The use of performance management for effective governance in Public Administration

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ABSTRACT

The objective of this article is to argue the importance of the use of performance management towards effective governance. Various authors have contextualised good governance and performance management and some of the views differ considerably. The intention of this article will not be to debate the differences but rather assess the applicability of performance management in public administration. As a point of departure globalisation and the business of government is briefly discussed together with the pressure on government to improve service delivery. Good governance will be assessed as a critical component and specific attention will be devoted to administrative governance as it relates to the implementation of public policy. Administrative governance forms the basis for performance management because it can be used as a tool to ensure effective governance. Performance management is normally based on the idea of improving external accountability within the context of governance. For the purpose of this article focus is placed on the modernisation of public sector budget, reporting, management of contracts, benchmarking and comparison, and finally the implementation of a strategy.

INTRODUCTION

Worldwide, the public service should respond to the changing environment and demands brought about by globalisation, growing consumer expectations and
increased fiscal demands. The impact of State ideologies on governance and interventions translates directly into different forms of co-ordination, co-operation and collective decision-making. Integration and co-operation across sectors and forming collaborative relationships becomes a major challenge as good governance objectives and an increased emphasis on service delivery require governments to become more innovative. Transformation of the bureaucratic mechanisms that underpin the public service is then essential to cope with the ever-changing environment in which the public service needs to function.

Organisations are required to establish what they want to achieve and indicate the success of their performance management in terms of defined performance indicators. Once an organisation has performed the necessary tasks, it should be determined whether the envisaged level of performance has in fact been achieved and how efficient this achievement was in respect of cost, use of the available resources and time. This requirement sounds like a simple task, but in reality, it is difficult to put into practice. This article explores the use of performance management practices as an indispensable link between effective governance and performance management in the public sector. In the quest to attain effective service delivery and good governance, the mere implementation of a performance system in itself provides no guarantees that the performance of the organisation concerned will be enhanced or that the public organisation will achieve its objectives.

GLOBALISATION AND THE BUSINESS OF GOVERNMENT

Globalisation has had a significant impact on the purpose, role and function of the State. Actors such as Non-Governmental Organisation (NGOs), the international finance sector, which includes the World Bank (WB) and the International Monetary Fund (IMF), and environmentalist/conservation groups all advocate sustainable development: the responsible production and consumption of natural resources. Today, this demand plays an ever-increasing role in the policy and administrative environment of a typical nation state.

Although globalisation is often used to explain and analyse international developments – policy shifts, economic interventions, investment and the commitment of a nation state’s resources – there is still some difference of opinion about globalisation’s role. Some perceive globalisation as a constant threat to social cohesion and as unduly advancing capitalist interests (Abedian and Biggs 1998:10). On a positive note, it is argued that globalisation has created a new dimension of public service delivery through the modernisation of systems, not only in the form of technological advances, but also in the field of information management, including the distribution of information and information
management systems. This shift requires public services to consider a number of issues that were less prominent in the past. Gaster and Squires (2003:21) identify three specific needs, namely, the need
• to achieve results;
• to work in partnerships; and
• to consult users and communities as consumers of public services.

With the above in mind, Gaster and Squires (2003:21), cite an additional set of expectations which originated from the consumers of public services, namely, the notion of “perception” and “satisfaction”. In this case, perception and satisfaction culminate in reliability, good and relevant information, and more importantly, access and helpfulness, which, according to Gaster and Squires (2003:21), should be a constituent of the quality system of a modern public service.

Public sector organisations are often criticized for being inefficient because they lack a business orientation. Consequently, the challenge for public sector organisations lies in adapting the inherent structure of these organisations to produce high-quality public services. Fourie (2011:154–155) highlights and contextualises the importance of structural reform via decentralisation to enhance performance. He argues that the process should involve striving towards a “minimal State”: public service mechanisms should be reconstructed into much flatter hierarchal forms, associated with a strong internal devolution, and characterised by self-organisation and inter-organisational networks. These “tight/loose” bureaucratic forms could provide greater autonomy within a framework of core values linked to explicit performance targets that emanate from the national government, but their impact in a complex socio-political environment will depend on the ability of public managers to cope with new governance challenges.

