Conceptualising 'performance measurement' in the new public management

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Abstract

Performance measurement systems both monitor and shape organizational behaviour, and have the potential to effect the way internal and external stakeholders think and act. However research into the operation and effect of performance measurement in the context of public sector reforms is problematic until a point of departure is constructed which addresses definitional uncertainties, frames areas of efficacy problems to investigate, and places performance measurement in a less abstract way as intersecting with other key elements of governance**.** From a theoretical discussion of the literature, this paper proposes a point of departure for future research into how financial management reforms may be used in practice in particular public sector reform contexts to assess, motivate and control organisations and people.

Reforms & revision of ideas on management

Democratic governments world-wide have been subjected to two decades of far reaching 'managerialist' reform programs as part of a broader drive for a new public sector management paradigm (Painter 1998). Each reform brings a differing, context-specific model of governance with its own dialect and characteristics, but all centre around major revisions to ideas about how governments should be managed. In these reforms, public sector organisations are re-evaluating their goals, organizational structures and processes for efficient delivery of needed services (Nolan 2001a), and many have sought to be radically different in both appearance and behaviour (Aucoin and Heintzman 2000, p. 14)

In a critique of performance measurement in these reform movements, Townley (2001, p. 307) quotes Foucault's conclusion that "People know what they do, they know why they do it, but what they don't know is what they do does". With the reform measures that public sector management has endured or embraced in the last two decades, it is still "…not at all clear what works, what does not work, and which change offers most promise to strengthen government's policy advisory capacity and its ability to deliver services". (Savoie 2000, p. 3). Whilst performance measurement is a major thing that organisations do in the reforms to secure appropriate resource management and accountability, there is confusion in the conceptualisation of the construct 'performance measurement', and a gap in the knowledge of the actual effect of such financial management techniques on the management and delivery of public services (Olson et al. 1998, p. 20-21).

This theoretical paper investigates how the construct performance measurement may be defined, outlines problems with its efficacy in informing decisions, and places the phenomena in a broader context. Doing so provides a point of departure for future research into how financial management reforms may be used in practice in particular public sector reform contexts to assess, motivate and control organisations and people. The cause and nature of the reform movements are discussed, alternative conceptualisations of performance measurement are contrasted, a model that may aid in consistency in future research is proposed, and problems which may impact on the efficacy of performance measurement systems are addressed, and a governance perspective for investigating performance measurement is introduced.

A changing context and critiques of traditional public sector management models

The impetus for reforms stems from critiques which question the ability of traditional public sector management models to effectively provide services in a new context framed by, amongst other things:

- perceptions of poor applications of public funds in the past resulting in sub-optimal efficiency and effectiveness (Hood 1995)
- political pressures on governments to provide equivalent or improved services with the diminished tax revenue resources that followed the financial crises of the 1970's (Nolan 2001a) (Zifcak 1994, p. 26);
- lack of confidence in the ability of the traditional bureaucratic model of public sector management, which was developed in the industrial age and based on input and process controls, to solve economic and social problems effectively in the new information and knowledge age characterized by rapid change(Osborne and Gaebler 1992);

- perceptions of inflexibility and provider self-interest in traditional management models and concerns about the rationality of decision-making by professional judgement, and a corresponding increase of faith in market-based models (Zifcak 1994);
- less deferential citizenry and more aggressive mass media (Aucoin and Heintzman 2000, p. 245)
- significant increases in the knowledge, sophistication and expectations of the customers of government business in OECD countries (Kruk and Bastaja 2001) (Hood 1991); and
- a public which, traditionally, wanted to know where their tax dollars went, but now question performance and require reporting on the quality and value for money of public services (Talbot 2002).

An OECD symposium suggests that pressures for changes in the shape of public sector management are likely to continue for the next couple of decades as the context of government evolves through increasing diversification and fragmentation of society, expanding education and knowledge of citizens, changing patterns of employment and lifestyle, and declining trust in government (McPhee 2001).

Pressures for improved performance through reform

New performance expectations in this changing context demand new ways of managing government activities to provide what is variously described as 'value for money' (Chandler 2000), 'more for less' (Hood 1991)', and government that is able to 'work better and cost less' (GAO 2000, p. 1). Requirements for a demonstrable improvement in the cost and service level of government activity has collided with a lack of faith in the ability of traditional models of government administration to provide the necessary results. This collision of new ends and old means "…is driving public sector managers at all levels of government to seek new and creative ways to ensure the economy, efficiency and effectiveness of government programs." (GAO 2000, p. 1), and has lead to pressures for reforms movements that are about 'managing for results' (LIHEAP 1999).

This new logic of managing for results is embedded in the multiplicity of reforms that have been classified as producing the 'new' public (sector) management (NPM) (Hood 1991; Hood 1995). The breadth and depth of NPM reforms is so significant that they constitute a paradigm shift, a new reality for managing the operations of governments in OECD countries. In preference to the NPM label, Osborne and Gaebler (Osborne and Gaebler 1992, p.323) describe this new reality 're-inventing government' and argue that it is a new paradigm which represents "…nothing less than a shift in the basic model of governance used in America." (1992, p. 321).

Reform trajectories and reform adoption

But the shape of this new paradigm is controversial. Shafritz and Russell observe that "…there is no official 'new public management'. No government has formally sanctioned a group of practices under that title. There only exists a disparate group of structural reforms and informal management initiatives that reflect the doctrine of managerialism and can be usefully grouped under the rubric of the 'new public management'" (Shafritz and Russell 1997, p. 296). Some disparity of approaches to management under the NPM rubric is not surprising,

as the term 'NPM' was coined by Hood (1991) to describe retrospectively the many reforms which shared some attributes of a move from traditional bureaucratic to a managerial style of government and which may have been adopted in their specific forms for varying reasons.

Different models of the NPM reforms have been applied internationally in varying degrees (Nolan 2001b) (Barrett 2002c), so reform adoption is not a "..all or nothing choice" (Barrett 2002c, p.3). In Scandinavian countries for example, NPM reforms have supplemented rather than replaced extant management models, and only certain elements of the NPM doctrine that is visible in the UK and New Zealand have been adopted (Loegreid 2001). By contrast Australian governments have tended to adopt particular NPM reform models in evidence overseas in a stronger and less adaptive translation (Barcan 2001).

So the various movements that are described as NPM reforms exhibit different trajectories. They have no specific starting and ending points, do not necessarily follow the same paths, and are not a neat package of totally common elements (Christensen and Loegreid 2001, p. 2). The NPM is in fact a large family of ideas that revolve around notions of reducing differences between the public and private sectors, and increasing accountability for performance results (Hood 1991; Hood 1995) (Christensen and Loegreid 2001).

Because of the significant variation in the elements that constitute individual management reforms, Rhodes (Rhodes 1998) warns that a superficial application the NPM label can give wrong impressions about homogeneity, as it can suggest similarities but mask differences. Consequently, examination of NPM reform movements should include elements that are similar and different.

Yet, for all the differences in movements described as NPM reforms, commentators have discerned their own distinctive lists of some common tenets and characteristics.

Changes to public sector management that are indicative of NPM reforms are fuelled by a mix of ideas from the management and economics disciplines (Schick 1996), as the new paradigm operates through such means as: a decrease in the scope of government services and a reduction in the size of the government sector; improvements in the efficiency and effectiveness of services; and the adoption of more business-like, customer-orientated, and market-based approaches.

Aucoin (2000, p. 246) discerns three broad sets of changes through the NPM: greater devolution in management; shared governance and collaboration with public and private sector entities through integrated service delivery programs; and initiatives to improve the management of government business and the reporting of performance.

Hood (1991, pp. 4-5) discerns seven 'doctrinal components' that are prominent elements in the NPM family of ideas (*original emphasis*):

i. more *hands-on professional management* with clear assignments of responsibility for action and power;
ii. more *explicit standards and measures of performance* - especially goals, targets and indicators expressed in quantitative terms - to determine accountabilities for successful action;

iii. greater emphasis on *output controls* with which performance measurement of action results – rather than of action procedures – drives resource allocation and rewards;
iv. increasing *disaggregation* of public sector units and the reframing of management systems into corporatized forms which revolve around products and services and utilise internal and external contracts to separate the acquisition and production of services;
v. greater *competition* in the public sector by contracting activities to private or public sector entities through public tenders in order that market pressures improve standards and reduce costs;
vi. increased use of *private sector styles of management practices* that have proven to be effective tools in corporatisation; and
vii. more *parsimony* and *discipline* within the public sector on resource demands and use in order to do more with less.

