

HANDBOOK ON

Performance Management in the Public Sector

Edited by

Deborah Blackman



HANDBOOK ON PERFORMANCE MANAGEMENT IN
THE PUBLIC SECTOR

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Edited by Deborah Blackman

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Welcome

Welcome to the *Handbook on Performance Management in the Public Sector*. Thank you for your interest in this subject in general, and this book, in particular. When a book such as this is proposed, the first question asked is why is this an area of interest at this time? Why is this book needed when so much has already been written about performance management in the public sector? Is something happening in the public sector that calls for new ways of thinking about performance management? We will answer these questions in this short introduction, as well as explain how the book is set out and why it is set out this way.

As with all good introductions, this chapter was written last, enabling us, as researchers, to reflect on each chapter of the book and on its contents as a whole, and why the information here is likely to interest you, our readers. When we first conceived of this book, little did we know that we would be writing it in the midst of the global pandemic brought about by COVID-19.¹ And yet writing it at this time, when both government priorities and public sector working practices are shifting so rapidly, emphasizes the importance of this topic and the dynamism of the context.

One of the problems we identified when we began writing this book, is that the term ‘performance management’ means different things to so many people. Accordingly, when we work with students in this field, we teach them to differentiate between different references to performance management because of the lack of similarity between one form of performance management and another. Students are taught to think carefully about what they are reading, as one person’s definition of performance management may differ to another’s. You will find the same open mindedness is needed when reading this book. The eminent researchers from around the world who have contributed to this book, have defined performance management in a range of ways. To achieve clarity around this term, we offer a reminder of the history of the word ‘performance’ which emanates from the concept of accomplishing or completing something. However, there has been a recent shift in the interpretation of performance, a move away from performance being an *achievement* to a focus on performance being a *process*. This more recent thinking incorporates assumptions about performance requiring a predetermined task, goal or standard: a judgement of what should be achieved. Thus, performance has become synonymous with ‘to achieve a set output’. This shift in interpretation has led to many people who work in the public sector concluding that at least some level of performance can be ‘managed’ through planning, measuring and ascertaining what has been achieved. As a consequence, we have seen governments and public sector organizations espousing the importance of, and indeed apparent benefits from, managing performance outputs and outcomes, on the assumption that performance management processes will bring increased planning and improved performance.

However, to quote Monty Python, what we are learning from the sudden impact of COVID-19, is to ‘expect the unexpected’. Living and working in the current context leads to the realization that it is unlikely that any performance predictions or matrix set up at the beginning of 2020, for any level of performance, could be applied without major changes. And so, this raises new questions, such as: is predetermining performance either possible or

helpful? What happens when there is unexpected performance? And how can the usefulness of performance management as a concept be understood, evaluated or valued?

As you will see as you progress through this book, understanding performance management requires an appreciation of the level of analysis that is being considered. This is because performance management can be applied at the governance, systems, organizational or employee level. Further, performance can be seen to emerge from a range of different activities: policies, a team's program delivery, an individual's outputs. In each case, each of these activities is seen as having a level of performance which can be predetermined, measured and, in theory, shaped. Thus, one of the issues that emerges whenever performance management is discussed is what defines, creates or shapes performance? It is this conversation that we contribute to in this book, and we do so because being able to explain what performance is, how it is planned and how it will be achieved, is important given the transparency and accountability required of the public service. In this handbook of research, we offer some potential answers to these questions, recognizing that there are still more questions emerging.

This book is divided into two parts. Part I contains research relating to systems and governance. The arguments at this level of performance management are about how government and institutions can be organized and shaped to create scope for high performance or, as some would argue more often, how the organization can undermine the capacity for high performance in some way. The chapters in this section consider how the need for governments and public sector organizations to demonstrate value and performance, leads to decisions about how to organize, how to define, and how to measure performance. That each of these decisions inevitably impacts the way performance is perceived and, consequently, shapes the expectations being set at all levels is much discussed. What is clear, is that there is a common view that objective performance targets and standards can be predetermined, established and tracked, despite this being challenged by most contemporary research. Reflecting this view, governments often seek to encourage public sector organizations to align performance management policies and processes to organizational outcomes. However, as we have seen, government priorities are themselves subject to sudden transformation in uncertain environments that are difficult to predict or control. Unless performance management processes can be as agile as the organizations have to be in order to address changing priorities and subsequent outcomes and outputs, they may undermine, rather than enhance, performance. We are seeing this playing out as we are writing; suddenly there is less discussion about how to demonstrate public value and more about how to support health systems potentially stretched to breaking point during COVID-19; less about reducing support for the unemployed and more about supporting those unexpectedly without jobs as entire industries shut down.

But we are seeing major challenges emerge as governments must decide between trying to 'restart' the economy and risking new waves of COVID-19, even as the first wave is still growing across the globe. We are reading about 'Zombie organizations' created when government support enables businesses to carry on trading even when they will have little chance of survival in the 'new world'. Success in terms of the performance related to government decisions has moved back and forth between business survival (economy) and individual survival (citizenry). But it seems, as the world moves around us, that there will be a need for very different understandings of success if performance management is to be a useful practice within and across public sector organizations. Part I of this book shows us that only when the public sector can define success effectively will the ensuing decisions lead to better performance.

Part II addresses research related to the performance of organizations and employees. What is clear in Part II, is that any decisions that affect the way that performance is defined, planned or measured can only be made by people, regardless of whether the level of output is at the employee, team, systems or organizational level. The researchers discuss different aspects of these decisions, highlighting how they shape the individual's behaviour and, as a result, the organization's behaviour. As academics, we are reminded of what happened when a new journal ranking system was developed in Australia. The objective was to enable assessment of research quality as an element of university level performance. As a consequence of the introduction of new metrics and measurements, publishing in top-ranking journals became, almost at once, part of individual level performance metrics and agreements, as well as an element of recruitment and selection criteria. But, of course, we hear you say, that was bound to happen. Yet, two years later, a member of the organization that had undertaken the rankings said: 'we are thinking of not re-doing the rankings as you are all using them in very unexpected ways'. By then it was too late to stop the new processes. As a consequence, other rankings were used to measure individual research performance because, although the ranking system was withdrawn, the organizational metric was not. The unexpected, or unintended consequences of the new ranking system, had shaped the future in ways that were not going to go away. This example demonstrates the need to recognize how different levels of performance analysis are inevitably linked in predictable and unpredictable ways.

Another key feature of Part II is discussion around what is likely to bring the most impact in terms of delivering real change. It is recognized that what level of performance is being addressed, who or what is being measured, and what methodology is in place for evaluating the performance, are all important. However, it is suggested that the least discussed, but potentially most important aspect affecting the potential success of any performance management outcome, is achieving clarity as to what policies or processes are being designed to do. When working with public sector leaders and managers to improve the effectiveness of their processes and practices, especially at the employee level, we often ask the question – so what do you want to be different with this? We usually receive blank stares, followed by the statement 'well, we want to know what the people/team/ program have achieved'. However, what is missing is the focus on desired behaviours or the behaviours that they want to shape.

All too often, despite there being major changes taking place, performance management is still seen as a stand-alone, compliance activity to be completed reluctantly and quickly; it is not necessarily integrated with other management practices. Many of the examples in Part II suggest that this needs to be reconsidered in order to enable performance management to be implemented in ways that create better outputs and outcomes.

We started this introduction by asking the question, why does researching public sector performance management continue to matter at this time? The answer, we suggest, is twofold: first, because the desire of governments and public sector organizations to plan and evaluate their outputs and outcomes in some predictable way, even when their context is apparently unpredictable, is as strong as ever; and second, only by shaping the behaviour of individuals, be they leaders, managers, employees or citizens, can there be performance change. These two related ideas will be seen as critical elements of the research being presented in this book. We hope you will read about this research considering what can be learnt, not just about past practices or the research itself, but also about what these narratives teach us and where the field needs to move to next. We will end this book with our own concluding reflections on what

the research tells us (and what it does not tell us) and what we see as being the central future research areas.

NOTE

1. The coronavirus COVID-19 pandemic, which emerged in Asia in late 2019, spread to every continent except Antarctica, was defined by the United Nations Development Program (UNDP) as ‘the global health crisis of our time’ (UNDP 2020, COVID-19 pandemic Humanity needs leadership and solidarity to defeat the coronavirus, <https://www.undp.org/content/undp/en/home/coronavirus.html>).

1. Reinventing performance management in the public sector

Jane Gunn, Kristy Zwickert and Kathy Hilyard

INTRODUCTION

It is increasingly evident that performance management practices prevalent in the public sector are underpinned by assumptions that do not serve a contemporary public service. Since performance management was introduced into the public sector, the requirements on public servants have changed markedly and continue to change rapidly. The need for greater agility, innovation and new thinking about service delivery and the achievement of policy outcomes for Australia and its citizens is clear and no longer contentious. Fundamentally, this is an evolving definition of high performance that arguably sits uncomfortably beside requirements for transparency and adherence to due process in a highly scrutinised (and rightly so) context. We argue that performance management can play an important role in supporting public servants and leaders, in particular to navigate these inherent tensions in defining what ‘good’ looks like as they embrace the shift required and re-imagine a new form of public sector performance. Clearly there are structural aspects to the changes needed to embed new ways of working in the Australian Public Service (APS). We argue that the current performance management frameworks play a role in holding the APS back with tools and assumptions that are no longer fit for purpose and were developed for another time. We propose a new purpose, principles and practical strategies for evolving to a new more contemporary and fit-for-now approach.

Our intent is this chapter contributes to the ongoing academic and practitioner debate regarding high performance public service in a complex and evolving context. It is our hope that these ideas provide a framework against which public sector agencies might compare and evolve their current practices.

THE CHANGING NATURE OF PUBLIC SERVICE

Numerous reviews have called for a shift in the way that public services adapt in a complex, volatile and unpredictable world. A recent example is the ‘Independent Review of the Australian Public Service’ (APS), commonly referred to as the Thodey Review (Department of the Prime Minister and Cabinet 2019). The Thodey Review called out the ‘rapidly changing world’ in which the APS finds itself. It identified technology, declining trust and demographic shifts as three key factors impacting on the nature of public service work. Similarly, the New Zealand government identified that ‘the Public Service now operates in a fast changing and unpredictable world where major social, demographic and technology changes are reshaping the world as we know it’ (State Services Commission 2019, p. 7). And of course, as we write we are in the midst of a global pandemic that has profoundly impacted both our social and economic stability as a society, creating once in a generation challenges for governments and

public services at all levels of the federation. It is an unpredictable and disruptive context for today's public services to navigate.

This shift in the context for the contemporary public service demands a change in the way that public servants, and the public service as a whole, work. For leaders, this means 'dropping the model of success that got them this far and accepting that it is not going to work to take that model forward' (Yon Ying-I 2019). Notions of leadership are being reconceptualised and work itself is being reshaped. Estimates indicate that 40 percent of the work public sector employees undertake now could be automated (Department of the Prime Minister and Cabinet 2019) and traditional notions of where work is undertaken are being shaken and brought into sharp focus.

The Thodey Review calls for a public service that 'instinctively pulls together to tackle complex challenges, bringing all of its expertise, perspectives and resources to bear' (Department of the Prime Minister and Cabinet 2019, p. 16). This means having systems, structures and ways of working that empower, not encumber, the flexibility and collaboration essential to advancing Australia's long term interests. 'This is why we see great potential to apply dynamic ways of working and different structures across the service, regardless of department or agency. The objective is to make collaboration the norm' (Thodey 2019).