Gaster and Squires (2003:22) point out that past experiences have often showed that improvements and change tend to be inconsistent, continuing to reflect the historical divisions and differences with which public service organisations are faced. A similar perspective is held by Wilkinson and Applebee (1999:38), who explain that “we have inherited a set of structures, professions, skill mixes and job demarcations which have emerged as a series of responses to the needs of society...that we have long passed. ...if it were possible to start again with a Greenfield site, it is inconceivable that we would create anything like the same organisational and professional architecture that we now have”.

In advanced economies, such as those in the United Kingdom and in the Scandinavian countries, pressure was put on the public service to become more efficient and effective in order to reduce demands on taxpayers. For this objective to be achieved while maintaining the volume and quality of service supplied, public sector entities were forced to follow a number of private sector management principles and techniques (Brignall and Modell 2000:281). The
rise of the customer service movement also created one of the main reasons for the drive toward greater efficiencies in the public sector. Managers thus become increasingly focused on serving the citizens of the country, rather than on meeting the needs of the bureaucracy (Kettl 1997:446).

In respect of the South African business of government, the Constitution sets out the following principles in Section 195(1)(a)(b)(d)(f)(g):

“(1) Public Administration must be government by the democratic values and principles enshrined in the Constitution, including the following principles:

- A high standard of professional ethics must be promoted and maintained.
- Efficient, economic and effective use of resources must be promoted.
- Services must be provided impartially, fairly, equitably and without bias.
- Public Administration must be accountable.
- Transparency must be fostered by providing the public with timely, accessible and accurate information.

From the above stipulations, it can be deduced that good governance and some form of performance management are essential to ensure that the limited resources available to government organisations are used in such a way that the government is able to meet its constitutionally allocated responsibilities and the ruling party is able to meet its election promises.

**CONTEXTUALISATION OF GOOD GOVERNANCE**

Good governance must complement sound economic policies, and it is underpinned by five core principles: accountability, leadership, integrity, stewardship and transparency (Office of the Auditor General of British Columbia, 2011:5–6). Each of these principles directs and controls the structures and processes within the organisation, and holds the organisation to account. Governance can be described as a process of management, control, supervision and accountability, in which a public manager sets the tone at the top in managing (being open, accountable and prudent in decision-making) and in delivering on programmes (The Netherlands Ministry of Finance, 2000:8). The leader becomes critical in achieving an organisation-wide commitment to good governance.

Governance focuses on performance and conformance, ensuring that organisations meet the requirements of the law, regulations, published standards and the community’s expectations of probity, accountability and openness. In recent years, more emphasis is being placed on reporting on performance, since performance information is an integral part of public management reforms and
should improve accountability and results, while reducing risks. Risk management is regarded as an integral part of good governance, because it strengthens the approaches followed by an organisation in reaching effective performance outcomes and conformance to its objectives. The essence of governance is that there are enough safeguards to deal with the responsibility which extends over an entire policy chain, and to realise policy objectives efficiently and effectively (Office of the Auditor General of British Columbia 2011:5–6).

There are three types of governance which are all, to varying degrees, subject to the influence of civil society and the private sector, namely: economic, political, and administrative governance (UNDP 1997:8–10). These types of governance are also used for discussion purposes in this article, with particular emphasis on administrative governance. Economic governance includes processes of decision-making that directly or indirectly affect the economy of a country and/or its relationship with other economies that in turn exert a major influence on social issues such as equity, poverty and quality of life. Political governance refers to decision-making and policy implementation by a legitimate and authoritative State, which is enabled by separate legislative, executive and judicial branches, represents the interests of a pluralist polity, and, most importantly, allows citizens to elect their representatives freely. Administrative governance, which is the focus of this article, relates to the public sector’s implementation of public policy. It may be applied at the institutional and organisational levels. The public sector consists of institutions and organisations specifically designed to contribute to sustainable development via the establishment of appropriate political, legal, judicial and social structures. In order to ensure such development, an organisation(s) is (are) required. Organisations are comprised of groups of individuals who come together to pursue agreed objectives that would otherwise be unattainable, or that would only be attainable with significantly reduced efficiency and effectiveness. Such organisations are structured by a division of labour into units of different size and composition. The units’ activities are subsequently co-ordinated by integrative processes to achieve the required objectives (UNDP 1997:13).