These components emphasize the central role of performance measurement in NPM reforms. Components (ii) and (iii) explicitly note a reliance on performance measurement, and performance measurement is strongly and implicitly related to other elements. For example, contract management (iv) relies on specifying performance expectations, and measuring performance against these standards. Improvements in standards and costs (v) requires performance measurement that tracks trends and variances. Private sector tools (vi) are highly predicated on measurement of success, and to more with less (vii) requires performance measurement technologies to assess resource consumption and consequent results. So without robust performance measurement the operationalisation of many of the elements described by Hood would be hollow.

Hood's often-quoted assessment of common precepts can be compared to the influential guidelines for re-inventing government that are advanced by Osborne and Gaebler (1992, pp. 19-20) as a ten-point manifesto for entrepreneurial governments (original emphasis):

1. promote *competition* between service providers through market mechanisms such as privatization and contracting out;
2. *empower* citizens by pushing control out of the bureaucracy, into the community
3. measure the performance of their agencies, focusing not on inputs but on *outcomes* Shifting the emphasis in public management from input and procedure controls to results controls public management
4. driven by their goals – their *missions* – not by their rules and regulations;
5. redefine their clients as *customers* and offer them choices;
6. *prevent* problems before they emerge;
7. put their energies into earning money, not simply spending it
8. decentralize authority, embracing participatory management;
9. prefer market mechanisms to bureaucratic mechanisms; and
10. focus not simply on providing public services, but on catalyzing all sectors - public, private, and voluntary - into action to solve their communities problems

In suggesting that governments: steer not row (by being purchasers rather than providers of services); increase competition between service providers through market mechanisms such as privatisation and contracting out; replace centralized bureaucratic controls with initiatives that are consistent with a results orientation; empower decision-makers to be creative and

innovative in the method and substance of customer-service delivery; and public sector organisations move towards adaptive and innovative private sector models, the views of Osborne and Gaebler (1992) align with Hood's (1991) precepts.

However Osborne and Graebler's epitome of the reinvented government goes further than Hood's (1991) typification of the NPM. Osborne and Gaebler (1992) contend that reinventing government requires redefining citizens as customers to whom the public sector should be responsive and empowering citizens. This is a view supported by the Australian Auditor General (Barrett 2002a) who argues that the new face of public sector management shows that "Attention is now being given to addressing government programs and services directly to public sector clients, as citizens, and not the other way round".

As with the common reform elements described by Hood, management control systems, including performance measurement, are critical to the elements articulated by Osborne and Gaebler (1992). Item 3 in the latter's manifesto explicitly requires performance information on resource usage and consequent results. For management to be goal-driven (item 4), founded on competition, market mechanisms and decentralization (items 1, 9 and 8), similarly implies reliance on management control systems and their performance measurement capabilities. Even empowerment of citizens (item 2) is predicated on the ability to gauge actual and expected performance.

The sheer range of elements which constitute the new paradigm for public management, and the political, managerial, economic and social challenges within them, have engaged the interest and expertise of scholars from a range of disciplines including economics, public administration and management. Accounting specialists have a particular concern with how management control systems, including performance measurement, adapt to the changing NPM context facing government organizations (Barzelay 2001, p. 3) – a concern that is congruent with the prominence of performance measurement within reform elements envisaged by Hood (1991) and Osborne and Gaebler (1992).

While NPM may seem a universally applicable and apolitical 'public management for all seasons', in reality there are multiple explanations of why the NPM has 'caught on' (Hood 1991, p. 8) as a solution to the pressures for change that flowed from critiques of traditional public sector management. The variation between individual reforms may be partly explained by reform strategies having been adopted for different agendas to do with ideology, fashion and function.

The external institutional environment in which an organisation operates might be powerful enough to strongly influence the way the entity reacts to pressures for change. Fashionable externally-located reforms which carry a persuasive myth of appropriateness may be mimicked. Or strong institutional norms about what constitutes acceptable behaviour may prove to be coercive ideologies. Such coercive or mimetic forces lead to the 'isomorphic' adoption of external norms, values and practices (Czarniawska 1996; DiMaggio and Powell 1983).

As an alternative to the isomorphic adoption of reform strategies, an organisation might adapt 'recipes' used elsewhere because they seem to fit with local problems. With this strategy of functionality an organisation adopts reforms because of their technical efficiency to solve the particular problems that confront the entity rather than for reasons of gaining external

legitimacy. Such reforms may be adopted because of perceptions about effectiveness which have been demonstrated (to varying evidential standards) in the discourse on external reform plans, reform implementation, or reform effects. The nature of the administrative and political contexts of local public sector organisations edits the form in which such external reforms are adopted, and the closer the alignment of the internal and external contexts, the less alterations are likely (Sahlin-Andersson 2000) (Brunsson 1993).

Reforms implemented for reasons of technical efficiency can also be developed internally rather than adapted from external cues, and may therefore co-incidentally parallel similar reforms developed externally principally because solutions were sought to common problems independently (Brunsson 1993, CHECK).

Rational decision-making & performance measurement

While the trajectory and reasons for adoption of individual NPM reforms vary, a central theme of the new paradigm is to produce improved results through a particular method – that of rational decision-making (Naschold 1995; OECD 1997; Olson et al. 1998; Osborne et al. 1995) (Boyne 1999) (Midwinter 2001); So the NPM is a new performance-orientated public sector management paradigm constructed around the rhetoric of rational decision-making in pursuit of managing for results. For instance, in Australia the ideal of 'economic rationalism' became a relatively common theme at the political level (Pusey 1991), which in turn found a voice in administrative and process matters as '**managerialism**' (Parker and Guthrie 1990). In the managerialism indicative of the NPM, administrators become managers whose responsibilities and accountabilities are dictated by formal rational management systems that focus on the measurement of results through quantitative targets and performance indicators (Guthrie 1994). At the same time, with managerialism these systems are supposed to give managers enough headroom and guidance to unleash their creative abilities in efforts to be more responsive to customers (Shafritz and Russell 1997, pp. 284-285).

Rational management requires public organisations to be rational actors who operate with specified goals and measurements of progress (Olson et al. 1998, p. 10), and so the actions of the organisation are subordinated to such goals rather than rules and procedures (Reddel 2002, p. 54). Hence NPM reforms bring a 'post-bureaucratic' paradigm (Hoggett 2001, p. 9), in which decision-making is to be based on performance measurement rather than on definitions of performance previously founded on professional judgment (Naschold 1995) and rule compliance (ter Bogt 2000). So in the NPM, rational decision-making and performance measurement are inextricably linked.

The rise of performance measurement as the basis for decision-making and the relative displacement of professional judgment is exemplified a report of the Office of the Deputy Prime Minister on the 'Best Value' NPM reform in the UK. The report asserts that (emphasis added) "Best value is *founded* on performance measurement" (ODPM 2001 sec1.2 p 2 0f 6).

So, in the NPM performance measurement and reporting are "…intrinsic to the whole process of public management including planning, implementing, monitoring, evaluation and public accountability" (McPhee 2001), and in effect the NPM "…places performance measurement at the center of things…" (Pollitt 2000, p. 142). Consequently, in the NPM, evaluations of public sector activities are often presented in the form of performance measurement (Sanderson 2001,

p.8) (OECD/PUMA/PAC 1999, p. 14) which along with other financial management tools form the new language for discourse and acts as the "…technical lifeblood of NPM organizational structures" (Olson et al. 1998, p. 19). In effect, performance measurement has been the answer in many instances to the question "How can we tell how good the public service is?" (Pollitt 2000, p. 119).

So the NPM requires 'managing-for-results', which is about "…planning for and measuring the results of operations and striving to produce improved services and benefits for people…(and)…such a process should include certain key elements or steps. Specifically:

- Step 1 - Deciding what measurable results you are trying to achieve,
- Step 2 - Identifying specific measures to track and assess progress,
- Step 3 - Collecting and analyzing data,
- Step 4 - Using findings to improve program performance, and
- Step 5 - Constantly improving the process itself" (LIHEAP 1999)

However while performance, its conceptualization and measurement as 'results', and the use of this performance information in rational decision-making are principal and recurring themes across the interdisciplinary streams of NPM academic and practitioner literature, there is considerable variation and confusion in the terminology and definitions applied to important constructs. Four key conceptual issues are discussed below. Firstly, discussion how the nature and scope of performance and results can be specified. There are alternate approaches to deconstructing the notion of 'results' into dimensions for which performance can be measured, and this leads to variations in taxonomies of results used in the literature. Secondly, discussion to clarify the links between the two main types of decision-making and performance measurement. Thirdly, discussion about which activities actually constitute the art of performance measurement, so as to reduce uncertainty about the breadth and depth of the task and show how it fits with other activities and systems. Fourthly discussion on differing approaches to the types of information that performance measurement activities should employ to describe the dimensions of results, so as to reduce uncertainties around the qualitative/quantitative divide

1. Nature and scope of performance and results

In the public sector context, ***performance*** relates the achievement of desired outcomes, and the actions taken to stimulate those outcomes (MAB/MIAC 1993, p. 3). So performance is made up of outcomes and the processes which lead to those outcomes (Osborne and Gaebler 1992), and this myriad of results constitutes a 'performance spectrum' (Cram 1999).