This theme of cultivating new ways of working to respond to increasing complexity is common across jurisdictions. For example:

- The New South Wales (NSW) Public Service has identified the need to drive uptake of new ways of working, including flexible arrangements, digital, agile, and co-design methodologies to ensure effective and efficient outcomes. There is also an emphasis on the development of transformation and change capabilities to enable the whole of service to adapt more quickly, reduce the costs of change and realise benefits faster (NSW Public Service Commission 2019).
- In a recent review of the State Sector Act, the New Zealand government identified that while decentralisation and agency autonomy were undertaken in the 1980s and 1990s for very good reasons, this is no longer the way that the public service needs to operate in the face of 'cross-cutting problems'. The review identified the need for public servants to work together, across agencies with a common purpose to deliver outcomes, rather than identifying with and working in silos. The *Impact Statement: State Sector Act Reform* calls for enhancing collaboration whereby 'the expectations of public servants need to be reset to work as a unified public service, and to work across boundaries to deliver better outcomes and services for people' (State Services Commission 2019, p. 11). It argues that this will, in turn, lead to a greater ability to 'effectively join up around citizens', 'generate alignment and interoperability' and 'establish behavioural and cultural foundations for a unified Public Service' (p. 12).
- Similarly in the UK, a call for greater collaboration to achieve so called 'joined up' outcomes, greater focus on the citizen as customers, greater use of technology and innovation to modernise services, with a particular focus on digital delivery. This will require innovation and working together to a greater extent than is currently evidenced (Manzoni 2018).

Of course, public service reform in response to a changing environment is not new. The field of public administration has also experienced progressive reform for more than a century (Denhardt and Denhardt 2000; Institute for Government 2019). Denhardt and Denhardt (2015) provide a useful way to consider the reform that we are seeing in each of the jurisdictions

explored above. They describe an evolution from ‘public administration’ that focused on centralised bureaucratic processes and hierarchical controls that limited citizen involvement, to ‘public management’ involving alternative service delivery mechanisms based on public-choice assumptions. They argued as long ago as the year 2000 that public sectors are moving towards a new reform program defined as a shift from ‘public management’ towards ‘new public service’ shifting the role of public services to that of facilitating discourse among disparate stakeholders and citizens to navigate and articulate shared interests, using measures of trust to determine success and co-designing solutions whilst advising government from a base of deep insights regarding competing perspectives. This way of conceiving the changing role and function of public service is also reflected in the concept of changing modes of production in society (Maccoby 2007, 2016). Maccoby brings to our attention the relationship between the shift in the dominant mode of production (from industrial to knowledge based) driving new forms of organisation from the traditional ‘bureaucratic’ to ‘interactive’ models (Maccoby 2007, 2016). Maccoby goes on to point out the inevitable shifts required for leadership, working arrangements, expectations of work, and social structures in the workplace.

These shifts in the nature of work are not only specific to public servants, but also reflect broader shifts in the nature of work being felt the world over. The World Economic Forum (2018) forecast that, by 2022, the core skills required to perform most roles will, on average, change by 42 percent. Increasingly, a career for life is perceived to be an artefact of the former working world. The mindset of ‘learn, do, retire’ no longer provides a future-proofed approach (World Economic Forum 2019). Further, technological advancement and automation will also require new ways of working to manage digital labour and a hybrid workforce. There are a range of emerging technologies at the forefront of the fourth industrial revolution including the cloud, the Internet of Things, Big Data, advanced robotics, artificial intelligence, autonomous vehicles, 3D printing, machine-to-machine technology, renewable energy and next generation genomics. These technologies provide significant benefits and capability development opportunities, but are expected to change the way public services operate by challenging the scope of current occupations and tasks and transforming the way governments deliver services (KPMG 2019). Table 1.1 provides a summary of the key shifts as explored above.

In summary, the response to the challenges of greater complexity, increased citizen focus and demographic, societal and technological change requires fundamentally different ways of working, thereby redefining what constitutes ‘high performance’. This is a shift from an emphasis on individual, hierarchically ordered and structured working, undertaken within fixed teams, to collaborative, innovative, cross-team and cross-agency working with a focus on outcomes. The complex and often competing interests of multiple stakeholders challenges the notion that the ‘boss’ has all the answers, and can define performance outcomes is absurd at best in this changing context.

This change would require a new mindset and skill set from a focus on setting a plan with your boss for the year ahead and then working on the priorities of the moment. Public servants will require the capacity and the mindset to collaborate, undertake on the spot problem solving, take greater risks, adapt to and instigate change all the time, give and receive feedback in the moment. It will require public servants to look up and out and focus on working beyond traditional silos to deliver shared outcomes. In this context, increased value will be placed on cognitive flexibility, learning, creativity, and complex problem solving (World Economic Forum 2016).

Table 1.1 Summary of key shifts in the nature of public service work

From	To
Centralised bureaucratic processes	Citizen oriented, customer focused, co-design
Task oriented	Outcome oriented
Hierarchical control	Innovation, rapid problem solving, risk taking
Stable, manage change	Constantly evolving, always changing
Intra agency focus, silos	Cross agency working to tackle ‘cross-cutting’ challenges
Analogue	Digital
Career for life	Many careers, short stints, project based work
Human worker centred	Hybrid human digital workforces

It is somewhat ironic that, despite a clear and largely uncontested recognition that the public service and public servants need to work in fundamentally different ways, the prevailing approach to performance management, by design, has not yet fully adapted to serve as a vehicle for cultivating these new ways of working. There are some moves to embed new capability frameworks to include agility and adaptability to foster joined up, agile, learning-centred and adaptive behaviours (some Agencies and Departments have developed these frameworks and are encouraging managers and employees alike to work together to develop the new abilities and practices). However there are challenges with implementation, the work of changing practices and behaviours does not stop at the articulation of said behaviours and further investment is required to bring the espoused practices to life in reality. Further, we contend that, a fundamental reset of the approach to performance management will provide one key mechanism to shift the mindsets and practices of public servants and their leaders. A revised approach would start with the underlying assumption of *enabling high performance in a complex and changing context*. The challenge is to reinvent ‘performance management’ so that it truly supports the new mindsets and ways of working that the public service needs.

Before we unpack the irony and the opportunity in more detail, we first consider the evidence as to whether performance management approaches have ever actually worked.

DO PERFORMANCE MANAGEMENT SYSTEMS ENABLE HIGH PERFORMANCE?

Even without considering the relevance of current approaches to performance management given the significant changes in the nature of public service work, it is widely argued that there have always been challenges with performance management systems. Despite the lack of clear evidence, given that studies to determine effectiveness are beset by methodological challenges and are largely of an anecdotal or of a case study nature (see for example Kourtit and de Waal 2008), there is significant doubt that performance management has ever been an effective mechanism for generating high performance.

The introduction of the management of the performance of individuals in public sector organisations, variously called performance appraisal, performance evaluation, or performance development, is credited to have been a result of the new public management movement (mentioned earlier) and its drive for efficiency, transparency and accountability for performance (Fatile 2014). Management by objectives, also called management by results, introduced by Peter Drucker (1954) was also an important theory influencing the implemen-

tation of performance management techniques. The resource based view (RBV) provided a theoretical underpinning for the notion of performance management by arguing that the skills and resources within an organisation can act as the starting point for competitive advantage (Wernerfelt 1984). Following this logic, the performance of an organisation's internal resources, and particularly people for most organisations where people are the key resources, becomes critically important.

In the military context, performance management techniques were used during World War 1 by the United States to flag and dismiss poor performers and in World War 2 to identify soldiers with the potential to become officers. In subsequent decades, private sector organisations have almost universally used performance management approaches to attempt to motivate and engage employees towards high performance and to manage poor performance (e.g., Goler, Gale and Grant 2016).

Under the influence of these theories and frameworks, performance management systems in the public service were designed with the intent to align employees' efforts to overall agency objectives and to a lesser degree to develop skills and capabilities for the job at hand. For example, 'An effective performance management system is a valuable process which provides employees with greater role clarity by aligning individual performance with key organisational goals and strategic objectives to facilitate ongoing employee, agency and public sector improvement' (Public Sector Commission 2013, p. 6).

Within the Federal Government, recent guidance indicates that the purpose of performance management is ensuring that 'everyone knows how their own performance contributes to the agency achieving its outcomes' (APSC 2019b). In local government, performance management systems have been described as enabling 'organisations to plan, measure and control their performance, so that decisions, resources and activities can be better aligned with strategies to achieve desired results (Baird, Schoch and Chen 2012).

So a key goal in current performance management frameworks and tools is to align the effort of employees to the strategic goals and outcomes an Agency is seeking to deliver.

Another vexed issue in the public sector is the link between performance and rewards for individuals. A number of studies have examined the value of linking employee performance to reward, with mixed results. Baird, Schoch and Chen (2012) reinforced Lawler's (2003) conclusion that staff are more likely to work towards the achievement of organisational objectives if they see a linkage of performance to rewards. However, whilst financial rewards may be successful in generating increased productivity in the short run, the impact on employees' behaviours, and motivation, has been shown to be negative in most research (Metawie and Gilman 2005). Linking rewards to performance is a narrow option for responding to the diverse motivations and drivers of individual performance. As a result of ongoing poor results from performance management processes there is less and less explicit linking of performance ratings to financial rewards in the APS, with very few examples, if any, now in place. Furthermore, behavioural economics research has recently identified a range of other factors that contribute to high performance, such as perceptions of fairness, a personal sense of achievement, friendship and mission (Singler 2018).

Beyond the link to pay, other common criticisms of public sector performance management systems include that they end up being a compliance activity driven by the human resources function, they are retrospective and focused on past actions, they are dependent on the skills of managers in giving feedback which is rarely, if ever, provided in real-time, and goals listed are

quickly outdated (Neely 1998). Additionally, the term ‘performance management’ has become associated with the management of underperformance (APSC 2019b).

The latest APS employee census reinforces that the effectiveness of performance management remains problematic. In 2019, Australian Public Sector employees’ views on performance management either remained similar or were more negative than previous years (APSC 2019a). Notably, less than half of respondents (48 percent) agreed or strongly agreed that their overall experience of performance management was useful for their development with the remainder either neutral or negative. The other relevant result was that despite the focus on underperformance, only 20 percent of respondents agreed or strongly agreed with the statement ‘underperformance is managed effectively’ (APSC 2019a).

In 2015, performance management featured in the APSC’s Human Capital Matters, a compilation of articles designed for leaders and practitioners in the APS. The editors considered five articles, a mix of private sector practitioner experiences and Australian National Audit Office (ANAO) reports. It was noted that performance management systems do not clearly make a difference to performance outcomes, there are many unintended consequences, and concerns about performance management systems are deeply entrenched and perpetual in nature. The editors summarised their key concerns as:

- The emphasis on process at the expense of discussion and task orientation at the expense of innovation.
- That the approach reinforces concentration of control at the apex, and escalates decision-making up the hierarchy.
- That managers do not prioritise performance management conversations.
- The inability of some managers to objectively assess performance and provide feedback effectively.