Although developing countries’ institutional arrangements differ, according to their political systems, the broad concepts and principles of governance still generally apply. The overall governance framework is normally set by the Legislature, which represents the country’s citizens through legislation. The Executive, as the executing authority, normally ensures that the governance framework is applied to public organisations in its jurisdiction. Governing bodies are normally responsible for governing their respective organisations accordingly. The Legislature holds the Executive and its administration accountable for the use of resources entrusted to them and the result achieved
thereby. Thus the Legislature and the Executive each fulfils a cardinal role in the governance framework. The Legislature usually reviews the annual reports of the Executives (including the financial reports of the Accounting Officers or Authorities), evaluates the standard of their work and makes recommendations, based on the facts contained in the related regularity and performance audit reports by the legislative auditor. Reporting, auditing and scrutiny must be expeditious, so as to enable timely interventions in the execution of the cycle(s). For example, in terms of financial good governance, financial accounting and reporting should be based on generally accepted public accounting standards and should be audited by the professional legislative auditors belonging to a supreme audit institute to enhance the quality of information used for financial accountability process. Accounting standards are authoritative statements of how particular types of transaction and other events should be reflected in the financial statements (IFAC 2001:6–7).

**Principles of governance**

In order to strengthen the argument that performance management can be used as a tool to ensure effective governance, it is important to mention briefly the principles of governance as described by the International Federation of Accountants (IFAC 2001) and the Australian National Audit Office (ANAO 2003):

- **Accountability** refers to the process whereby public sector organisations and the individuals within them are held responsible for their actions and transactions. The submission of public sector accounts to appropriate external scrutiny depends on a clear understanding of the responsibilities of the sector, which includes clearly defined roles in a robust structure. These responsibilities extend across a range of areas, such as probity and ethics, as well as the effective and efficient implementation of programmes. These responsibilities also encompass a range of business processes.

- **Transparency/Openness** implies that stakeholders can have confidence in the decision-making process and actions of public organisations, in the management of their activities, and in the individuals in public organisations. Open, meaningful consultation and clear communication, as well as accurate and clear information, contribute to effective and timeous action and can therefore stand up to public scrutiny.

- **Integrity** is based on honesty and objectivity, high standards of propriety and probity in the stewardship of public resources and the management of a public organisation’s affairs. It depends on the effectiveness of the control systems as influenced by the legislation, set standards and professionalism. A public organisation’s decision-making procedures and the quality of its performance reporting is normally a reflection of its professional integrity.
Stewardship implies that a public organisation and its resources are governed (managed) by public officials to serve the government and that the public interest is maintained or improved over time.

Leadership sets the “tone at the top”, and is absolutely crucial to achieve organisational commitment to good governance.

Efficiency refers to the optimal use of resources to further the aims of the public organisation in its commitment to implement evidence-based strategies to improve the quality of life of the country’s citizens.

With these issues of good governance in mind, performance management and measurement in public organisations remain challenging in the areas of being efficient, effective and economical. More and more countries, including South Africa, have already to a greater or lesser extent introduced guiding principles as part of a general strategic framework to indicate how the public sector should integrate and use performance management to ensure service delivery. The Policy Framework for the Government-wide Monitoring and Evaluation System is a prime example of such an effort (Republic of South Africa (Presidency) 2007).

PERFORMANCE MANAGEMENT

Given that public service organisations are frequently criticised for not being effective and efficient, it is not surprising to see that the performance of the public sector is also questioned. Outdated or sometimes incomplete legislation, rules and procedures, hierarchical flaws in organisational structures, and political interference are seen as symptoms of an underperforming public sector. The perception of underperformance puts public sector managers under tremendous pressure to perform well. Efforts have been made by government to create an entrepreneurial culture, as depicted in the New Public Management movement in reaction to some of the core features of traditional public administration which need to be altered to create an effective public service (Boden, Cox and Nedava, 2006:129).