Different aspects of action and outcome performance may become the results-measurement imperatives, depending on the trajectory of particular NPM reforms. Indeed, the literature consistently points to a general emphasis on the results of government activity in terms of consequent outcomes and higher level actions such as outputs, rather than lower level actions such as input levels and rule compliance.
However in the literature there are also some significant variations in how the performance spectrum is articulated, and these variations make the task of comparing research findings and structuring instigating new research problematic.

One approach is to deconstruct outcome and action results into six dimensions and order them according to their orientation (Cram 1999) (Figure 1). An operational orientation considers performance in terms resource input levels, and the dynamics of their conversion into activities. A tactical orientation takes a broader view of how the system works to achieve outputs, and a strategic orientation focuses on the cause and effect relationship between outputs and outcomes.

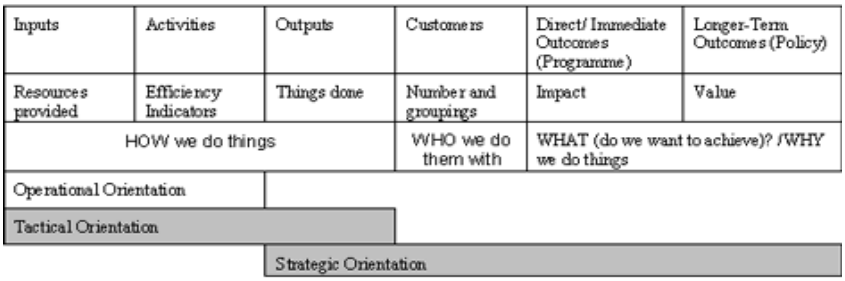

Figure 1: Performance Spectrum

While, in practice basing longer-term outcomes on untested assumptions

Figure 1: Performance Spectrum (Cram 1999)

The deconstruction of performance by the U.S. Department of Health and Human Services (DHHS) (LIHEAP 1999) characterizes the spectrum of results along similar lines to Figure 1. In the DHHS model (Figure 2), 'process or capacity building results' are analogous to 'inputs' and 'activities' in Figure 1. Both models feature 'output results'. The 'immediate' outcome in the Cram model matches the 'initial' outcome in the DHHS model, and Cram's 'longer-term' outcome results are articulated as 'intermediate' and 'long-term' outcomes in the DHHS model. A subtle point of difference is that the Cram model makes "with whom" a separate 'Customers' dimension, whereas the DHHS model presumably subsumes that question into descriptions of outputs and outcomes. Both models shift from how and why questions, as analysis moves from resources and resource conversion to outputs and then outcomes.

Continuum of Results				
Process/ Capacity Building	Output	Initial Outcome	Intermediate Outcome	Long-term Outcome
			WHY?	
	HOW?			

Figure 2: logic model of performance (LIHEAP 1999)

Consistent with the general how and why themes evident in Figures 1 and 2, the New Zealand Controller and Auditor General, quoted in (Barrett 2002a, p. 21) articulates a 'Comprehensive Model of Performance Reporting' (Figure 3) (Barrett 2002a, p. 21) as consisting of input, process, output and outcome dimensions, which matches the conceptualization of the Australian Auditor General. The New Zealand textual description goes on to partition these four dimensions into following three fields by linking process and outputs in a field concerning public interaction. The fields of performance are (emphasis added): *results* – what an agency achieves, its actual *outcomes*, the impact of government activities on the community, and how the community is better or worse off as a result of these activities; *interactions with the public – process* of the agency and the delivery of goods and services (*outputs*) to the public; and *costs – inputs*, the resources met by the taxpayer that are applied to the task and costs also include any decline in the agency's capability.

However in addition to a 'outcome' dimension common in the other models previously mentioned, the New Zealand model explicitly includes a reporting dimension that describes results in terms of resource capability. The resource capability of an organization determines capacity to perform, and is made up of its access to financial, physical, and intellectual capital, the latter being the knowledge embedded in individuals, organisations and relationships, and becoming a pre-eminent resource in the so-called 'New Economy' age because of its importance and uniqueness for competitive advantage (Drucker 1993) (Edvinsson and Malone 1997) (Stewart 1997) (Sullivan 2000). Intellectual capital is a resource capacity which represents stocks of 'knowledge' in the broadest sense of the word (competencies, attitudes, processes etc), and is enhanced by knowledge flows via organizational learning (Bontis 1999; Bontis et al. 2002; Crossan and Hulland 1997; Crossan et al. 1999).

The fact that only the New Zealand model explicitly acknowledges capability results does not mean that other models exclude such considerations. It is possible that performance in internal capability building could be catered for in the other within input, process, output and outcome dimensions, if capability outcomes were a stated organizational or unit objective alongside objectives about community conditions.

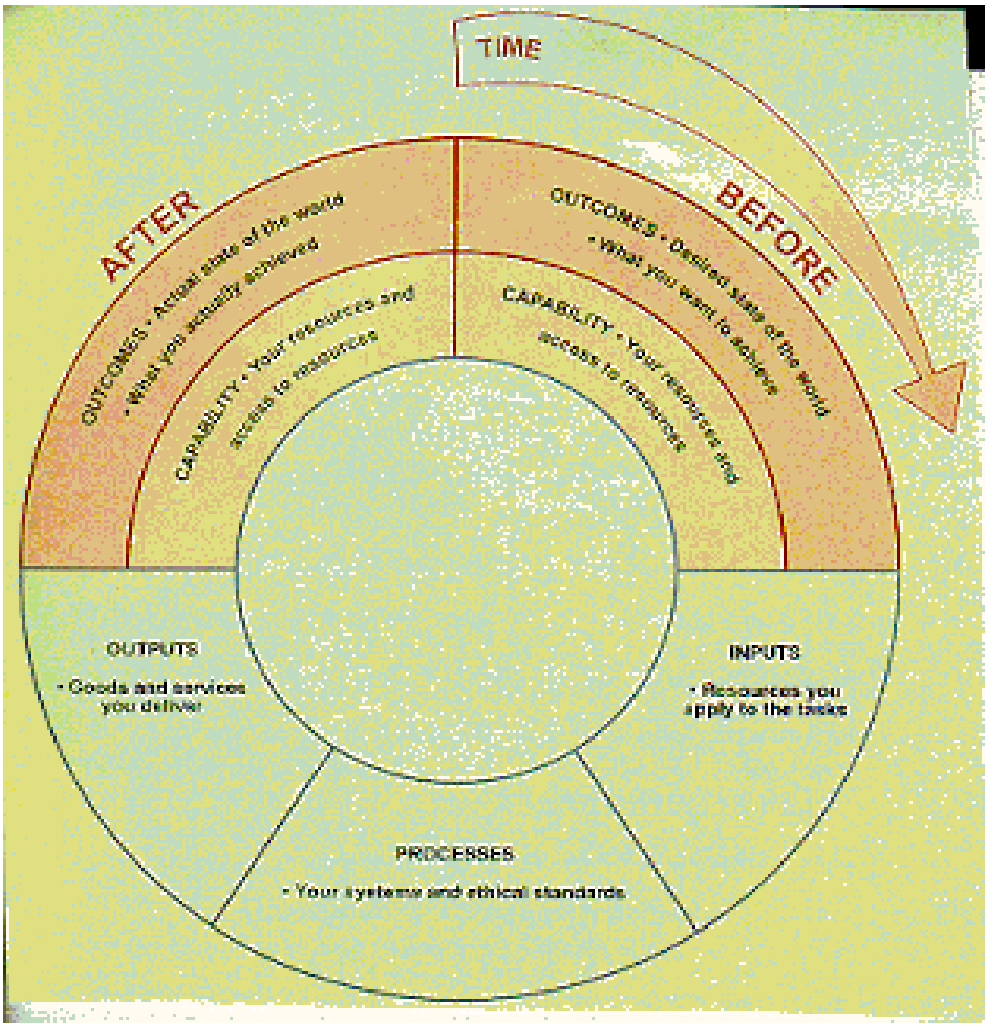

Figure 3 – Elements of a Comprehensive Model of Performance Reporting

Reported in Barrett as source: *Reporting Public Sector Performance*, Report of the Controller and Auditor-General for New Zealand, 12 July 2001.