Other concerning observations include the lack of clarity about what constitutes high performance and the inherent subjectivity and angst caused by discrepant views of the standards of performance required to obtain a particular performance rating (Blackman et al. 2013). The Independent Review of the Public Service (Department of the Prime Minister and Cabinet 2019) also commented on the inadequacy of current performance management approaches, stating that ‘it has been consistently observed that the APS does not do performance management well’.

In light of these weaknesses and evidence that they simply do not deliver what is hoped for, one option is to better implement the current approach to performance management. If it is a problem of implementation, then surely we just need to improve our implementation. While we agree that this might make some degree of difference, we argue instead that the current systems, processes and principles for performance need to be completely transformed. Fixing the current system will not address the reality that the new context calls for an approach better suited to the complex conditions in which the public sector finds itself.

PERFORMANCE MANAGEMENT NEEDS TO CHANGE FOR THIS NEW CONTEXT

We believe public sector organisations must challenge the very assumptions underpinning the current approach and adopt a different methodology for facilitating high performance. We

propose that while the systems to date may have been somewhat effective in driving performance in the past (and as we have discussed the evidence here is far from clear), they are ineffective, by design, in developing the behaviours need to create joined up, agile and adaptable public servants. Furthermore, done differently, we believe that performance management can play a central role in bringing about a shift in the culture of the public service and the way that public servants work, that is required.

WHAT SHOULD WE DO INSTEAD?

We propose a new approach which delivers, through both the way the system works as well as the capabilities and ways of working it is focused on delivering, a shift towards public servants:

- navigating complexity and political contexts to deliver outcomes thinking,
- working better across boundaries,
- engaging more actively in defining and understanding stakeholder interests,
- proactively working to build trust internally and externally,
- deeply understanding the network of perspectives on a particular policy or service delivery challenge,
- collaborating across Agencies, jurisdictions and directly with stakeholders, and
- investing in developing new capability to learn so they can adapt and change.

We also have a nagging thought that the term ‘performance management’ should be abandoned as dated and insufficient to define the new approach needed. We are also of the view that the process must be removed from the remit of human resources functions and be integrated into business strategy practices. Table 1.2 summarises our perspective, compares it with the common approaches currently in play and expands on the practical design features that deliver on the new assumptions.

As shown in the table and expanded below, we propose that four fundamental features require focused attention to drive and sustain high performance in a complex public sector context:

- First, facilitated interactive dialogues to define outcomes across traditional boundaries, identify interdependencies and agree priorities and responsibilities. Underpinned by curiosity, joined-up and citizen-centric processes and mindsets, a by-product could be higher levels of engagement in that individuals and teams find meaning and purpose in their work, effort is aligned to organisational/service-wide purpose and interdependence is established and accountabilities agreed.
- Second, address individual’s motivation to excel through continuous learning and strengths-based engagement to deliver on purpose, roles and responsibilities.
- Third, supporting leaders to reconceptualise their role in leading *for* high performance, and
- Finally, changing the role that human resources functions play in administering performance frameworks and embedding the performance process in the business strategy activities in recognition of the increasing importance of the link between capability, adaptability and outcomes.

Table 1.2 Summary of proposed approach and practical implications

	Traditional models	Future-fit models	Practical design principles and features
Strategy and learning dialogue	Mechanistic, establishment of goals and development actions that are routinely ignored until next formal meeting Compliance with HR system requirements, reported to executives	Engaging staff in the organisation's and their own purpose Facilitating collaborative dialogue to identify and achieve outcomes Leveraging the strength of public service mission	Group discussions to define the team's purpose in delivering the organisational purpose Teams and individuals own their performance outcomes Define specific dynamic capabilities for teams and individuals so they can adapt their skills and effort to contribute meaningfully over time Facilitate dialogue across boundaries to share information on individual and team skills, knowledge and expertise to collaborate and align effort to public sector outcomes Establish buddy arrangements and individual/team coaching to help people build a growth mindset
Peer feedback and reflection	Formal, bi-annual form completion	Organic, discussions and ongoing refinement of expectations to keep key outcomes in focus, owned by teams and individuals	Ongoing, continual feedback from multiple sources and contact points that supports growth in real time via smart technology Regular 'check-ins' driving shared accountability for both results and behaviours Teams facilitate no-blame continuous reflection, learning, improvement and adjustment discussions to drive innovation
Leader facilitated	Manager reviews and assesses performance on an annual basis Manager provides regular feedback and meets HR reporting deadlines	Leaders facilitate ongoing collaborative, diagnostic processes that expect high performance and are action and outcomes oriented	Leaders instigate and create the environment and forums for connecting with organisation, team and individual purpose and role Leaders are facilitators of the discussion Leaders role model growth mindset, encouraging openness and feedback Use technology (supported by behavioural insights) and crowd sourcing to garner insights about sentiments and areas to channel effort
HR coach	Skilling managers through compliance training, reminding people to submit forms	Skilled practitioners coach and support leaders and teams on diagnosing the performance environment and channelling efforts to create an environment for high performance	Skilled practitioners facilitate cross-team coaching and dialogue to create high performing cultures in teams and across the organisation Coach leaders in their role to facilitate purpose, roles and feedback discussions Support development of a growth mindset through clever session design and normalising feedback

FACILITATE INTERACTIVE DIALOGUE AND COLLABORATION ACROSS BOUNDARIES TO DEFINE PURPOSE AND ALIGN OUTCOMES

First, we propose that organisations adapt their existing business or strategic planning activities to support the organisation, teams and individuals to identify their purpose and role in achieving outcomes in the context of the broader system in which they are operating. The aim being to establish vehicles for a more strategic boundary-spanning discussion, rather than the traditional task-based approach which is inadequate when the challenges facing government organisations are so dynamic, evolving and complex that no single individual or team can adequately address them (Bommert 2010). As Blackman et al. (2015) note ‘the majority of the focus in the performance management literature is on the individual with organisational performance as a secondary concern’ (p. 85). Like these authors, and the stated intent of many public sector performance management approaches, we contend that individual performance must be seen in the context of the team or group, the organisation and the system. Interestingly, this is consistent with the ambition of the UK government which has redefined the notion of ‘high-performance working’ as an ‘approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance’ (UK Government 2009, p. 4).

Practically, this might be structured as facilitated group discussions to define the team’s purpose in delivering the organisational purpose. To maximise the opportunity for individuals to see their part in the broader system, it might be useful for this to be a nested (as opposed to cascading) set of discussions, starting with agency heads who have shared policy or citizen outcomes, including agency leadership teams identifying their purpose and roles in achieving the outcomes, and so on to branch and even directorate level with feedback loops to avoid relying solely on a top down approach. This will maximise the opportunity for systems-thinking, collaboration, and the collective intelligence of networks which are tools of vital centrality when it comes to achieving high performance. Public sector performance frameworks and processes now need to support organisations to engage with rich interconnectivity to enable adaptive, rather than ordered, responses to sustain performance in complexity (Uhl-Bien and Arena 2017).

In order to achieve results across boundaries, leaders need to provide a vision and commitment that links and motivates individuals to fundamentally redefine performance outcomes, step beyond their silos, relax old assumptions, and search for creative frame-breaking solutions (Gray 2008). Research shows that collaborative efforts involving public, private, academic, industry and community partnerships who possess the necessary motivation, ideas, skills and resources to craft new public solutions, seem to outperform previous practices and meet unfulfilled demands (Torfing 2019). This shows that determining and holding individuals to account for narrow, short-term tasks is now insufficient in this dynamic environment. New strategies are required for bringing people together to shape, define and achieve outcomes.

Whilst there are compelling arguments for collaborative practices to achieve outcomes in the public sector, implementation, execution and outcomes are not yet widespread. ‘Collaborative inertia’ describes the (too regular) phenomena where collaborative efforts result in frustration, slow progress and disappointing outputs. Factors causing collaborative inertia include lack of common aims, power struggles, trust issues, fluctuating membership structures and leadership failures (Huxham and Vangen 2013). In addition to collaborative inertia, cultural norms

and performance incentives often reinforce individualistic achievements over group-based outcomes and hierarchical structures encourage positional power rather than shared power arrangements.

A critical element of this approach is creating the conditions by which teams and individuals own their performance outcomes. This is reflective of the changes made by the UK government who have questioned traditional forms of strategy development, advocating for smart collaboration systems, fostering intergenerational solidarity, and positioning self-management and self-responsibility for outcomes as a key driver of future organisational performance (UK Government 2009).

Therefore, the method by which the discussions are conducted becomes key. It is imperative that this is an empowered discussion whereby individuals and groups take the opportunity to connect with the service-wide, organisational, branch purpose and make connections to their personal contribution, purpose and strengths. So, the business planning discussion also becomes an individual consideration of purpose and role, rather than goals being set individually and approved by managers. We will explore this further in relation to the role of the leaders and human resources.

Clarity of purpose has many advantages and supports employees to adapt and change as the context changes. This changes the dialogue from ‘can I tick the box?’ to ‘is what I’m doing every day contributing my part in my organisation’s purpose?’ As Blackman et al. (2013) observe, given the compelling mission underpinning public service work, there is growing acknowledgement that purpose is underleveraged as a medium for driving performance (see also MacLeod and Clarke 2011; Marrelli 2011). A clearly articulated purpose instils strategic clarity in a volatile, rapidly changing world. It serves as a ‘North Star’, a fixed point against which leaders, teams and individuals can align, and realign, their efforts to sustain effort in ambiguity and maintain focus on what matters in the face of multiple, competing demands. We cannot over-emphasise the difference between a discussion around task and one around purpose.

This approach is reflected in the recent changes by the State Services Commission (2015) which has channelled effort into redefining performance expectations of senior executives, moving towards a private sector model to achieve a ‘step-up in performance and measurably better results for New Zealanders’. Efforts have also been focused on enhancing alignment between the government’s priorities and the responsibilities of individual public servants, as well as translating outcomes into something meaningful for staff (Audit New Zealand 2012; Dormer and Gill 2010). Granted, the APS operates in an interdependent network of layers of government and so there is a complexity to be navigated here, but the complexity in turn demands clarity of purpose and a more interactive and networked way of setting priorities, goals and purpose in order to facilitate the alignment and accountability at all levels.

Further, research suggests a task-based approach results in employees closing down cognitively, emotionally and perceptually (Boyatzis, Rochford and Taylor 2015). Instead, when leaders facilitate dialogue around the organisation’s purpose, it helps raise levels of commitment and personal investment because individuals sense that what they are doing is contributing to the achievement of a meaningful outcome larger than themselves (MacLeod and Clarke 2011; Terez 2003). Extending this dialogue about the organisation’s purpose to enable individuals to identify, define and articulate their unique contribution improves engagement and creates meaning (Rose 2014).

Despite the connection between purpose and performance, a large number of employees remain disengaged from their work. According to the Gallup Employee Engagement Index, only 13 percent of employees worldwide are engaged. In Australia, whilst 80 percent of public sector respondents ‘believe strongly in the purpose of [their] agency’, only 49 percent of respondents reported that their ‘agency really inspires [them] to do [their] best work every day’ (APSC 2019a). These findings suggest that, whilst a purposeful strategic narrative is essential, especially when facing complexity, it is also critical to engage individuals to shape their contribution to the outcomes and impacts in society.