In order to strive for efficiency and effectiveness, one of the policy reform areas in the New Public Management movement deals with incentives. This reflects recognition of the centrality of performance in New Public Management. Hood (1991:4-5) argues that performance is a key competency in New Public Management and explains that incentives have been linked to performance by employees. The New Public Management movement’s focus does not end with the human resource level, but includes organisational performance. Scholars such as Kroukamp (2008:20-21) distinguish between performance management at the individual and organisational levels. In this article, however, performance management is viewed as interconnected and holistic.
There are rarely absolute measures by which public sector performance can be judged. It is considered normal in government to set targets for a range of issues such as reducing mortality rates, but these targets can only be determined in relation to existing performance indicators. This implies heavy reliance on comparative data in choosing performance objectives and in measuring the success of performance. Typically, this requires a form of baseline information to which performance is then compared, normally on a year-to-year basis (this approach is particularly favoured for central government activities and nationalised industries), or is compared from one entity to another in the case of provincial and local governments.

Performance management in the public sector is not a simple concept to clarify or to define, because the term has different connotations in different countries, depending on the level of centralisation in the overall governmental system. The Organisation for Economic Cooperation and Development (OECD) has described performance management a series of processes related to:

- setting performance objectives and targets for programmes (and in many cases made public);
- giving the managers who are responsible for each programme the freedom to implement the necessary processes to achieve these objectives and targets;
- measuring and reporting the actual level of performance against these objectives and targets;
- feeding information about performance level into decisions about future programme funding, changes to programme content or design and the provision of organisational or individual rewards or penalties; and
- providing information ex post to the reviewing bodies, such as legislative committees and the external auditor (depending on the auditor’s performance mandate), whose views may also feed into the decisions above (OECD 2001:10).

An important goal of performance management is often based on the idea of improving external accountability within the context of governance, whilst simultaneously increasing the internal efficiency of government organisations (Greiling 2005:554). The following could assist towards performance management:

- *The Public Finance Management Act*, of 1999 (as amended by Act 29 of 1999), is intended to regulate financial management in the national government and provincial governments to ensure that all revenue collected, all expenditure, assets and liabilities of those public institutions are managed effectively and efficiently. The *Local Government: Municipal Finance Management Act*, 56 of 2003 has a similar intention. It is clear that there is a definite shift away from an input-oriented budgeting system (labour, material and overhead) to output (housing and water connections) and an outcome-oriented (quality of life, reduction in poverty and HIV) budgeting system.
Reporting as a tool is to ensure and achieve improved accountability by public sector officials, obligatory reporting is being instituted. Governing bodies are required to publish and distribute to the public an annual report within a reasonable period after the end of each financial year. The aim is to account for the use of public resources placed at these bodies’ disposal to achieve approved objectives. A management report should accompany the financial report, commenting on the financial and non-financial performance of the entity and reflecting on the ability of the body to meet future liabilities and commitments. What is crucial about the management report is that it should include a statement on whether a code of governance has been adopted and, if so, that it identifies the code and certifies compliance with the code (IFAC 2001:18), or explains any reasons for non-compliance.

Management of contracts as a tool and improve results and processes whereby performance indicators are of substantial value and interest in the management of contracts in government. The South African government has undertaken a major shift towards public-private partnerships (PPPs) – in its quarterly newsletter, the PPP Unit of National Treasury (Republic of South Africa, National Treasury, PPP Unit 2010) states that PPPs received a strong endorsement at the 2010 State of the Nation address. In the management of contracts in terms of performance management, it is important that where suppliers are contracted, the contracts provide clear details of the quantity and quality of services (these details are called Terms of Reference in a government contract or Project Reports), as well as indicators to measure the performance of the supplier concerned. Performance contracts have become common in alternative service delivery contracts (PPPs, outsourced contracts and joint ventures), between the various administrative levels among managerial staff and the political level. With reference to the local government sphere, the Local Government: Municipal Systems Act, 32 of 2000, makes provision in section 57 for employment contracts for municipal managers and the issue of direct accountability.