The appropriation of the word 'results' in the New Zealand conceptualization of performance to describe only the highest level performance dimension, outcomes, is consistent with Aucoin's s (Aucoin and Heintzman 2000) approach. The use of the term 'results' by Osborne and Gaebler (Osborne and Gaebler 1992, pp. 356-357) in their 'what to measure' spectrum also supports the New Zealand practice by articulating two dimensions as "Output (or process)" and "Outcome (or result)". However to limit the meaning of 'performance results' to outcomes is inconsistent with the LIHEAP logic model of performance in figure 2 which uses the word 'result' to describe achievement in any performance dimension. Osborne and Gaebler's (1992) 'output as process' terminology also clashes with the LINHEAP's dimensioning of output and process as separate things, while the latter's interpretation of process as separate from the output artifact is consistent with the terminology of Australian and New Zealand Auditor Generals.

Whilst recognizing that there are alternate valid results spectrums, it is possible to adopt a composite model (Figure 4) to inform future research into performance measurement and learning in the NPM context. As a point of departure we take the LINHEAP (1999) approach to the construct 'result', and refer to the description of any performance dimension as a 'result' – thereby reflecting the everyday usage of that word and the fact that priorities and objectives can be set in relation to the level of resources, their conversion, use and impact. In framing research questions we will adopt the 'inputs, processes, outputs and outcomes' performance spectrum articulated by the Australian and New Zealand Auditor Generals in (Barrett 2002a, p. 21). In addition, we use Cram's (1999) polarities of immediate and longer term outcomes to anchor the outcome section of the continuum, but substitute the term 'initial' used in LINHAEP (1999) as a synonym for 'direct/immediate'. Consistent with the New Zealand Auditor General's model (Barrett 2002a, p. 21), we also explicitly identify two streams of outcomes: community conditions and resource capability.

The spectrum of results as a continuum				
inputs	processes	outputs	initial outcomes • *community conditions* • *resource capability*	longer-term outcome • *community conditions* • *resource capability*
WHY?				
HOW?				

Figure 4: the research model of the performance spectrum

The deconstruction of performance shown in Figure 4 can be illustrated with reference to a macro project-level perspective of a government agency's community educational program on energy efficiency.

The resourcing of the project with financial, physical and human capital constitutes the 'inputs'. The processes include the systems in place that determine the conversion of inputs into outputs, and may be described as an organisation's intellectual capital such as routines, culture and relationships etc (Edvinsson and Malone 1997; Stewart 1997; Sullivan 2000). Whilst models that use an input-output-outcome approach may subsume such processes as a type of input, we will treat process separately due to its often intangible nature and difficulty in identification and measurement.

'Output' performance may be described in terms of the course delivery, the number of clients completing the energy efficiency education program, or both. So output could be described in two parts: the output as the provision of energy-efficiency education to the community and outputs as the community numbers completing the course. The model can absorb such duality of outputs by treating course delivery as being in the left hand part the output section of the

continuum, and the number of clients completing the course in the right part of the output section.

'Initial outcomes' for the community may be the changed client knowledge about energy efficiency, and the 'longer-term' community outcomes could be the ability of participants to reduce their household energy expenditure with a the consequent improvement in their financial status, and reduction of greenhouse gases. Resource capability outcomes may be the attraction of additional funding from local or international governments or benefactors for this and other energy conservation initiatives, and consequent learning and increased skills and knowledge about how to construct, market and deliver effective course for societal benefit.

It is possible to view the spectrum of results from at levels of abstraction other than the preceding macro project-level perspective. For example at a the lower level of abstraction of a project research officer in charge of curriculum development, the curriculum is the output of that officer, and the initial outcomes may be to do with the knowledge retention and recommendations of participants that result from the quality of that curriculum.

2. Performance measurement, results and decision-making

The fundamental purpose of performance measurement is to assesses "… the extent to which, and the efficiency with which, objectives are being achieved…" (MAB/MIAC 1993, p. 4). Performance measurement can describe progress towards objectives by describing the spectrum of results surrounding service outputs and their consequent outcomes. Performance measurement can thus apply to objectives concerning service activity, or community conditions (economic, social, environmental, health, etc), or both (Epstein et al. 2000, p. 6). Therefore performance measurement is a process which assesses progress in "…the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied), and outcomes (the results of a program activity compared to its intended purpose)…" (PEA 1999, p. 13).

The NPM literature espouses an emphasis on the latter dimension since it is vital to identify "…clear outcomes, which the authority needs to achieve to accomplish the vision set by the community…", and it is equally important to have performance measurement that defines "..a coherent set of performance measures and targets to measure progress towards these outcomes…"(IDEA 2001). Descriptions of desired outcomes and the extent and means of their accomplishment are a significant gesture towards order and respectability in a world that often tends towards spontaneity and chaos. Historically, management of government activities concentrated on improving internal efficiency, and consequently focused on measuring resources (inputs) and products (outputs). With recent reforms, there is pressure from the community and levels within government for expected results of government activities to be expressed and reported more clearly, particularly in terms of real life-affecting impacts on the people they are serving (LIHEAP 1999). Regardless of the precise nature of the reform, "…there emerged a universal emphasis on performance, or results based, management that has enhanced the attention given to outputs and outcomes…" (Aucoin and Heintzman 2000, p. 255), which in turn pressures the political leadership to articulate their goals.

So whilst the NPM has seen an ascendancy in initiatives to measure economy of inputs, efficiency of outputs, and effectiveness in achieving outcomes (Carter 1991), the latter becomes paramount since to compete successfully for resources, government activities must be able to demonstrate that they are delivering the right types of results for the community at a cost the community will bare – and this has lead to an emphasis on the process described as 'managing-for-results' (LIHEAP 1999). For example in the USA Sunnyvale focus on specific outcomes for the community that have a direct relationship to the public benefit and the city's function (Williams 2001).

In providing performance information on priorities and progress, performance measurement facilitates improved organizational accountability and better managerial decision-making to secure continual service improvements (NCPP 1997) (Audit-Commission 2002) (HM-Treasury 2001). A recent study indicates that public sector management practitioners place high importance on performance measurement which is consciously designed to inform two groups – internal managers and external examiners such as citizens **(Savoie 2000, p. 15).**

Performance measurement can improve the civic discourse through more specificity and facts, and also stimulate public interest and participation in matters of service quality, which can in turn encourage the work of government employees (NCPP 1997, p. 3) (HM-Treasury 2001). So performance measurement provides a mechanism to re-connect the community and services (Talbot 2002, p. 3) and the performance information is a catalyst for adaptation and innovation and thus the 'cornerstone' of government modernization activities (HM-Treasury 2001).

Performance results facilitate two key streams of decision-making. Decision-making in a rational management paradigm can be deconstructed into the dual purposes of promoting and demonstrating accountability for the use of public resources, and for improving the management of these resources (Barrett 2002b) (Neale and Anderson 2000). As Talbot puts it, performance measurement is integral for this "managing in and reporting out" (2002, p. 3). Thus rational decision-making based on performance measurement is required both for, and about management, since the logic of obtaining improvements in value for money performance through NPM reforms necessitates performance measurement to both guide managerial action and to demonstrate achievement of results.

Performance measurement for 'managing in' provides performance information for managerial action in planning, implementation, monitoring and evaluation. Performance measurement for 'reporting out' provides information to demonstrate accountabilities to a range of stakeholders including central management, politicians, and society (HM-Treasury 2001). The drive for improved managerial accountability in the NPM requires the application of appropriate performance measures that are linked to managerial decision-making and action (Neale and Anderson 2000, p. 3), so descriptions of performance must move beyond the traditional attestations of probity (Kluvers 2001, p. 35) marked by rule compliance, the separation of duties and meeting budgetary (spending input) targets (ter Bogt 2000) Accountabilities must serve three purposes: control for the proper use of public authority; assurance of effective use of public resources; and promoting learning in pursuit of continuous improvement (Aucoin and Heintzman 2000, p. 244-245). The 'reporting out' performance information that focuses or pressures managers to achieve results be supplemented with other performance information that drives strategic and operational decision-making.

Since a broad range of internal and external stakeholders require a multiplicity of performance information about the priorities, results and mechanics of resource management, the NPM requires performance to be scrutinized in an unprecedented scale at different levels and through a variety of means to ensure transparency and effective and accountable government.

3. Performance measurement activities and their relation to other actions

The preceding conceptual arrangement of results into a performance spectrum must be augmented by activity to measure their achievement. But while concept 'performance measurement' and related terms such as performance measurement systems, performance management, performance management systems, and performance management frameworks are terms that are increasingly evident in the academic and practitioner literature, their use is problematic as they often remain as undefined, or barely defined, taken-for-granted constructs.

