly, the BSC method is not used in English or Czech local government, despite the fact that a number of studies in the public sector have reported on the effectiveness of the Balanced scorecard. Only 10% of local governments selected use it, whereas in Czech municipalities the implementation is in the beginning. Chan's (2004) survey also revealed limited use of the BSC in municipal organisations' decision-making processes, whereas public sector managers in Hoque and Adams'

(2011) study considered it as useful. According to Wisniewski et al. (2004) the reason of low BSC use might be due to poor information systems, poor measures, and problems with defining the customers.

## Conclusion

Several significant findings have emerged from the analysis. Recent review of public management recognized performance measurement as a trend transforming government because of its potential to improve government performance and accountability (Abramos et al., 2006). Moreover performance management has the ability to strengthen citizens' trust in the government by making its activities and efforts more transparent and accountable. This also indicates the results of the analysis carried out in the English local government.

Unfortunately, the situation in the Czech local government is quite different. Here are no traces of any systematic performance measurement and management. In addition, some local government managers' responses have shown that performance measurement very often links only to an individual level, i.e. the performance of employees. Even though selected municipalities use some performance measures the main challenge is how to use and manage them in an effective way.

The direction of future research should be focused on answering this question. In this context, it would be valuable to propose a conceptual performance management framework suitable to support Czech local government in developing and implementing an effective performance measurement and management system.

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### **Contact Address**

#### **Ing. Michaela Stríteská, PhD.**

University of Pardubice, Faculty of Economics and Administration, Institute of Business Economics and Management  
Studentsk8 95, 532 10 Pardubice 2, Czech Republic,  
Email: michaela.striteska@upce.cz  
Phone number: +420 466 036 179

#### **Ing. Lyndon Nii Adjiri Sackey**

University of Pardubice, Faculty of Economics and Administration,  
Studentska 95, 532 10 Pardubice 2, Czech Republic,  
Email: niiadjiri2004@yahoo.com