The use of benchmarking and comparisons as a tool, within a particular sector, assists in determining a baseline for performance within a public sector entity. It is rare to find true benchmarking by public sector entities. Benchmarking is understood to mean a comparison with the best in the same class or across sectors from the best in business. For example, the Greater Johannesburg City Power (City of Johannesburg’s power utility) call centre benchmarks itself against the performance of a private sector call centre, such as a banking call centre. Inter-administrative comparisons would be more realistic, where different government entities are compared to each other or to predetermined norms and standards. In the South
African local government arena, the *Local Government: Municipal Systems Act*, 32 of 2000, makes provision for five key performance areas and establishes key performance indicators for each area. Such indicators include financial and non-financial indicators, such as the percentage of a municipality’s capital budget spent on projects identified in terms of the municipality’s integrated development plan and the number of low cost houses built. Another example where municipalities are compared to industry norms is with regard to the municipality’s input costs, such as a percentage of its operating expenditure spent on its salary and wage bill. National Treasury has established a norm of 32% to 35% of the budget for this expense, and municipalities are compared to this norm. However, this comparison would be irrelevant if the focus is on matters such as outputs and outcomes, because the input expenditure provides no guarantee that funds are spent efficiently or effectively.

- Implementation of strategy. Performance measurement is often used as a management tool to implement a better strategy, i.e. to improve efficiency and effectiveness. For example, quality of life reporting has been seen over the last few decades as an integral part of a more strategic use of performance measurement in the public sector. In the South African local government context, the development of Integrated Development Plans (IDPs) in conjunction with the communities in which the municipalities operate is required by the *Local Government: Municipal Systems Act*, 32 of 2000. In this case, the co-development of performance measures could assist in monitoring progress against the objectives set in the plans, and in fostering better relationships between the different spheres of government. It could also assist in facilitating comparisons between different local authorities in the delivery of their mandates.

For the aims above to be met, a core strategy with a clear purpose and intent is important to guide the entire performance management and measurement strategy. In this regard, Osborne (2007:3) argues that the first critical component towards the establishment of a core strategy is clarity regarding the purpose where public organisations and systems should have a clear, unambiguous purpose. The contentious issue of service delivery, for example, therefore, necessitates the development of appropriate monitoring and evaluation mechanisms to address policy and procedural aspects adequately in order to achieve better governance. Effective monitoring and evaluation systems and practices need to be enforced, not only in the provincial sphere of government, but also in the sphere of local government to ensure for example the correct collection of quality information and the dissemination thereof to assist in the strategic planning, decision-making and
policy formulation process. The quality of data and information remains the cornerstone of success, as good quality data and information enable accurate decision-making.

**Measurement as a critical component in performance management**

In order to ensure effective performance management towards effective governance, accurate measurement becomes a critical component. When assessing measurement in performance management, the following should apply (Callahan and Kloby 2009:219):

- Internal procedural management needs relating to implementation monitoring. In this instance, narrow measures of performance are essential for internal decisions to ensure the effective functioning of organisational components. The activities conducted need to be communicated to the public as “evidence” of performance. It is also important to ensure that:
  - the right people have been recruited for the right job (and are perceived to be the right people);
  - policies are in place for the greater good;
  - organising within the respective government organisations is such that time and public funds are not wasted in the process of policy execution;
  - government organisations have sound financial controls in place when dealing with public money; and
  - when required to do so, public managers and political representatives are able to render an account of their activities.

Implementation tracks refer to the means and strategies used to achieve a specific outcome. These means and strategies are commonly found in management tools, including budgetary resources, staffing and specific activity planning. Clarity on the interaction between means and strategies (inputs, activities and outputs) and specified outcome targets is important.