There no universal terminology about measuring organisational performance, with many terms used synonymously with 'performance measurement' (NCPP 1997), and this existence of alternative terminologies leads to confusion (ODPM 2001, p. 2 of s 1.2). Confusion is engendered by the variety of measurement-related terms used, and by inconsistencies (or silence) in defining their purpose and actions. The consequent lack of conceptual clarity makes it difficult to identify the boundaries between one construct and another, and this hampers the instigation, interpretation and comparison of research and practitioner literature that addresses the description of performance results. Poorly articulated constructs hamper the interpretation of, and comparisons between, papers within the same or different publications. Without clear definitions of constructs it is difficult to assess the degree to which various authors doing the different studies have the same constructs in mind as they make their analyses. So the predicament of alternately used and inconsistently defined terminology requires definitional parameters to be drawn to "…frame the dialogue and to move forward with a common baseline" (PEA 1999, p. 13).

The need to frame the dialogue surrounding performance measurement through definitional baselines is brought into relief by multiple examples from the professional and academic literature in which there is an implicit assumption that the audience will intuitively understand the nature, elements and boundaries of constructs. For example, a recent paper aimed at public sector professionals entitled 'a critique of performance measurement systems' (Kluvers 2002) does not stop to define the purpose and scope of 'performance measurement' activities, nor what a 'system' entails. In another instance, a contemporary article by Sanderson (2001) discusses the importance of 'performance measurement', 'performance management' and 'evaluation' in the NPM context without clearly boundaries and intersections of these keywords. In a similar vein, an article by Halachmi (2002. p. 63) begins with the comment that "The nature of performance measurement and management in government is changing to meet changing agendas", but then does clearly articulate how performance measurement differs from performance management. Also, a major report for the UK Audit Office (Talbot et al. 2001) on international trends in measuring the performance of government departments provides a further example of problematic terminology. In discussing the measurement of performance, the report makes observations variously about 'performance measurement', 'performance measurement and reporting', and 'performance management' without clearly articulating what these constructs actually mean, how they differ or where they intersect. For

other examples of relative definitional silence see for example Martin (1999) Levy (2001) District of Colombia (2002)).

Where contributions to the literature construe the construct 'performance measurement' in different ways, significant interpretational and comparative issues arise through conflicting or incomplete definitions of its nature and form. For example, does 'performance measurement' cover both the development and use of performance measures constitute, or the development alone? Does the notion of development include all or only some of the following activities: identifying what to measure; setting targets and standards; predicting results; and measuring actual results. Also, which of the following activities constitute 'use': displaying performance measures; analyzing performance measures; or the application of that analysis? Understanding that such definitional issues exist goes to the heart of interpreting the literature. Where one chapter author in an edited book writes about 'performance measurement', and another chapter author in the same book discusses 'performance measurement and reporting' (see for example (Talbot et al. 2001), are they speaking about the same thing or is the former a limited or subsidiary form of the latter? And what of where one author writes about trends in 'target-setting and performance measurement' and another comments on trends in 'performance measurement'? With the latter is the reader to assume that target-setting fits within the construct 'performance measurement', or that they are separate activities? Additionally, is there an intrinsic difference between 'performance measurement' and the 'performance measurement system' – is one artifact and one action, or are they synonymous?

Alternate terminologies to 'performance measurement' are problematic as they can mean the same thing or something rather different. For example where the literature discusses the connection between evaluation and organizational learning without appropriate definitions of the term evaluation, it is difficult to discern how the nature and scope of this construct overlaps with performance measurement (see for example Sanderson (2001). In general, evaluations of government activity focus on assessing performance and uncovering explanations for that performance through feed-back mechanisms (OECD/PUMA/PAC 1999). But while performance measurement is integral to different types of evaluations such as management reviews, program evaluations and performance audits, robust performance measurement systems in their own right may be considered as one type of evaluation (OECD/PUMA/PAC 1999). So the task of reconciling the terms evaluation and performance measurement stands or falls on the ability to uncover what authors had intended their scopes to be. Therefore while in one case in the literature it may be entirely valid to re-interpret each mention of evaluation as meaning performance measurement - because that was what the author had meant by evaluation, in another case the meanings of both terms are not entirely congruent.

'Performance management' is another term holding great currency in the contemporary public sector related literature but another one which has taken on a number of meanings. While some articles mention 'performance measurement and management', others speak of performance management alone. At issue in interpreting and comparing such articles are the boundaries and intersections of performance measurement activity and performance management activity, and the question of if, when and how performance management subsumes both the development and use of performance information?

So in order to construct the necessary definitional baselines with which to frame future research, the range of activities that constitute performance measurement will be discussed.

Discussion of these characteristics of performance measurement will help define the construct for the purposes of this research, and map the boundaries of its relationships with other key terms from the literature.

Epstein (2000) describes the range of activities required in the performance measurement process as the development of indicators and collection and analysis of data to describe progress in objectives across the spectrum of performance. From the perspective of the National Center for Public Productivity (NCPP) (1997, pp. 7-8) the range of performance measurement activities is somewhat wider than Epstein's conceptualization, and includes: identification of a program and its statement of purpose; identification of inputs, outputs, efficiency and productivity indicators that are relevant to program objectives; setting targets for accomplishment; monitoring; performance reporting; and analysis and action. The NCPP acknowledges that their interpretation of the ambit of performance measurement is relatively broad, and that others (such as Epstein) may in particular not include action as part of the performance measurement process.

For the purposes of anchoring this research to a definitional baseline, a perspective on performance measurement is adopted which takes the key activities to be: choosing indicators (measures) to describe service objectives across the performance spectrum of inputs, processes, outputs and outcomes; setting indicator targets; and collecting, reporting & analyzing the performance information. The 'performance measurement system' is taken as a collective term for these activities and the informational artifacts that arise from them. This perspective is congruent with an interpretation of the UK Audit-Commission which is described diagrammatically as a continuous cycle in Figure 5 (viewable in word via 'view the 'print layout') adapted from (Audit-Commission 2002, p. 13).

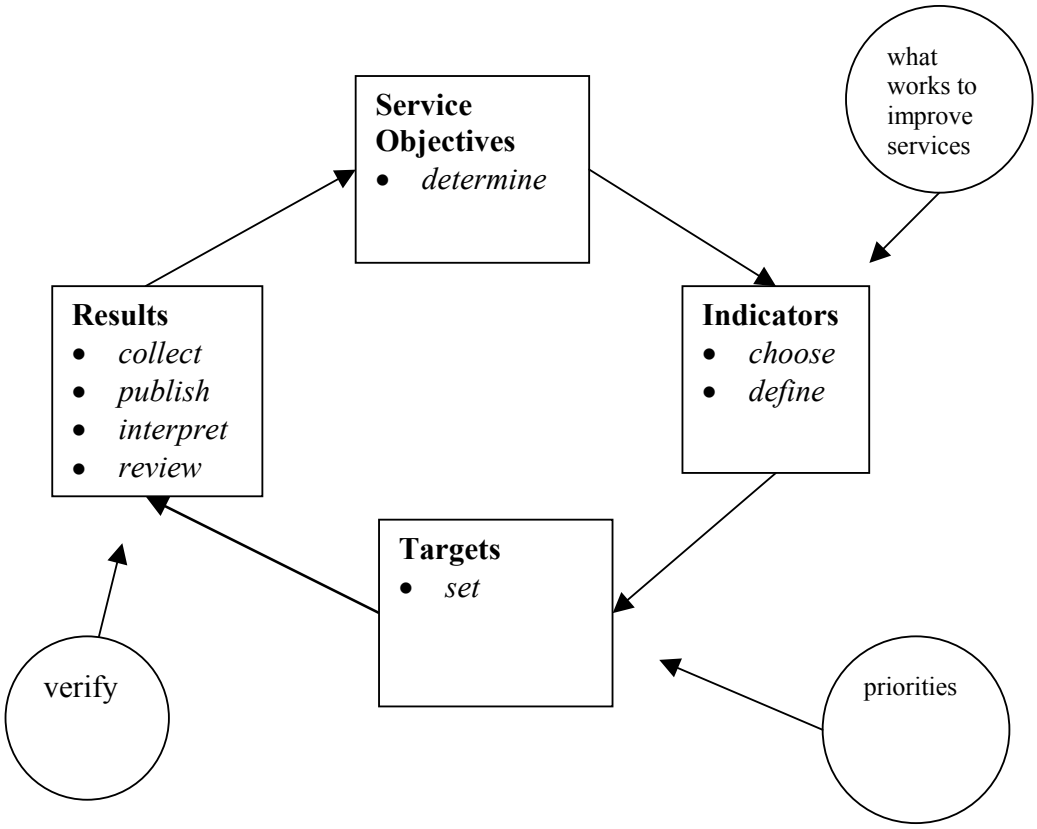

Figure 5 Performance measurement system (VIEW IN WORD PRINT MODE..*view* menu then *print*)

Verification may be via internal or external means, results should be compared to those of other periods and organizations, and the process of performance measurement should be evaluated along with other issues (HM-Treasury 2001, p. 23).