Finally, in this approach, we believe that there is a strong need to have an explicit discussion about the types of capabilities required. The notion of ‘dynamic capabilities’ (those capabilities that support more adaptive cultures to emerge – for example, digital dexterity, adaptive leadership, collaboration, strategic thinking, creativity, problem definition, facilitation) for teams and individuals so they can adapt their skills and effort to contribute meaningfully over time is central to this suggestion. In practical terms, it requires facilitated consideration of questions such as ‘What capabilities (beyond functional and technical capability) will we as a team need to deliver on our purpose?’

MOTIVATE INDIVIDUALS AND GROUPS TO EXCEL, PERFORM AND DELIVER OUTCOMES

The second key element of our proposed approach focuses on what is motivating and driving performance in the APS and on better aligning motivational efforts to factors that will increase and steer motivation towards the outcomes and standards we seek. Here we consider new methods for peer feedback, learning beyond classroom/formal training, opportunities for self-reflection and strengths-based approaches to work allocation.

Traditional public sector performance management systems tend to place emphasis on areas for improvement and development (Tombough 2005). This focus on improvement needs can, inadvertently, give the process a somewhat negative focus. Under this approach, managers identify employees’ weaknesses or development requirements (e.g., deficiencies in their performance, behaviour, knowledge and skills), provide feedback on what the employee is doing right and wrong or what the employee did not accomplish, and ask them to improve their behaviours or results by addressing their development needs and overcoming their weaknesses (Aguinis, Gottfredson and Joo 2012). The underpinning assumption is that informing the individual of problems will motivate them to improve their performance.

Although feedback informs employees that certain behaviours and results are inappropriate or inadequate, several studies conclude that deficit-based models of performance management involve unintended negative consequences (Aguinis, Gottfredson and Joo 2012). For example, when negative feedback and criticism is conveyed it is often not seen as useful, is unlikely to be accepted as accurate or legitimate, causes defensive reactions, results in less acceptance of the feedback, decreases the recipient’s desire and willingness to improve their performance or change their behaviour based on the feedback (Jawahar 2010; Steelman and Rutkowski 2004). This may explain why one extensive review of 131 studies found that, in more than one-third of cases, performance feedback actually resulted in decreased performance (Kluger and DeNisi 1996). Furthermore, it may also explain why the provision of feedback is frequently avoided altogether due to the inherent discomfort and lack of observable behaviour change. We argue

that information about the extent to which individuals are meeting performance expectations is critical, but the openness of the recipient to acting on this information is impacted by the skills and focus of the person delivering the information.

One study compared performance reviews focused on an individual's weaknesses versus performance reviews focused on an individual's strengths, and found stark differences in the recipient's neurological reactions (Jack et al. 2013). Performance discussions focused on weaknesses in relation to targets or externally defined criteria resulted in avoidance behaviours, guilt and self-consciousness. In contrast, performance discussions focused on an individual's strengths and future aspirations activated neural regions that caused the recipient to be open and motivated to change. Our brains react fundamentally differently, depending on how performance information is framed. Furthermore, employee strengths are of great potential for growth, motivation and development. Highlighting how an individual's strengths can generate success in the workplace motivates employees to intensify the use of their strengths to produce even more positive performance, behaviours, and results (Buckingham and Clifton 2001).

In contrast to weakness-based feedback, strengths-based feedback enjoys a significant number of advantages with few, if any, negative consequences. For example, strengths-based feedback increases engagement and performance (Clifton and Harter 2003; Seligman et al. 2005), increases employees' desire to improve their productivity (Jawahar 2010) and heightens actual productivity (Clifton and Harter 2003). Additionally, the strengths-based approach to performance begs the question: why should performance appraisal be so uniform, incorporating identical processes for the entire organisation, with only minor adjustments for unique individuals in specific jobs? (Rabenu and Tziner 2016). In a world where so much has become customised to the individual – medical care adjusted to one's genetic profile, insurance policies determined by vehicle usage, music tailored to individuals during ride share journeys, and so on – support for performance could also be more personalised to maximise engagement and individual contributions.

Further, the proposed approach focuses on normalising learning as 'the one skill to rule them all' (Iliadis 2018), by, over time, normalising reflection and feedback. The adaptive, problem solving oriented public services we are trying to create require constant change and learning. It has been argued that 'the only way for organisations to ensure their workforces are fully productive and able to achieve business goals is to make sure employees are continuously learning, so that they are driving the [organisation] forward' (Wadors 2016). Beyond learning to evolve the organisation, the work of Dweck (2008) repeatedly highlights that cultivating a growth mindset may be a good way to increase employee engagement. We argue that, in order to create an environment for high performance amidst complexity, new approaches need to genuinely value ongoing learning and support the development of a culture that nurtures continual reflection, learning and growth where, from leaders to new recruits: we are all teachers and we are all students (Singler 2018).

Practically, this is likely to involve regular (perhaps monthly) facilitated discussions whereby the teams come together to reflect – as a team, and personally – on what they have learnt and will take forward in service of theirs and the organisational unit's purpose. These discussions need to be skilfully facilitated to achieve no-blame continuous reflection, learning, improvement and adjustment discussions to drive innovation. We acknowledge that shifting to this approach will take time, however we believe the focus on strengths, the alignment with purpose and the support of skilful facilitation will generate results.

Ideally, over time, technology will enable ongoing, continual feedback from multiple sources and contact points that supports growth in real time via smart technology. This could include receiving ongoing feedback via technological platforms from those with whom the individual interacts in a fashion aimed at ‘nudging’ individual behaviours towards defined high performance standards (Ebert and Freibichler 2017; Singler 2018).

THE ROLE OF PUBLIC SERVICE LEADERS IN GENERATING A HIGH-PERFORMANCE ENVIRONMENT

The third key element in reinventing the approach to performance management to better serve the cultural shift public services are seeking to achieve, is redefining the traditional role and responsibilities allocated to the ‘manager’. To support the role of leaders to facilitate high performance and shift the culture of the public service, it is clear that leaders need to shift from managing, reviewing and assessing performance on an annual basis in order to meet imposed deadlines, to a role as facilitator of the ongoing collaborative, diagnostic, learning processes outlined above.

From the inception of performance management practices, one key assumption has been universal: that a manager is best placed to decide on goals, review an employee’s performance and identify and determine their development and improvement. Further, we propose that the focus that is created by performance management systems is that managers are expected to know what good and bad is in finite terms. Grote notes ‘What a performance appraisal requires is for one person to stand in judgement of another. Deep down it’s uncomfortable’ (in Knight 2011). Blackman et al. (2015) report that while people in the public service can see the value in performance management, managers reported feeling ‘abandoned’ and ‘unprepared’ and that this led to a focus on compliance rather than using performance management for positive and performance enhancing purposes.

Further, much of the research calls out the dearth of managerial capability to actually manage performance let alone create a culture for high performance. This conclusion is supported by the findings in the Thodey Review which connect the failure of the current performance management systems with senior executives who do not prioritise employee performance and development because ‘officers in senior roles have been promoted for their ability to deliver’ (Department of the Prime Minister and Cabinet 2019, p. 207) rather than their role in leading and managing people. The review also notes that senior officers have been rewarded for their responsiveness, achieving ‘results at all costs’ and getting things ‘right first time’. We contend that this is a factor contributing to the performance challenge – senior leaders in the public service prioritise this responsiveness over more strategic organisational thinking including investing effort in the development and engagement of their people. Their role as responders to the political arm and emergent policy imperatives may come at the cost of the strategic stewardship of the long-term sustainable performance of the service. Combine this with the hierarchical structures and cultural norms that still pervade, with 70 percent of employees still believing the APS is too hierarchical (APSC 2019a) and the promotion of people with primarily technical skills into leadership roles, and it is unsurprising that managers and leaders tend not to pay attention to long-term people and cultural development.

Our proposal is that we support leaders to take a different role in creating the environment for high performance. That we support leaders to take on the role of enabling and facilitating high

performance, rather than being the judge, jury and executioner. We think it is more powerful to support leaders to impact performance by the way they engage people in purpose (Hamstra et al. 2014; Williams and Alshahrani 2017). All too often, people in leadership positions begin performance conversations by outlining tasks and metrics (e.g., what you need to do and how you will be measured). Performance management systems generally require managers and staff to define and outline tasks with a due date which, due to the pace of change, are often outdated or redundant by the time they are recorded in the HR system. This creates practice that focuses on form completion for the purposes of complying with a process that is driven by and perceived to be owned by human resources functions with efforts being channelled to chase and cajole those whose form remains incomplete at the arbitrarily determined due date.

Our assertion is that it is important to engage leaders to reconceptualise their role – as facilitators and enablers of high performance. They should not be expected to know everything, nor set everyone's goals and then somehow make effective judgements about whether they have achieved them. The leader role should be reconceptualised as being accountable for facilitating collaborative, diagnostic processes that are action- and outcomes-oriented, thereby leading to high performance. In this context, we propose the role of leaders is to steer and steward people to navigate the ambiguity inherent in complex situations, rather than providing answers or solutions based on expertise or superior positional authority. In this complex and dynamic environment, leaders can learn and coach their people to sense new challenges and changes in the business environment, and embrace innovation thereby creating the conditions by which people and organisations can become capable of continually adapting.

THE ROLE OF THE HUMAN RESOURCES FUNCTION

The role of human resources functions becomes vital in this new approach. It requires a shift in the role from being the compliance police towards becoming skilled coaches and facilitators of leaders and teams to create environments where high performance is the norm. Increasingly a core role of HR functions is to support the organisation to shape the purpose, settings and tools for performance practices and to shift further towards an outcomes-orientation rather than compliance with process.

It is widely recognised that human resources functions need to become a true business partner, supporting leaders and line managers in the delivery of high performance. KPMG's Future of HR 2019 survey, which gathered views from over 1,300 HR executives from across the globe, found that three in five human resources leaders believe that the HR function will rapidly become irrelevant if it does not modernise and adapt its approach to understanding and planning for the future needs of the workforce.

In practical terms, the HR function becomes a performance facilitator supporting leaders facilitating sessions that establish the conditions for achievement of organisational and individual outcomes. HR practitioners focus on coaching leaders in their role to facilitate purpose, roles and feedback discussions.

The human resources function also has the critical role of identifying and establishing workforce capability requirements and curating learning methods and equipping leaders to take on the roles of coach, mentor and feedback and debriefing provider.

SUMMARY AND AREAS FOR BROADER EXPLORATION

In summary, we argue that there are four key ideas to work with to create high-performance environments in the public sector. As we have explored above, creating space for an interactive learning dialogue to define outcomes across boundaries and clarify the learning required to achieve the outcomes is key, and in doing so people find meaning and purpose in their work aligned to organisational purpose. Motivating individuals to excel through continuous learning and strengths-based engagement, and supporting both of these shifts by supporting leaders to reconceptualise their role in leading for high performance and changing the role that HR plays in facilitating high performance.