Performance measurement should inform and guide the decision-making process, especially when the process and measures are communicated openly, honestly, on a regular basis, and in a comprehensible manner. In this regard, the importance of consistency and clarity of communication should not be underestimated, especially when public sector projects or programmes have a direct impact on communities. It is therefore imperative that the community is involved from the start of the project or programme. It must be noted that data collection should not merely include the broader citizenry as “subject matter” but should also involve them in the active collection process via creative use of traditional modes to transfer knowledge.
STRATEGIC ENABLERS OF EFFECTIVE PERFORMANCE MANAGEMENT

Effective performance management remains a critical component in the creation of market-related economies, secure and productive populations and democratic political systems in developing countries. Capacity development is therefore, essential in achieving these developmental initiatives. Several implicit assumptions underscore these initiatives, namely, that:

- public sector organisations are the logical site for capacity-building interventions;
- administrative structures and monetary rewards determine organisational and individual performance;
- public organisations function optimally when structures and mechanisms are in place; and
- individual performance improves as a result of skill and technology transfer via managerial activities (Grindle and Hilderbrand 1995:441).

In establishing an institutional framework to enhance performance management within a flexible, integrative, innovative and dynamic modern delivery model, the following factors for the purpose of this article are contributing towards performance management and good governance (PricewaterhouseCoopers 2007:5):

- The strategic plan outlines the organisational goals and the strategies that will be used to work towards the achievement of those goals (Kroukamp 2008:21–22). Every strategic plan needs to contain both information relating to the results needed and a mechanism for ascertaining to what extent the intended results have been achieved. Thus performance measurement is not only an integral part of any performance management system, but is also critical for strategic plans. Performance measurement can also be used to shed light on individual performance for those individuals given authority for the implementation of certain goals, objectives, outputs and activities.
- Organisational design should facilitate change. An effective institutional framework should be established to promote decentralisation in a flexible, integrative, innovative and dynamic modern service delivery model.
- Technology alone should not be seen as a solution in the delivery of quality public services to the citizen. Successful use of technology in a performance management system hinges on a dedicated structure (plan), effective administrative processes (such as the integration of human resources practices, structure and technology) and the boundaries of operations.
- Performance measurement should use different techniques to collect and analyse information relating to goals, objectives and activities. The Balanced
Scorecard is one of the most popular techniques, because it uses both financial and non-financial indicators to record information (Sartorius, Trollip and Eitzen 2009:52).

- Performance indicators are significant. No monitoring and evaluation activity can be conducted without establishing clearly structured performance indicators. Regardless of what type of tool or technique is earmarked to be applied in any monitoring and evaluation undertaking, the type and structure of performance indicators remains paramount in achieving the set objectives (Kusek and Rist 2004:65).

- People, capacity and skills enhancement are vital. Skills and talent management form the pinnacle of any organisational and service delivery excellence. Effective performance in any public sector organisation can only be achieved by motivated, committed, flexible, skilled and devoted employees who are capable of delivering quality public services. For example, currently in South Africa, there is a drive in the local government sphere for all managers appointed in terms of section 57 of the Local Government: Municipal Systems Act, 32 of 2000, to be certified competent by 2013. This requires senior managerial staff to complete subjects identified by National Treasury and achieve the minimum credits with the Local Government Sector Training Authority (Republic of South Africa (National Treasury), 2007).

**CONCLUSION**

Successful performance management depends on the ability to measure actual achievement against a predetermined goal or objective. Moreover, the goal has to be achievable and realistic. Performance measurement has a number of advantages; however, it can also have a number of shortcomings which should be taken into account and managed to provide an objective outcome.

The concept of good governance is difficult and for the purposes of this article, the outline provided by the United Nations Development Programme (UNDP) was used. Governance is understood in terms of key elements commonly used to describe what it means. This concept assists in understanding performance management and its applications in a specific area, such as administrative governance, without disregarding governance in areas such economic, and political systems. Good governance and performance management requires the capacity to act, skills, knowledge and the resources to manage public institutions effectively. One of the key elements to achieve a successful performance management system is the ability of an entity to establish and administer sound institutional mechanisms that not only support performance management but also underscore good governance.
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