4. The nature of performance information used to describe results

A narrow view would see performance measurement as providing quantitative descriptions of performance (PEA 1999), but a wider perspective that is common in contemporary government literature sees performance measurement as activity to provide qualitative and quantitive performance information that allows assessment about the achievement of objectives (MAB/MIAC 1993, p. 4) (ODPM 2001). The latter interpretation is the one taken in this research, whereby resultant performance information could range from numerical descriptions to narrative or anecdotal descriptions – the essential characteristic is being that it should be verifiable (MAB/MIAC 1993, p. 15).

'Performance information' is a collective term for the description of how well an organization is performing compared to its objectives (HM-Treasury 2001, p. 4). Therefore performance information includes descriptions of actual performance and targets against which to compare progress. Performance information which provides descriptions of actual performance have variously been termed performance information, performance indicators or performance

measures, but the underlying ideas behind these latter two terms are generally the same (HM-Treasury 2001). Performance 'measures or 'indicators' are performance information are descriptions of actual results achievement, and performance 'targets' are performance information about the desired achievement levels that are aimed for(IDEA 2001) (HM-Treasury 2001). Performance 'standards' may be used in lieu of targets to describe minimum or expectational (as opposed to aimed for) results (HM-Treasury 2001).

For consistency, and in line with conventional usage in the Victorian local government context of this research (DOI REPORT), the terms 'performance indicators' and 'indicator targets' will be used as the preferred terminology for descriptions of performance against objectives which can include qualitative and quantitative dimensions (ODPM 2001) (MAB/MIAC 1993, p. 15).

In this research where there is a need to distinguish between qualitative and quantitative descriptions of performance, the term qualitative or quantitative will be made explicit. In questions put to stakeholders, the terms used will be 'qualitative and quantitative performance indicators', 'qualitative performance indicators', and 'quantitative performance indicators'. This in recognition that in the literature and professional practice a narrower view also exists that construes performance measurement to be about producing performance indicators as quantitative descriptions.

Performance indicators should relate to specific variables which assess the achievement of objectives. In order to support an objective, indicators should address what needs to happen for the objective to be realised. For example, a core objective to provide accessible and affordable rental housing in good condition may require amongst other things, effective use of existing housing stocks. Indicators that assess the achievement of effective use of these stocks could include numbers of empty dwellings, re-renting time gaps, and the condition of housing stock (Audit-Commission 2002, p. 10). Indicators of condition could be, for example, a quantitative rating of condition by expert judgment or qualitative views of groups of tenants, or both if that is what is required to tell the story about achievement of input, process, output, and outcome objectives (Neale and Anderson 2000).

An appropriate mix of qualitative and quantitative performance information should be accompanied by a balance in short term and long term perspectives. Individual performance measures should meet the criteria of being: relevant to organizational objectives, attributable to actions and accountabilities within the organization, well-defined, comprehensible and useable measures, timely reporting of progress, reliable accuracy, and avoiding perverse incentives (HM-Treasury 2001, p. 3). In addition, targets need to be SMART (specific, measurable, achievable, relevant and time-related)(IDEA 2001) .

The qualitative or quantitative performance indicators that describe the achievement of objectives concerning inputs, processes, outputs, and outcomes can be supplemented by the additional relational measurements of the three Es' – economy of inputs, efficiency of outputs, and effectiveness in achieving outcomes Carter (Carter 1991), each of which is defined in a recent UK Treasury publication (HM-Treasury 2001). Where input indicators may be stated in terms of costs and/or quantities of resources consumed, economy measures specifically relate to the costs of inputs being consumed. Economy requires an understanding of resource costs, and an indication as to whether appropriate prices are paid. Input indicators that are framed in

cost terms may therefore also act as measures of economy. Efficiency measures the output to input relationship, and describe the cost and productivity of converting resources into the action in the form of goods and services. In doing so, efficiency measures also pass some judgement on an organization's processes related capabilities. Computations for efficiency require indicators for the actual volume of outputs, the cost of resources, and the computation of the productivity of the input into output conversion processes compared to targets. Effectiveness measures describe the extent to which outputs achieve the desired outcomes as required by an agency's objectives, and so outcome indicators which align to organizational objectives and have a causal relationship to outputs can also act as measures of effectiveness. An additional measure is cost-effectiveness, which assesses the relationship between costs and outcomes, and indicates value for money.

Consistent with current sentiments (ODPM 2001) (HM-Treasury 2001), the range and balance of performance information addressed in this research includes: input indicators; output indicators; outcome indicators; and related measures of economy, effectiveness and efficiency. Also, consistent with its identification in the 'spectrum of results' discussed earlier in the paper, process indicators are adopted as an additional category of performance information. While some of these terms seem to be used more or less synonymously in the literature, is important to recognize some potential differences due to the context of use. This argument particularly supports the introduction of process indicators as a separate category as efficiency measures might be seen as synonymous with the idea of process indicators, or alternately process indicators might provide quite different specific information on organizational routines, practices, culture or relationships than are normally addressed by efficiency measurement praxis.

The argument about contextual differences also applies to other measurement categories. Economy measures and input indicators may in some instances tell the same story. In other instances, where input indicators are in non-dollar terms, or input objectives relate to certain conditions (such as the desire to purchase resources locally to support area small businesses), or where input indicators are at levels of abstraction that provide much detail, then economy measures and input indicators may be quite different. Effectiveness measures may be the same as outcome indicators, but they might be different things if outcome indicators also measure unintended consequences are presented in finer levels of detail.

Critiques & problems of performance measurement for rational decisionmaking

While performance measurement initiatives have expanded in the large range of OECD countries that have experimented with NPM reforms, the 'measurement mentality' has gone further in some (like USA, UK and Australia) than others (such as Germany and France) (Pollitt 2000, p. 142) The performance information that NPM reforms rely on so heavily in pursuit of change is produced by what Olson et al (1998) describe as the New Public Financial Management (NPFM). Their conceptualization of 'financial management' is taken in a broad multi-disciplinary sense to include new techniques in five areas: financial accounting; pricing and charging; budget devolvement or delegation; internal and external audits; and a performance measurement approach which utilises financial and non-financial performance indicators, program evaluations, citizens charters and comparative league tables (Olson et al.

1998, p. 18). The performance measurement and other NPFM elements provide the essential language of the NPM reforms in a way that can alter organisational priorities (Olson et al. 1998) (Olson 2000).

But as a pivotal technique in the NPM, performance measurement is suffering a "..crisis of confidence" (Williams 1998, p. 21). Critiques are emerging of the 'naïve faith' in the rhetoric of NPFM reform (Olson 2000, p. 17), and in particular the reliance on rational decision-making based on performance measurement. These critiques question the ability to manage-for-results, since ascertaining the results in public sector organisations is problematic (Olson et al. 1998).

Pollitt (2000) argues that despite the strong enthusiasm, especially towards quantified measures and targets in a range of countries as politically diverse as the UK, New Zealand and Finland, there is a need to explore the limitations of performance measurement as a way of judging public services. This exploration is necessary "…not to deny either its fundamental usefulness or the scope for its further development…but about its limits, written in a climate where performance indicators seem to have achieved wide ascendancy, and not infrequently used as ways of closing debate and/or of dismissing other kinds of information and insight." (Pollitt 2000, pp. 140-141). Drawing on the work of Meyer and Gupta and others, (Pollitt 2000, p. 122) maintains that the ability of measurement activities to inform decision-making is compromised by three types of interacting problems – conceptual, motivational and technical. The following discussion indicates that these problems potentially make the contribution of performance measurement to decision-making a limited and fragile affair, rather than providing a suitable 'automatic-pilot' for decisions.

Conceptual problems

Conceptual problems relate to the meaningfulness of measures to the various affected social, political, and public service groups who have different values. Because government activities are often so complex or socially controversial, performance indicators will never have the depth or breadth to capture the important dimensions valued by various stakeholders. So it is often not possible to develop complete, objective and stable sets of performance indicators that will automatically guide decision-making about accountabilities and future directions in a way envisaged through the logic of the NPM. Where stakeholders approach an issue with different mindsets, consensus about values and therefore appropriate performance measurement is unlikely. For example, a 'good' school may mean exam results and costings to some stakeholders, whilst others may value creativity, self-discipline or ethics (Pollitt 2000, p. 124) . Even if the performance dimensions of a good school could be captured by a performance measurement system, decision-making is by no means an automatic thing as there are dangers in either increasing funding to the better schools (and perpetuating or exacerbating the poorer performance in other schools) or in funding the poorer performers to catch-up, and creating disincentives for superior performance (Pollitt 2000, p.127) . Chasms in expectations widen where tax-paying non-users fund a service, and yet a performance measurement system must chose between different values and preferences. For instance, a well performing social security system may mean, to some, the provision of unemployment benefits sufficient to give the unfortunate have some equity and normalcy. For others a good system should provide the lowest levels of support possible to pressure the indolent towards work (Pollitt 2000, p. 125).