Beyond the research briefly mentioned in this chapter, there are a number of broader domains worthy of exploration to improve performance practices in the public sector. For example, immense insights can be drawn from different fields of research and practice including anthropology, behavioural economics, and neuropsychology, about how we can support humans to thrive. These sources need to be analysed, investigated, considered and incorporated into future approaches to maximise human capital in public sector organisations. Additionally, public sector organisations need to properly capture and exploit data to enable the targeting of organisational ‘hotspots’ where additional support is required to lift and sustain performance. Exploitation of available data enables the organisation to use foresight and insights to channel efforts into particular leaders, teams and projects to facilitate dialogue, provide coaching to enhance self-reflection and support learning and adjustments in practices and habits. Finally, given the reduction of barriers between home and work, performance needs to be considered more holistically. Workplace mental health claims are increasing exponentially, and there is an increasing requirement to focus on strategic recovery, resilience, and well-being to sustain performance over the longer-term. If this is ignored, superficial performance issues will escalate into complex, time-consuming cases, impacting on financial performance and absorbing large amounts of human resource effort.

CONCLUSION

Ever-changing citizen expectations and complex challenges require a markedly different public service; one that is citizen-oriented, innovative, agile and joined up. Performance management is a mechanism that, if fundamentally reoriented to this purpose, can support the shift of the public service to this new reality. The approach we have recommended for consideration is oriented to an integrated view of the performance of the system, organisation, group and individual, a focus on purpose, rather than task, owned by teams, not managers and explicit about the capabilities needed for success. Further, ongoing dialogue encourages strength-based mechanisms for learning with leaders operating as facilitators and enablers rather than determiners or judges of performance. Human resources functions play a very different role – coach and facilitator of performance and outcomes rather than guardians of a compliance-driven system focused on individual performance. It is our hope the ideas and thinking outlined here provide a framework for further consideration in both academic and practitioner circles.

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PART I

GOVERNANCE AND SYSTEMS: WHY PUBLIC SECTOR PERFORMANCE RESEARCH APPROACHES ARE CHANGING

Deborah Blackman, Sue Olney and Karen Gardner

In this section of the book we are presenting research related to the systems and governance aspects of performance management. As demonstrated in Chapter 1, there is a strong view that the way that performance management is being both conceptualised and undertaken needs to be seriously reconsidered at all levels of the public sector if it is to support improved outcomes. In setting up this section of the book we will outline some of the reasons why there is focus on research pertaining to performance and governance, and performance and systems. More importantly we will explain why we have put them together into one section, how this helps to understand the research presented so far, and the implications for future research.

As will be seen from some of the examples outlined in this book, managerial and market-oriented reforms have been introduced in many countries over the last three decades under the umbrella of New Public Management (NPM) and New Public Governance. The first imperative for reform was the premise that traditional bureaucratic systems are ill-suited to designing and delivering contemporary public policy (Donadelli and Lodge 2019; Meier and Hill 2005). The second imperative was political and economic pressure for both increased accountability (Aucoin and Heintzman 2000; Schillemans 2016; Zapico-Goñi 2007) and greater transparency (Ball 2012; Grimmelikhuijsen, Weske, Bouwman and Tummers 2017; McIvor, McHugh and Cadden 2002) in the way government undertook its business. Such reforms led to the development of performance management systems designed to evaluate the new ways of undertaking public management and delivering services. However, marketisation had unintended consequences on the behaviour of policy actors, with far-reaching implications for citizens. The impact of incentives and information asymmetry on both the actual perfor-

mance of government and non-government actors, and the way performance is managed and measured, has been subject to intense scrutiny and debate. This dilemma is explored in this section of the book (see in particular Sue Olney in Chapter 2).

Emerging from the changes in governance triggered by the ongoing public sector reforms, there has been a move towards an outcomes-focused view of performance management (Dickinson 2016; Heinrich 2002; Schalock 2001). This has been driven by a range of factors including changes in the role of government from provider to purchaser (Alford and O'Flynn 2012; Siverbo 2004; Tomkinson 2016) and the need to demonstrate effectiveness and well as efficiency in terms of how money has been spent (Curristine, Lonti and Joumard 2007; Moore 1995; Tomkinson 2016). It is no longer enough to show that services have been delivered and outputs recorded. It is also important to demonstrate how the outputs fit together to achieve the policy outcomes as they were expected to occur. It is about specifically identifying what public value looks like and being able to demonstrate that.

This poses significant challenges for performance management. Traditionally, there has been a tendency to tie performance management to measurable outputs, which are easier to define and track in fixed time frames than more dynamic, relational activity (Rajala, Laihonon and Vakkuri 2018; Tomkinson 2016). A growing evidence base is exposing weaknesses in that approach on a range of fronts. While explicit and tightly defined performance measures may produce desired outcomes within tight parameters, they can also stifle innovation, yield results that are difficult to compare across jurisdictions, produce unintended consequences, and leave some citizens disadvantaged (Althaus, Bridgman and Davis 2018; Considine, Lewis and O'Sullivan 2011). Several high-profile policy failures have been triggered, at least in part, by poor definitions of performance and related performance measurement and evaluation problems (see for example Hanger 2014; King and Crew 2013; O'Donovan 2020). The question becomes why such failures are persistent and widespread.

OF SILOS AND GAMING

One of the problems being identified in current research is that in order to make performance visible it is being defined and measured in very particular ways (as will be discussed by Donald Moynihan in Chapter 3; Sharron O'Neill and Jim Rooney in Chapter 4 and Karen Gardner in Chapter 5). This often leads to a breaking down of an organisation's sections to create more apparent control (Gulati 2007; Micheli and Manzoni (2010). As Sue Olney will discuss in Chapter 2, the enduring legacy of NPM – demonstrating transparency, efficiency and competition – perpetuates discrete performance measures and discrete resource allocations within and across public service systems and plays out in machinery of government changes, the structure of portfolios, funding mechanisms, measurement processes and areas of responsibility that promote siloed ways of working. Silos do not just affect how programs operate – they drive how interventions are designed, the selection of policy instruments, how information is shared, and how impact is measured. If activity sits outside the measurable, core business of any single jurisdiction or program, there is a tendency to omit it from modelling and policy thinking. Trials and experimentation in service integration are common but rarely sustained, even with high level champions (O'Flynn, Buick, Blackman and Halligan 2011, p. 253). This can be attributed in part to lack of supporting architecture and the entrenched program focus of government bureaucracies and in part due to lack of understanding about the

complexity of activity and relationships at the point of service delivery (O'Flynn et al. 2011; Alford and O'Flynn 2012). Arguably, the latter is exacerbated by actors reporting only on activity tied to their key performance indicators, omitting ancillary activity and outputs and the flow-on effects of decisions made in the course of delivering required outcomes (as discussed by Sue Olney in Chapter 2).

Unsurprisingly, governance arrangements drive how performance is conceptualised and measured. As Sharron O'Neill and Jim Rooney explain in Chapter 4, performance measurement is reciprocal in that it does not merely objectively measure the chosen outcomes or activities; it also creates new, often unintended, outcomes because the measure becomes performative. This increases the risk of cost-shifting and gaming and can also skew evidence informing policy and practice. Donald Moynihan in Chapter 3, Jeannette Taylor in Chapter 6 and Joseph Drew and Janine O'Flynn in Chapter 7 demonstrate how individuals will adapt their behaviours to maximise the performance frameworks to their advantage, highlighting how governance can shape the performance system and subsequent outputs and outcomes.

As previously noted, a legacy of NPM is that the complex reality of many public management problems has been overlooked or lost. As Karen Gardner in Chapter 5, and Max French, Toby Lowe, Rob Wilson, Mary-Lee Rhodes and Melissa Hawkins in Chapter 8 discuss, persistent and complex policy problems have multiple causes and effects and span different areas of responsibility. Solving such problems may lie in framing and addressing them through a systems lens that looks across and beyond existing boundaries.

SYSTEMS AND GOVERNANCE

A system has been defined as an organised, purposeful structure that contains a regularly interacting or interdependent group of elements which form a unified whole (see for example: Arnold and Wade 2015; Gharajedaghi 2006; Meadows 2008). The more interrelated and interdependent elements there are, the more complex a system becomes (Foster-Fishman, Nowell and Yang 2007; Haynes 2018; Ladyman, Lambert and Wiesner 2013; Meadows 2008). Achieving improved outcomes requires changes in performance in areas such as commissioning (Bovaird, Dickinson and Allen 2012; Dickinson, Peck, Duroes and Wade 2010; Kolapo 2017), adaptability (Rautakivi 2016; Schulze and Pinkow 2020), innovation (Farouk, Abu Elannain, Obeidat and Al-Nahyan 2016; María Ruiz-Jiménez and del Mar Fuentes-Fuentes 2013) and evaluation (Bailie et al. 2017; Gardner et al. 2013); in other words, changes to organisational systems elements. It can help to think of a system as a series of stocks and flows. Stocks are elements of a system that can be seen, counted and felt; a resource of some type built up over time which would include many of the things required to achieve effective outcomes such as capacity to provide a service. Flows are anything that increase or decrease the stock in some way and thus many policy implementation schemes would fall into this category. Such flows could create ongoing organisational routines which prevent innovation and change as procedures create constraints for a range of reasons: risk management, custom and practice, desire to control, and so on. Only by changing a flow in some way can stocks change over time (Meadows 2008, p. 113).

Seeing government as a complex system leads to the perspective that performance management needs to be seen in two ways. The first is that performance management decisions will need to be able to conceptualise the system purpose and goal to focus on the whole and

the outcomes; as Joseph Drew and Janine O’Flynn explain in Chapter 7 the impact of seeing the whole or that part is critical to the decisions that are taken. The second is that it could be designed to ‘pattern-break’ by influencing the stocks and flows because of the way they are being assessed. Analysis of the research in this section shows that there is a large tendency to measure stocks as they are visible, but that the trends being advocated would be to think more carefully about how to shape the systems through better visibility and management of flows.

Although the researchers do not specifically use systems language, what several of the chapters allude to is that the current system leverage points need to be reconsidered. In systems thinking, a leverage point is a place in a system’s structure where a small shift in one thing can produce big changes in everything (Fischer and Riechers 2019). Sometimes known as ‘points of power’ (Meadows n.d.), leverage points can shape the system and are, therefore, at the core of performance management. However, if they are not well understood they can lead to counter-intuitive behaviour. A famous example is where Forrester (1971) was asked to demonstrate how major global problems – poverty and hunger, environmental destruction, resource depletion, urban deterioration, unemployment – are related and how they might be solved. The computer modelling indicated a clear leverage point: Growth. Not only population growth, but economic growth. However, growth has costs as well as benefits, and typically the costs do not get counted. In this case the costs include poverty and hunger, homelessness, environmental destruction, and so on – all the problems the growth is supposed to solve. The world’s leaders have fixated on economic growth as the answer to virtually all problems, but by trying to create maximum growth at maximum speed they are accentuating the problem. According to Forrester (1971), what is needed is much slower growth, different kinds of growth, and in some cases no growth or negative growth. At the time this was laughed at but in the present times this is an area of much interest. In this section research by Sue Olney in Chapter 2 and Max French, Toby Lowe, Rob Wilson, Mary-Lee Rhodes and Melissa Hawkins in Chapter 8 shows how a move to leverage points that focus on design and intent are more likely to gain long-term systems traction. The increasingly advocated move towards stewardship to improve performance (Gardner, Olney, Craven and Blackman 2019) necessitates a shift in leverage points and demonstrates, once more, why governance and systems thinking need to be considered together. The accompanying shift from accountability having become to measure something, back to making an account to better shape system flows is seen in Chapter 4 by Sharron O’Neill and Jim Rooney.