Conceptual problems in assessing performance expand since people do not necessarily have stable or coherent preferences. Preferences change as contexts or the way that issues are presented change, and contradictions abound - such as simultaneous desires for lower taxes but more effective schools and hospitals (Pollitt 2000, p. 128). Some might acknowledge such problems as outlined above, but conclude that democratically confirmed priorities and sophisticated preference sampling mean that issues of differences and shifts in values can be coped with when constructing a performance measurement system that will firmly guide decision-making. At the other end of the continuum are those who see such conceptual difficulties as casting doubtful validity on performance measurement for decision-making. Pollitt (2000, p. 129) sees a middle road, one where the "automaticity" of performance measurement for decision-making is rarely achievable as the measures must be combined with other considerations and values to determine what has been achieved and what must be done next. And while some services may be simpler and perhaps therefore have greater community consensus about what measures define good performance, it remains an empirical question as to which fall into this category (Pollitt 2000, p. 126).

Conceptual problems are compounded by issues of 'churn' in the efficacy of performance measures that were once conceptually sound. For example, even where a particular raft of performance measurement has aided decision-making, improvements made as a consequence may make that same type of information irrelevant for future directions (Pollitt 2000, p. 130). In addition, robust performance information actually make the decisions harder and less automatic, as there are pressures for real justifications of resourcing and action to be made based on the data, rather than some historical incremental change (Pollitt 2000).

Pollitt's (Pollitt 2000) account of conceptual problems finds support in the literature. McPhee (McPhee 2001) similarly argues that public sector entities differ from typical private sector organisations due to their wide ranging responsibilities to elected government and taxpayers, and because they must satisfy a wider range of social economic and political objectives. Consequently for the public sector relative to the private sector, there is greater complexity in the performance measurement required to demonstrate accountability and guide managerial decision-making for these wide ranging objectives (Osborne and Gaebler 1992). This complexity arises because public sector organisations are subject in greater degree to conflicting and competing demands of multiple stakeholders, many of which cannot be primarily articulated and measured in financial or market-based terms (MAB/MIAC 1993). Yet despite these complexities in public sector policy and action, "Management reformers proceeded as if government could be regarded as a unitary actor with coherent and stable preferences and objectives. In practice, however, a multitude of complex, value-laden and conflicting societal demands press in upon the administration generating within it an impressive but bewildering array of competing purposes incapable of easy reconciliation" (Zifcak 1994, p. 190). So whereas organizational reality is a complex phenomena, performance measurement tends to focus on what is readily visible and more easily measurable, and hence may fail to capture the complexity of the reality (Townley 2001), and in driving for economically rational solutions, there is a danger that NPM reforms miss social and political dimensions of stakeholder interests and thus misconstrue problems and provide simplistic answers (Painter 1998).

The task of articulating performance achievements of public sector organisations across the performance spectrum of inputs, processes, outputs and outcomes presents a difficult challenge,

and one that grows with increasing demands for results accountability in an environment where measurement is 'contestable' due to competing forces and interests (Talbot 2002, p. 2). In an example that parallels Pollitt illustration of schools (above), Talbot (Talbot 2002, p. 2) considers performance measurement and decision-making for prisons. In measuring prison performance police, the courts, government corrective services agencies, prisoners, victims, their families, and human rights workers may contest what success is: in-prison assaults, re-offending rates, punishment, costs of incarceration, educational opportunities, recreation time etc. These competing dimensions require trade off's, for example punishment versus recreational opportunities, and illustrate complex stakeholders acting in complex areas of human activity within complex institutional frameworks (Talbot 2002, p. 2). However Talbot's view is that this contestability of performance measurement is an opportunity rather than a problem for performance measurement – as long as the data is used as a 'tool for talking' rather than just the input for rationalist computationally based decision-making (Talbot 2002, p. 3). A tool for talking is analogous to Earl and Hopewood's model of accounting and information systems as a dialogue, learning or idea machine, rather than an answer machine, in contexts other than that of low uncertainty about objectives and low uncertainty about cause and effect (Earle and Hopwood 1981).

Olson et al maintain that the rhetoric of the NPM proponents glosses over the actual complexities in performance measurement (Olson et al. 1998; Olson 2000). The replacement of the old bureaucratic style of administration requires management to be based on service formalised performance measures, but these "…leave out aspects of the public good that are difficult to measure and formalise, highly collective in character, and better sustained with diffuse trust than contractural relations (Olson et al. 1998, p. 12)". Critical public sector values of probity, fairness and impartiality should not receive diminished attention in the glare of improved performance which is advocated by the NPM in terns of either efficiency or effectiveness (Aucoin and Heintzman 2000, p. 265).

There is a limit to the use of rational modes of analysis in public sector administrative decision-making. For even where performance measurement can provide useful guidance on which competing means best facilitate a pre-determined end, it is difficult for performance measurement to provide answers in the rational model to which competing ends are to be preferred (Zifcak 1994, p. 191) – for example how split scarce resources between hospital bens or child care centers.

Hover the reliability, validity and thus the utility of public sector performance measurement can be increased if initiatives move 'outwards' to report outcomes rather than outputs, and to speak to internal management and external stakeholder audiences. This requires a move from narrow and unimaginative questions about levels of satisfaction with a particular service, to knowledge of what information stakeholders require about a service, why that information is significant, and how that information is best communicated. The objective is to have development in performance indicators align with public preferences and values rather than with technical or managerial justifications (Pollitt 2000, pp. 146-147).

Motivational problems

Motivational problems are often a function of performance politics with issues of "…who measures who and for what purposes and with what safeguards against distortion and misuse?" (Pollitt 2000, p. 122). Motivational problems include: inspiring gaming that manipulates measures or selectively leaves-in good results while filtering out areas of under-performance; institutionalizing tunnel vision where only what gets measured gets done; reducing effort to that required for attaining minimum standards set; closing discussion or averting attention; and inducing target setting that could give an easy ride or divert attention towards or away from particular areas, rather than stretch an organization (Pollitt 2000, p. 132). Measurement influences action, as individuals attempt the affect the measure of performance, rather than the performance itself (Townley 2001, p. 305).

Performance measurement also changes the locus of control as public sector manager s are required to "…manage to predetermined targets, standards and measures of performance in exchange for greater managerial authority" (Aucoin and Heintzman 2000, p. 254). A paradox with NPM reforms is that management is simultaneously subject to more centralisation and decentralisation (Hoggett 2001, p18). For example, with decentralised authority and responsibility operational managers have increased freedom to choose how resources allocated to their areas are used – in other words the pathway to required results. But that fact that the performance of these managers is assessed by how well their activities meet outcome results required by centrally determined policies, and evaluated in a fashion dictated by centrally influenced framework of targets and rules, indicates strengthening central control (Hoggett 2001, p. 18). So a hands off approach to central control can actually led to increased central control through results accountability. In addition, a performance measurement regime built on tight prescriptions of output and outcome measures may put the brakes on managers ability to be flexible and adaptive in pursuing high performance just as strongly as would excessive bureaucracy (Aucoin and Heintzman 2000, p. 259).

A fundamental difference between the contexts of performance measurement in the private and public sectors is the potential public access to the performance information in latter (Talbot 2002, p. 4). Freedom of information on public sector performance measurement information may shape the approach taken by managers in what is measured and reported, or not, and how the measurement and target setting is done.

Technical

Technical problems relate to issues of whether "…can everything important be measured, and measured reliably, at reasonable cost, and without too much delay?" (2000, p. 122). Even where conceptual difficulties can be overcome so that reasonable choices can be made about what phenomena to measure, it is still difficult enough to construct an individual measure which is relevant, reliable and useable, and has 'ownership' of collectors and users alike. It is even more difficult to acquire sets of measures that are comprehensive enough to satisfy the range of stakeholders, yet not so large as to obscure transparency and become unintelligible. There has also been undue emphasis on lower order measures of input and process rather than higher order measures of outputs and outcomes, since that is where the ease of measurement and expertise is. In addition, changing organizational boundaries, shifting agendas, and desires to create diversions can cause constant 'cycling' into different sets of performance measures. Without stability over time, it is technically difficult to interpret results and

establish trends over time, and constant adjustments facilitate gaming behaviours with new or not well understood or practiced performance measures.. A further issue is how to link indicators of performance to budgeting, resource allocation and other managerial activities. Also, how can results be attributed to a particular entity where more than one organization or institution may be contributing to the performance? These other entities may be other governments, non-profits, the private sector or other community elements. There are technical issues in setting standards and targets and justifying these comparator choices (Pollitt 2000, p. 133-140).

Osborne and Gaebler (1992. p. 332) argue that government has paid enormous attention to numbers, and " …is famous for its endless figures and forms". The authors note that these numbers are mainly about input dollars, people served and services delivered, rather than a focus on the outcomes that are the ultimate results of the activity. While acknowledging that measurement of government results is not straightforward they contend that adequate performance measurement may take many years to develop, and in the interim there tends to be either a dearth of surfluit of measures which largely fail to track essential outcomes. A lack of sophistication in performance indicators can have them acting as question posers rather than answer dials (Carter 1989)

Consequently of the three problems outlined by Pollitt, while the NPM requires performance information that "…politicians, service recipients, providers and other actors can and want to talk about and use…So often …the talk is of performance information that is inaccurate, too complex, too difficult to access or misleading in terms of the degree of operational control capable of being exercised by those whose 'performance' is being measured (Olson 2000, pp. 16-17)". This assertion is supported by evidence in NPM reform studies that there is a lack of suitable performance indicators available to demonstrate accountability (Kloot 2001; Kluvers 2001) (Atkinson and McCrindell 1997), causing the assessment of performance and improvement is problematic (Kloot 2001). In a similar vein, in an audit to assess performance information in Commonwealth agency reports, the Australian Auditor General has found major limitations in all cases concerning effectiveness indicators which did not actually measure outcome performance, and in targets which were sometimes absent, and often ambiguous or vague (Barrett 2002d) .

With such prior studies indicating that relatively underdeveloped performance measurement systems typify the public sector, and given that there is no standardised off-the-shelf NPFM solution, and no clear certainty as to the consequences of selecting any particular decontextualised approach to performance measurement and applying it to individual circumstances (Olson 2000, p. 4), the point of debate is whether managerial action can be directed and evaluated on a rational basis through of performance measurement as prescribed the NPM doctrines, or whether the alternative description of 'muddling through' is more plausible (Lindbolm 1979).

Indeed, measurement can present a paradoxical hazard for government since the stronger the attempts to measure what is inherently immeasurable, the more a quantification of results displaces judgement, experience, and commonsense in governance processes *(Gregory 2000).* In the new paradigm, performance measurement should be used to aid judgement, and not be a substitute for it. Because of the complexity and difficulties in measuring public sector

achievement, more and more analysis does not guarantee that the correct answers will just emerge, and "…the real power of performance measurement and reporting comes not from providing the 'right' answers but by helping to frame a set of questions and a structured dialogue account how to improve public services" (Talbot 2002, p. 3). While the NPM has been seen as a response to rapidly changing environment facing public sector organizations, Williams sees an irony in the new management responses being based on a rational results-based decision making model that "…seeks to manage complex non-linear multiple goal seeking socio-political services as if they were simple, linear, stable single goal-seeking input/output/ outcome industrial processes" (Williams 1998, p. 21 RE CHECK NO)

Reducing the abstraction of performance measurement and conclusions

Abstract models of management (Townley 2001) are those in which decisions are made on the basis of abstract representations of reality, and such management is are increasingly prevalent in NPM reforms. Performance measurement systems that form the basis for abstract management comprise a myriad of indicators are insensitive or incomplete descriptions of the real action and context – the reality of what is really going on. For example (Townley 2001, p. 305)"Annual reviews measure success in achieving targets. The organization is modelled into a well conceived layer of measures and targets cascading through the organization. But the models are simplified versions of specialist knowledge and complex practice and consequences of managing through them are potentially dysfunctional...". Management based on such performance measurement technologies lacks effectiveness, can produce dysfunctional consequences, and by implication, stifle necessary local **learning.** Townely's argument is not with performance measures, which are seen as necessary form of organizational intelligence – albeit giving a two dimensional view of a three dimensional reality. Townley's "…argument lies with systems abstracted from what they claim to represent; that articulate the managed process, not as a practitioner would understand it, but in a simplified and modeled form; that uses that uses this highly abstracted model as the real, the basis for decision-making usually involving resource allocation where high levels of abstraction can introduce major distortions in practice at a local level; but more importantly that the abstracted form alone becomes the measure of management" (Townley 2001). These arguments align with Talbot's (Talbot 2002, p. 3) above, in that performance measurement is a necessary part of management in the NPM, but should not drive contextually informed judgment out of the decision-making process.

The definitional, conceptual, technical and motivational problems for performance measurement which are identified in this paper are a barrier to the "..appealing vision of measured governance" (Pollitt 2000, p. 123). There is a need extend the traditional research focus on nature and validity of performance measurement to a contextual consideration of how performance measurement information may be used in service delivery change(Kloot and Martin 2000). In other words, how performance measurement interacts with governance.

Governance is a term that is currently in vogue and can have multiple meanings. The British Council (British-Council 2002) offers a working definition of governance as a broader notion than government, and which involves interaction between formal government institutions, actors within them, and civil society. Assessing governance in a particular context might include criteria about legitimacy, representativeness, popular accountability and efficiency of

actions (British-Council 2002). In simple terms, in a public sector context governance refers to key elements of relationships, activities and structures that further performance through enhancing accountability, transparency, and by integrating stakeholder interests in decision-making (Edwards 2000, p. 5) (Edwards 2002, p. 52). Clearly the roles of performance measurement activities in the NPM in facilitating accountability and decision-making position it as a key element in governance.

The supposedly simple corporate management and 'marketisation' models of the NPM that were supposed to provide better economy, efficiency, and effectiveness have had the perhaps unintended consequence as it :" …challenged existing ways and set in train a discourse and pressures for change which led not to efficient responsive services but to the broader notion of local governance (Rhodes 1998, p. 11/16).

Whilst governance includes many elements, (Epstein et al. 2000, para5 sect 1) identify three elements that are of particular importance in impacting and furthering performance in a "results-orientated" context: performance measurement; citizen engagement (community involvement); and government policy and implementation. Epstein et al's (2000) model of effective governance holds that the generation of community conditions is dependent on the action and interaction of performance measurement, citizen engagement, and the development and implementation of government policy, and the ideal is to have alignment of all three elements in a way that directs action and accountability towards positive results that matter to citizens. While the effectiveness of governance can be impacted by other elements, the authors argue strongly that these three elements of governance are especially important in a results-oriented governance context that is based on interaction between civil society and formal institutions (Epstein et al. 2000).

Figure 1. Effective Governance Model

The model sees the "linkages" among the three elements as keys to effective community governance. These linkages, or different forms of "alignment," are indicated by numbers 1–4 in Figure 1. In brief, they are:

1. **Performance management by government:** The two-way linkage of performance measurement and reporting, and government policy and implementation.
2. **Citizens engaged in measuring and reporting performance:** A two-way linkage.
3. **Citizens engaged in government policy and implementation:** A two-way linkage.
4. **Performance management:** The *three-way* linkage that aligns all three elements of the effective governance model to provide the strongest potential synergy for improving communities in ways that matter to citizens.

Epstein et al's (2000) focus on these three elements of governance in a results-orientated environment is congruent with the rhetoric of NPM reforms. In a rational NPM model of management not only must performance measurement provide robust assessments of inputs, processes, outputs and outcomes, but these assessments must actually be used to inform decisionmaking and accountability in the development and implementation of government policy (Hoggett 2001; Hood 1991; Olson et al. 1998; Olson 2000),. Furthermore, what is measured and what is done should be responsive to the needs of citizens (Osborne and Gaebler 1992).

The level of interaction and influence that citizen engagement has with the performance measurement and government policy and implementation elements of the governance context will be impacted by the degree to which particular NPM reforms advocate or dictate community consultation and involvement.

In Australia there are expanding interdependencies between politics, administration and the community (Marsh 2002, p.3), as is evidenced by the explicit community focus in recent Best Value reforms to the management of local government (DOI 2000).
Those NPM reforms which explicitly require substantial community engagement may require a reconceptulisation of civil society and the state in a new policy framework that requires "..an informed, inclusive and discursive citizenry that promotes the democratisation of decision-making mechanisms of the state and supplements and extends traditional expressions of representative democracy (Reddel 2002, p. 57). In such contexts, governance requires shared stakeholder inputs in driving strategic change based on stakeholder analysis and communication strategies (Reddel 2002, p. 59)

There are five main purposes that can lie behind community consultation: discovery of information and options; measurement of public opinion; community education about an issue; persuasion about particular options; and legitimization gained from complying with legal requirements or norms of behaviour (Walters et al. 2000). Each has the potential to influence subsequent government policy and implementation, and effect the development and use of performance measurement.

Performance measurement systems both monitor and shape organizational behaviour, and have the potential to effect the way internal and external stakeholders think and act. However research into the operation and effect of performance measurement in the context of public sector reforms is problematic until a point of departure is constructed which addresses definitional uncertainties, frames areas of efficacy problems to investigate, and places performance measurement in a less abstract way as intersecting with other key elements of governance.

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