Overall, it is now widely recognised that public policies often fail to achieve their intended results because of the complexity of both the environment in which policy and program implementation takes place, and the policy-making process itself. A common theme across the research presented in this section on Governance and Systems Performance Management has been an acknowledgement of the increased complexity of the contexts being managed and the need to create performance management systems and processes that not only recognise such complexity but work with it. This has led to a considerable focus reconceptualising and reframing approaches to performance management with research agendas in this theme including: seeking to find new, proactive ways to encourage and manage performance so as to enable better outcomes; reflecting on the problems of outcomes not being the sum of the outputs and thus why performance management needs to work from new vantage points; and trying to understand what are the reasons why performance management creates unintended consequences and how to overcome this. The research in this section explores performance management challenges posed by complex policy problems that cross jurisdictional bound-

aries, and the growing involvement of non-government actors in delivering public policy outcomes. While there are strengths in existing approaches to managing performance, in terms of keeping the public sector focused in an environment rife with distractions, the research suggests areas for improvement to address complexity, devolved accountability and perverse incentives tied to tightly defined performance targets. We hope you find the research in this section both interesting and thought provoking.

CHAPTER OVERVIEWS

Chapter 2: Not My Problem: The Impact of Siloed Performance Management on Policy Design and Implementation, Sue Olney

In the wake of public sector reforms driven by new public management and new public governance, scholars worldwide have studied how governments frame and address policy problems that spill over defined areas of responsibility. Research suggests that coordinating and pooling knowledge, effort and resources across policy and organisational boundaries may help governments better understand and solve persistent policy problems, and such rhetoric is commonplace in policy. Nevertheless, many governments continue to manage and track the performance of policy actors as discrete entities, measuring activity or outputs within tightly defined parameters to demonstrate efficiency, trigger funding, or account for public expenditure. Lack of incentive to produce results outside those parameters arguably perpetuates buck-passing, cost-shifting, and gaming behaviour, and data captured only to demonstrate achievement of key performance indicators can skew evidence informing policy. This chapter examines the ramifications of siloed performance management in public services built on neoliberal principles, where public and private interests intersect.

Chapter 3: Applying Behavioural Science to Performance Management, Donald Moynihan

This chapter examines how behavioural science informs how people use performance data, including a number of biases that inform their use. Public actors are subject to motivated reasoning when using performance data – they select and interpret data in ways that fit with their prior beliefs. Members of the public also hold an anti-public sector bias, meaning they are less likely to give credit to good performance data coming from public organisations. Beyond biases, there are some positive lessons about how to encourage purposeful use of performance data. Managers who believe they have greater flexibility to influence public outcomes are more likely to make use of performance data, as are public officials who compare performance to some benchmark. This chapter makes the case that goal-based learning demands not just good data, but also an understanding of both the cognitive processes behind performance information use, as well as designing routines of performance information use. In short, it calls for both understanding what goes on inside our heads *and* how to change the environment around us.

Chapter 4: Performance Measures for Governance Systems, Sharron O'Neill and Jim Rooney

This chapter explains that performance measurement is an accounting technique that plays a pivotal role in the management and governance of public sector work; informing strategic and operational decisions, evaluating public and economic value, and offering important mechanisms of accountability. Yet in the public administration literature, academic research is criticised for failing to adequately analyse the performance measurement process, instead often viewing it as simply an unproblematised set of mathematical techniques. Having noted the reciprocal nature of performance and measurement, this chapter examines the socio-technical process of accounting for organisational performance. It demonstrates the potential for a deeper analysis of the use of performance measures and performance measurement systems in interdisciplinary public sector research.

Chapter 5: How Can Public Service Performance Management Be Understood at a Systems Level? Karen Gardner

The chapter explains how performance management processes and practices have been widely embraced in public administration, despite evidence that they produce a range of unintended effects on the behaviour of individuals, organisations and systems. These consequences call into question the underpinning assumptions upon which these approaches purport to shift behaviour and promote improvement in service delivery. Understanding the conditions under which monitoring and measuring performance is used to achieve different aims – to enforce accountability for outcomes or to improve service quality – could help policy makers conceptualise more nuanced and effective approaches to performance management. Drawing on the performance governance and quality improvement literature, this chapter presents a framework that distinguishes between the practice of using information to verify levels of performance in market-oriented performance management approaches, and using indicators to monitor and promote improvement through building capacity for using data in service and professional networks. The framework shows that market approaches are characterised by contestability and competition for funds, where success hinges on business acumen and delivery of specified outcomes, while network and professional approaches build relationships across boundaries which are less tangible but which may improve results by enhancing understanding of policy problems and resources available to address them. This insight expands possibilities for measuring and driving performance in dynamic systems.

Chapter 6: Causes of Gaming in Performance Management, Jeannette Taylor

The research underpinning this chapter finds that a significant proportion of public employees have responded to the implementation of performance management systems in their organisations by engaging in gaming behaviour. This raises several questions, one of which is whether gaming behaviour is simply a selfish act. It is often taken for granted that public employees who engage in gaming are driven by self-interest. It is, however, also possible for factors other than self-interest to lead to gaming. The chapter reviews the current state of knowledge about the causes of gaming in performance management, specifically, it looks at: (1) What is gaming?; (2) What are the common types of gaming?; and (3) What causes gaming? The

chapter explains how gaming is a complex phenomenon that can be caused by multiple factors. In most situations, it is often a combination of factors that drive public employees to consider gaming. Individual drivers often interact with organisational and environmental drivers to shape gaming. In order to fully understand why gaming occurs in order to manage the phenomenon more effectively, there is a need to take into account not just the perpetrators themselves (in terms of their values, views, and preferences), but also their system and context (the structural, people, and political elements).

Chapter 7: A Test of Wills? Exploring Synecdoche and Gaming in the National Literacy and Numeracy Performance Monitoring Regime, Joseph Drew and Janine O’Flynn

The authors argue that those responsible for selecting performance indicators and reporting on performance implicitly buy into the notion that the performance indicators chosen are important and that the method chosen to report on the elements allow for useful comparisons. Actors who are the subject of the performance monitoring seek to, at least, convince performance monitors that the data that they have provided is a true and correct reflection of reality. The art of persuasion is, therefore, salient to performance monitoring and thus it is not unreasonable to posit that performance monitoring is an exercise in rhetoric, with risk of gaming where grey areas are exploited to provide a better impression of performance than might otherwise be warranted. The example of performance monitoring in the Australian National Assessment Programme for Literacy and Numeracy (NAPLAN) is used to explore the role of rhetorical tropes in action and the importance of how performance is conceptualised. The authors posit that rather than continuing to focus on *ex post* autopsies of monitoring failures, viewing public performance monitoring as rhetoric ‘replaces damnation with toleration’ enabling progress to be made.

Chapter 8: Managing the Complexity of Outcomes: A New Approach to Performance Measurement and Management, Max French, Toby Lowe, Rob Wilson, Mary-Lee Rhodes and Melissa Hawkins

Governments, philanthropic agencies and public sector organisations have given increasing primacy to outcomes across their operations in recent years, particularly within the domain of performance management. They argue that societal outcomes challenge public agencies to respond to four specific forms of complexity – compositional, experiential, dynamic and governance complexities – which taken together confound the conceptual basis of traditional performance management systems. The authors adopt this understanding of complexity in a constructive capacity to consider the design parameters of a complexity-appropriate performance management system. They suggest that two theoretical transitions are necessary in performance management theory: a shift from principal–agent theory to stewardship theory, and from technical to social management control theory. They explore the characteristics which such a model of performance management might take in practice and conclude by outlining a research agenda to explore the potential applications of this new approach.

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2. Not my problem: the impact of siloed performance management on policy design and implementation

Sue Olney

From the moment new public management (Hood 1995) and new public governance (Osborne 2006; Dickinson 2016) began to drive public sector reform, researchers and policymakers have studied how governments work within and across policy and organisational boundaries to address complex and persistent policy problems. The evidence base is wide-ranging. It encompasses research into the ‘hollowing out of the state’ (Rhodes 1994, 2007) and processes of disaggregating large bureaucratic service systems into discrete private-sector style business units (Hood 1995 pp. 95–97). It includes studies of motivations, processes, and outcomes of drawing private actors into the policy arena through commissioning, competitive contracting, or personalised budgets (Considine, Lewis and O’Sullivan 2011; Smith and Lipsky 1993; Needham 2011; Carey et al. 2018; Herd and Moynihan 2018). It offers insights into processes and outcomes of working across boundaries at an organisation level and at a system level (Althaus, Bridgman and Davis 2013; Lowe and Wilson 2017; Blackman et al. 2016; Gray and Wood 1991; Goldsmith and Eggers 2004; Halligan 2005; Head 2008; Behn 2003) and into how policy problems are framed and the ripple effects of that framing (Bacchi 2009). It also sheds light on challenges in negotiating risk and accountability, mobilising resources, delivering integrated services and measuring the impact of public investment across jurisdictions (for example Crowley et al. 2020; Gardner, Olney and Dickinson 2018; Craven, Carey and Dickinson 2019; Sullivan and Skelcher 2002; O’Flynn et al. 2011; Alford and O’Flynn 2012; Christensen, Fimreite and Læg Reid 2007; Hughes 2003).

Much of that work concludes that complex policy problems are best understood and addressed by pooling knowledge, effort and resources across government, business, and civil society. Such rhetoric surfaces frequently in policy documents, but operationalising it is no mean feat in an institutional landscape built on neoliberal foundations. It hinges on governments’ capacity and willingness to draw different policy strands together, to reconcile competing priorities, to smooth pathways through fragmented system architecture, and to articulate clear goals for public investment. This is the process of creating ‘public value’, through careful stewardship of public resources and strategic design and implementation of policy (Moore 1995). But it is neither a straight-forward nor a bias-free process, and the value created is contingent on the parameters within which it is measured. In the wake of neoliberal public sector reform, *why*, *what* and *how* government and non-government actors report on their activity has implications for both monitoring and improving performance across government.

Managing performance in silos is the default position for many governments, for a range of reasons explored in this chapter. Adjusting performance measures in single or complementary public services can change the behaviour of actors in particular policy spheres, but it can also have far-reaching unintended consequences in a cross-jurisdictional environment of disjointed

policy cycles, where regulations, funding, contracting and reporting arrangements, tolerance for risk and agendas differ. Vast quantities of data are now being collected and analysed by governments, intermediaries, and service providers ‘to evaluate, control, budget, motivate, promote, celebrate, learn, and improve’ with few constraints (Behn 2003, p. 599). But when policy actors report atomised activity or outcomes tied to key performance indicators to discrete funding sources, omitting information about ancillary activity and outputs and the flow-on effects of decisions made in the course of delivering required outcomes, evidence informing policy design and implementation can be skewed.

This chapter explores the ramifications of siloed performance management in public services where lines between public interest and private interest are blurred. These blurred lines can surface in both outsourced and inhouse delivery of services – in any working relationship where reward or continued operation is contingent on actors achieving set outcomes on behalf of government. First, the chapter discusses the range of actors delivering public policy outcomes for governments, and the environment in which they operate. Second, it examines how approaches to performance management shape the behaviour of policy actors and policy outcomes. Third, it explores the ripple effects of siloed performance management through two Australian examples of ground-breaking, large-scale, market-driven reform crossing jurisdictional boundaries – employment services and disability services. Finally, it concludes that managing public sector performance within narrow parameters produces unreliable evidence to inform policy and practice, which has an adverse impact on the overall performance of the public sector.

THE PERFORMANCE MANAGEMENT ENVIRONMENT

Modern governments design, implement and evaluate policy on shifting sands. They are grappling with citizens’ changing expectations, declining trust in institutions, shifting power relations, rapid technological change, competing interpretations of evidence, competing needs and priorities, and global social, economic, health and environmental forces beyond their control. Under political pressure to be seen to be accountable and efficient in serving their citizens, many have embraced private-sector style models of performance in the public sector and turned to external agents, contractors, markets and artificial intelligence to deliver outcomes. The resulting institutional landscape is a dynamic mix of government and non-government actors collecting and interpreting data for multiple purposes and delivering public services to citizen ‘clients’ under a broad range of governance structures, legislation, performance measures, direct and indirect funding mechanisms, rules, processes and philosophical standpoints.

The need to account for public spending drives governments to parcel activity in this complex environment into manageable and measurable boxes. In Westminster systems, people working in government are commonly held accountable for targets and outputs aligned to the priorities of the minister/s of their departments. Accordingly, they choose and apply policy instruments that fit their particular purpose (Althaus et al. 2013, p. 24). Within the public sector, this plays out in decisions about how public services should be delivered and by whom, and in approaches to commissioning and monitoring service delivery. In digital government, it plays out in the selection or design of information and communications technology (ICT) systems to capture data from and about citizens, in the development of algorithms to interpret data for informing policy, and in competing interpretations of that data (Eubanks 2018; O’Neil

2016). In outsourced service delivery, it plays out in contractual obligations and specific performance indicators, regulations and incentives imposed on external service providers that are tightly bound to the key performance indicators of the funding agency (Cahill and Toner 2018; Gardner, Olney and Dickinson 2018). This dispersed approach to managing performance makes it difficult to monitor the flow-on effects of actions, unintended consequences, or cost-shifting across jurisdictions (Alford and O’Flynn 2012).

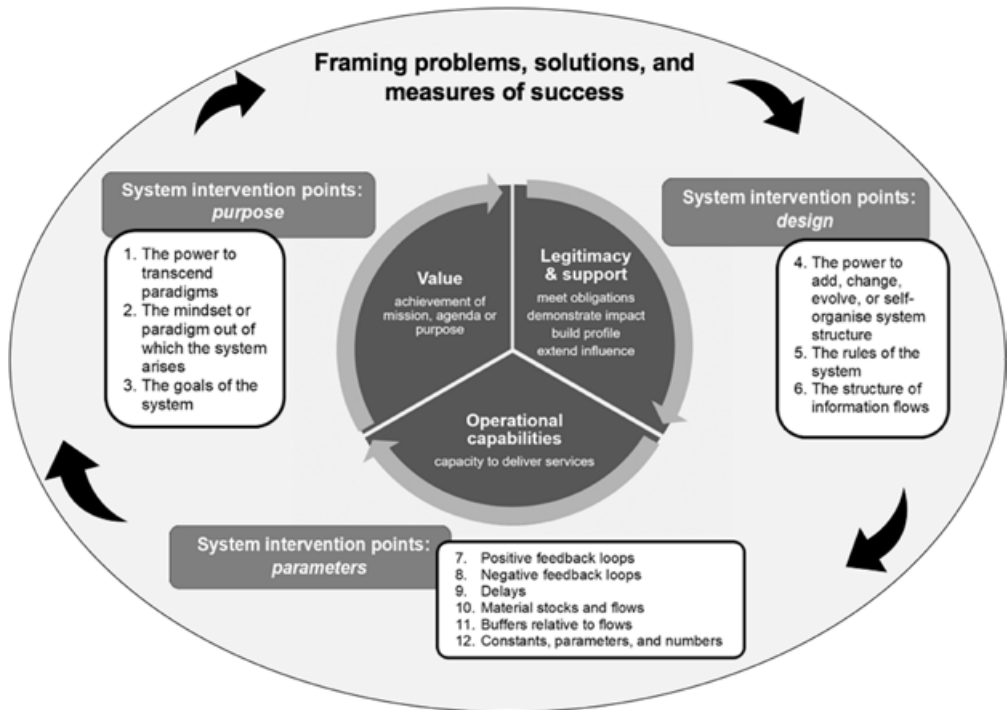
Over time, research has exposed significant economic and social costs stemming from particular groups of citizens being under-served, exploited, or misrepresented in data informing policy in this landscape (Cahill and Toner 2018; Eubanks 2018; Somers 2008). Unequal outcomes arising from outcomes-based performance measures shaping individual and organisational behaviour are well-documented (Considine, Lewis and O’Sullivan 2011; Heugens and Lander 2009; Streeck and Thelen 2005; DiMaggio and Powell 1983) – the evidence suggests that the decisions policy actors make, the routines and processes they establish and how they use available resources hinge on *what* is measured and *when*. There is scope for more research into the risks of relying on self-serving, atomised reporting to measure the impact of policy action and to inform future policy as governments edge further away from direct interaction with citizens. This has important ramifications in environments where the profits of delivering policy outcomes are privatised and costs of failing to deliver policy outcomes are socialised; and where governments combine fragmented narratives to understand the whole.

EXAMINING THE IMPACT OF SILOED PERFORMANCE MANAGEMENT ON POLICY AND PRACTICE

Public sector reforms that promise to reduce the size of government and the cost of service delivery have proven to be politically popular strategies. Failure to deliver projected benefits is often attributed to ‘teething problems’, external forces, or recalcitrant stakeholders. However, after thirty years of such reforms, there is now ample evidence that while some citizens benefit in this environment, others are marginalised, creating new problems for the public sector (Cahill and Toner 2018). What is interesting about that for the purposes of this book is that this evidence has been slow to emerge because of how performance has been measured and managed through these reforms. The flow-on costs of gaps between policy promises and practice have rippled across government and the community, while dilemmas and trade-offs involved in delivering policy outcomes have been largely unobserved and unreported.

Buffeted by changes of government, policy shifts and machinery of government changes at federal and state levels, and under ongoing pressure to deliver more with less, it is unsurprising that policy actors focus on achieving and reporting on their own key performance indicators over system-wide strategic planning. The risk of contracted service providers gaming outcome-based funding models, for example, by cherry-picking lucrative clients, neglecting difficult clients or manipulating activity to maximise measurable outcomes cannot be eliminated, but it can be managed by adjusting incentives in the system within which they work. This change hinges on understanding leverage points – places in the system ‘where a small shift in one thing can produce big changes in everything’ (Meadows 1999, p. 1). As shown in Figure 2.1, the process of testing the limits of institutional rules, rationing and prioritising the use of resources, and reporting activity has internal and external drivers for policy actors both inside and outside government. Internally, policy actors seek the most efficient way to

achieve their own agenda, fulfil their contractual obligations and meet performance targets. Externally, their performance is shaped by how problems, solutions and processes are framed and designed by government.



Source: Drawing on Meadows (1999), Moore (1995) and Bacchi (2009).

Figure 2.1 Performance drivers for policy actors

Key challenges for governments managing performance in this landscape are collecting data that illuminates policy problems in context (Bacchi 2009); identifying leverage points to make service systems more transparent and accountable to citizens (Meadows 1999); and anticipating the flow-on effects of intervention at those points (Moore 1995). This calls for pragmatism in managing risk and performance, astute application of policy instruments, and an appreciation of the public sector as a complex adaptive system shaped by the activities and priorities of those at the frontline of delivering policy outcomes (Dickinson et al. 2018; Gardner, Olney and Dickinson 2018; Dickinson and Sullivan 2014). This approach was tested to varying degrees during the 2020 COVID-19 pandemic, when service vulnerabilities were exposed and policy and practice was forced to adapt quickly and intuitively at individual, collective and systemic levels to manage risk. Time will tell if new priorities, processes, and relationships that emerged through the pandemic are sustainable, effective, and replicable at scale. However, the increasing frequency of ‘crisis’ events disrupting usual ways of working, and the range of actors now engaged in delivering public policy outcomes, suggests the time

has come for governments to embrace system-level approaches to performance management in the public sector.

THE IMPACT OF SILOED PERFORMANCE MANAGEMENT IN SYSTEMS: TWO AUSTRALIAN EXAMPLES

Social services in Australia have been the target of ongoing neoliberal reform for more than three decades, powering through all evidence of adverse outcomes (Productivity Commission 2017b; Cahill and Toner 2018). New public management was embraced enthusiastically by Australian governments in the 1990s, and Australia's fully privatised employment services system was a pioneering success story (Considine, Lewis and O'Sullivan 2011). More recently, reform of disability services in Australia has broken new ground in personalised commissioning in its pace and scale of change, the complexity of its governance and market structure, and the broad range of needs and circumstances it aims to address. Each of these examples has spawned a fragmented institutional landscape involving three levels of government, government agencies and contracted service providers, each committed to their own way of working administratively and philosophically, and each managing performance in silos.

Australia's Employment Services System: Jobactive

Australia's employment services system is underpinned by two key principles: mutual obligation for income support and privatisation of service delivery. Since 1994, successive governments have adjusted and reformed policy related to employment services through a mix of centralised and decentralised processes, markets, quasi-markets, sanctions and incentives designed to change the behaviour of unemployed people and the services they access. For jobseekers struggling to compete in the mainstream labour market, the process of preparing for work extends beyond employment services into other public services. Under the supervision of employment services' providers contracted by the Australian government, long-term jobseekers are referred to various programs and federal, state and territory government funded services to address non-vocational barriers to work or gaps in skills, as a condition of income support. This draws services like health, housing, vocational education and training, transport, justice and family services, both directly and indirectly, into the process of equipping unemployed people to work. Market-based practice underpins services delivered directly by government as well as outsourced services in this arena, with each policymaker and practitioner incentivised and motivated to deliver outcomes determined by their own organisation and funding sources. The complexity of that environment is illustrated in Figure 2.2, which is an environmental scan of actors delivering public services to unemployed people of working age in a single local government area in Australia. There is no overarching requirement or financial incentive for these actors to consider the consequences of their interaction with unemployed people beyond key performance indicators set by their own governance structures and their contractual obligations to different arms of government, and these are not always mutually reinforcing (Olney and Gallet 2018).

Providers of employment services generate the bulk of their income from placing unemployed people into work, with payments increasing the longer people remain in work (Department of Employment 2015). Research and government inquiries have found that 'hard

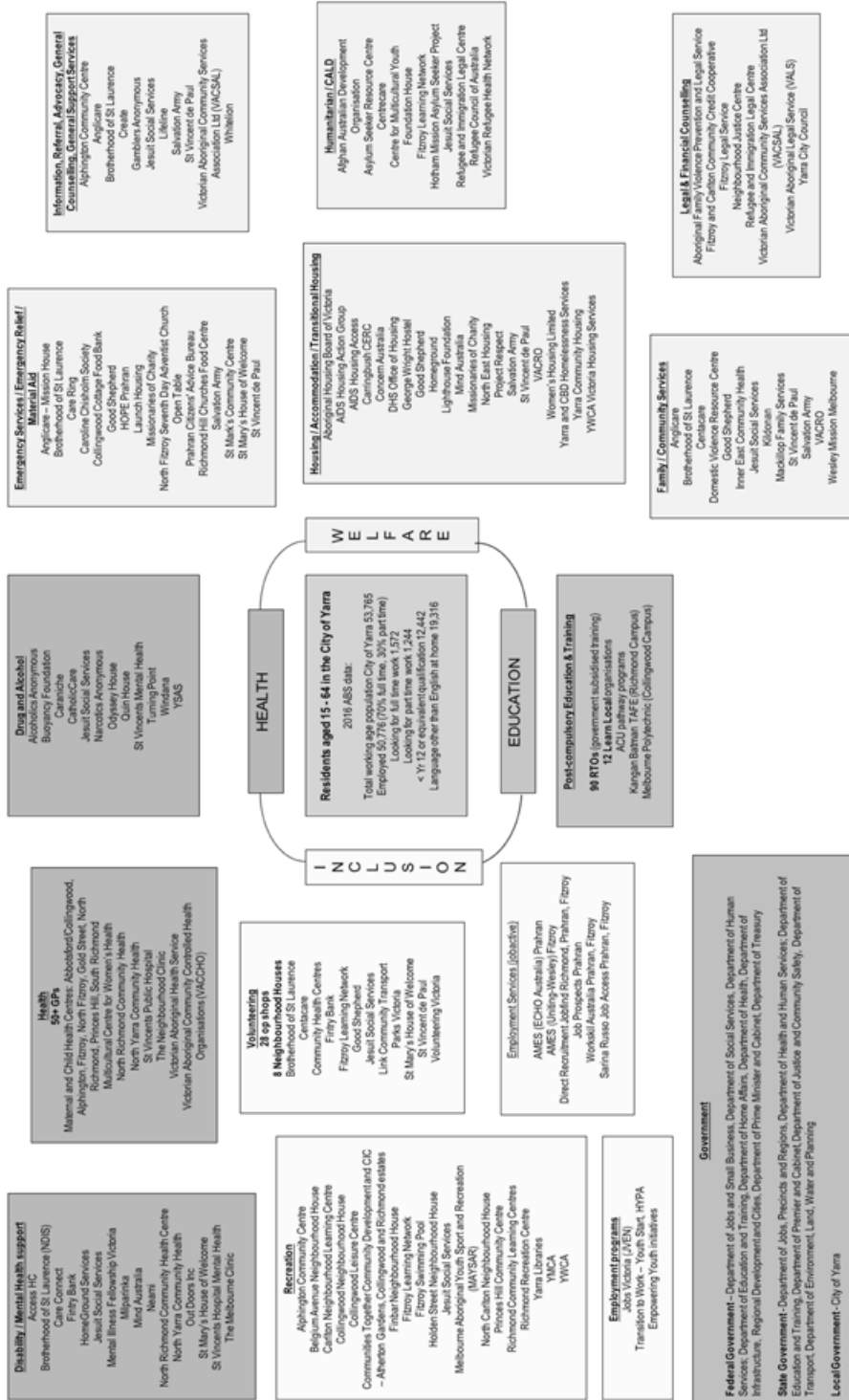


Figure 2.2 Employment services referral environment – city of Yarra, Victoria, Australia

to place' jobseekers are routinely sidelined in the employment services system, engaging with other government-funded services to meet their obligations for income support but making little progress towards employment (Considine, Lewis and O'Sullivan 2011; Parliament of Australia 2019). A 2019 Senate inquiry into the appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive revealed that the funding and performance ranking model 'encouraged providers to focus on some participants and ignore others' – a process known as 'creaming' and 'parking' (Parliament of Australia 2019, pp. 176–177). Data from the Department of Jobs and Small Business revealed that 'almost half of the people in jobactive have remained in the service for two years or more. Among the most disadvantaged jobseekers (Stream C), the average length of time on the caseload is five years' (Department of Jobs and Small Business 2018a, p. 4). In addition, the inquiry found that jobseekers were often churned through short-term and precarious work by providers, leaving and returning to the jobactive program numerous times generating a payment to their provider and a measurable job outcome each time (Parliament of Australia 2019, p. 174). The Department's own data reveals that between 1 July 2015 and 31 August 2018, employment services providers received multiple outcome payments for placing the same 4,765 people in seven or more different jobs, and over the same period, only 39 percent of job placements for which providers were paid achieved a 26 week job outcome (Department of Jobs and Small Business 2018b, pp. 1–2).

This pattern is unsurprising given the employment services performance management framework. Achieving employment outcomes for jobseekers generates income for employment services providers and positions them for success in future bids for government business. Furthermore, they do not bear the costs or onus of any flow-on effects of failing to move jobseekers into work. That is a powerful incentive for them to ration services in favour of jobseekers likely to find a job and to minimise the cost of servicing jobseekers unlikely to find a job. Compounding this inequity and cost-shifting in the system, reforms have also devolved power to suspend jobseekers' payments for non-compliance of activity requirements to these providers. At that point, any scope in the service agreement for discretion or negotiation with jobseekers – who may be struggling with complex issues not captured in the assessment process that determined their obligations – is competing with the service provider's other priorities, including the knowledge that decisions about where to allocate resources impact directly on their bottom line. Overall, this approach to performance management raises serious questions around the state's duty of care to vulnerable citizens, and those citizens' rights to access public services to which they are entitled.

In theory, the privatised model of employment services promises responsiveness, flexibility and accountability at a local level to maximise the odds of unemployed people finding work (Considine, Lewis and O'Sullivan 2011). In practice, the incentives and performance metrics for the many services involved in addressing barriers to work for people who are persistently unemployed or at risk of long-term unemployment ignore evidence of strong links between demand for labour, systemic barriers to work outside individuals' control, and reliance on welfare. The potential strength of market-based approaches to helping disadvantaged jobseekers find work – leveraging local knowledge and networks, competition, calibration and interplay among providers' sources of revenue – has been lost or diluted in risk management to prevent providers from gaming the system and in the development and pursuit of narrowly defined performance indicators (Olney and Gallet 2018; Considine, Lewis and O'Sullivan 2011). The focus on producing outcomes within tight parameters and short timeframes is

a barrier to both defining the problem of labour market exclusion and to finding the solution. Performance management in the system creates perverse incentives for providers and the bureaucrats managing their contracts to focus on quick wins, and simultaneously masks the unattainable ‘idealized dimensions’ of the employment services system’s task (Lipsky 1980, p. 40).

All evidence points to ongoing reform for employment services and Australia’s welfare-to-work system. During the COVID-19 pandemic in 2020, the fault lines in the system revealed by the inquiry into jobactive were laid bare. In line with many countries, Australia moved swiftly to increase income support for jobseekers, streamline and accelerate access to income support, and suspend mutual obligation requirements, but these were all temporary measures. There is little doubt that the crisis will have a long-term impact on the economy and the labour market. How performance is managed across the welfare-to-work arena, and how success is measured, will have to change as competition for available work intensifies and more jobseekers are actively engaged in the system.

Australia’s National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) promised a new way of designing and delivering disability services in Australia, firmly focused on equity and choice and control for service users. Its rollout between 2013 and 2019 involved a transition from Australian government’s block-funding disability services to a federal, personalised commissioning model. Under the model, both procurement and delivery of disability services shifted from the public sector to individuals with disability for the former, and a newly created market for the latter. Broadly, under the scheme, packages of funding are allocated to eligible individuals with a disability – participants – to purchase services and support specified in a negotiated annual plan directly from providers of their choice, subject to a range of factors including service price limits set by the government.

The scheme is administered by an independent statutory agency, the National Disability Insurance Agency (NDIA). The bulk of interaction between the NDIS and participants occurs through ‘partners in the community’ funded by the Australian government through the NDIA. These partners – Local Area Coordinators (LAC) and Early Childhood Early Intervention Services (ECEI) – are contracted by government and consequently, subject to direct performance management. They form the scheme’s front line at a local, community level, with one of each operating in each service region. Most participants rely on these partners to help them understand and access the NDIS, create an annual plan, implement their plan, and review their plan. Between the creation and implementation of a plan, the NDIA approves what will be funded for each participant. Most participants report through the NDIA that they are satisfied with the NDIS (see for example NDIS 2019, pp. 31–33), but adverse experiences of the planning process and variable access to services and resources under the scheme are well-documented (Tune 2019; Parliament of Australia 2020; Productivity Commission 2017a; Mavromaras et al. 2018). In 2021, in response to concerns about the consistency of decision-making about eligibility to access the NDIS and inconsistencies in funding packages for participants with similar needs and circumstances, the government plans to introduce independent assessments as part of assessing a person’s initial eligibility for the Scheme and determining their NDIS plan on an ongoing basis (Department of Social Services 2020). If this proceeds as planned it may mitigate some equity issues in the Scheme, but the extent to which

participants utilise their approved plans may still vary for reasons both within and beyond their control. These reasons could include (but are not limited to) a mismatch between their circumstances and the supports approved in their plan, their capacity to put their plan into action, blurred lines of responsibility between the NDIS and service systems in different jurisdictions, and underdeveloped markets for services and support.

There has been broad consensus in reviews and inquiries that the pace of the NDIS rollout, and a staff cap imposed on the NDIA, compounded issues that emerged in practice. Identified issues have included diffused accountability in the scheme's structure (illustrated in Figure 2.3); shifting performance measures for LACs; pricing and funding mechanisms; administrative and regulatory processes; ICT systems; underpinning assumptions about complementary service systems; and assumptions about people with disability as empowered market actors. Turnover of staff in LACs and in the NDIA has been high, affecting the flow of information to and from participants, to and from providers, and through the scheme's complex governance structure about how the scheme is performing. This is a significant issue for performance management, ongoing policy refinement, and institutional learning. It is further complicated by government having no direct contractual relationship with service providers. The market is structured to allow participants to change providers if they are dissatisfied with the standard of service, but this is not easy for participants in immature markets or those who have difficulty navigating administrative processes.

Transitional issues are inevitable in a reform of the magnitude of the NDIS rolled out in a tight timeframe. However, research suggests there are persistent and deeper issues at play in the gap between some participants' expectations and experiences of the NDIS, and in how data about the scheme is being captured and analysed to manage performance and inform policy and practice (Olney and Dickinson 2019). As in the case of employment services, the NDIS calls for cooperation among actors within and interacting with the disability services system so that people with disabilities can get the services and support they need. LACs and ECEIs operate in an environment where available resources do not meet demand, where expectations about their performance include unattainable dimensions, and where they have limited power to change the behaviour of other services integral to achieving successful outcomes for NDIS participants. Rather than capitalising on the knowledge these partners in the community have about local conditions, their key performance indicators keep them focused on 'procedural aspects' of the scheme (Malbon and Carey 2020, p. 2). This poses particular risks in an individualised funding model like the NDIS, where there is no provider of last resort in thin markets. Scope for shared planning, and the capacity of the NDIS's partners in the community to deliver on the scheme's promise, is hampered by competition for funding, inconsistent service boundaries, inconsistent funding and reporting mechanisms, inconsistent eligibility, caseloads and resources, and mismatched and dense regulatory environments (Carey et al. 2018), posing significant challenges for performance management. The NDIS has demonstrated that, where there are internal tensions in system architecture, it is possible for actors to meet performance indicators at the expense of public value. Such systems call for nuanced and adaptive stewardship and astute use of data and policy levers to manage scarce resources and ensure that vulnerable citizens are not left without vital services.

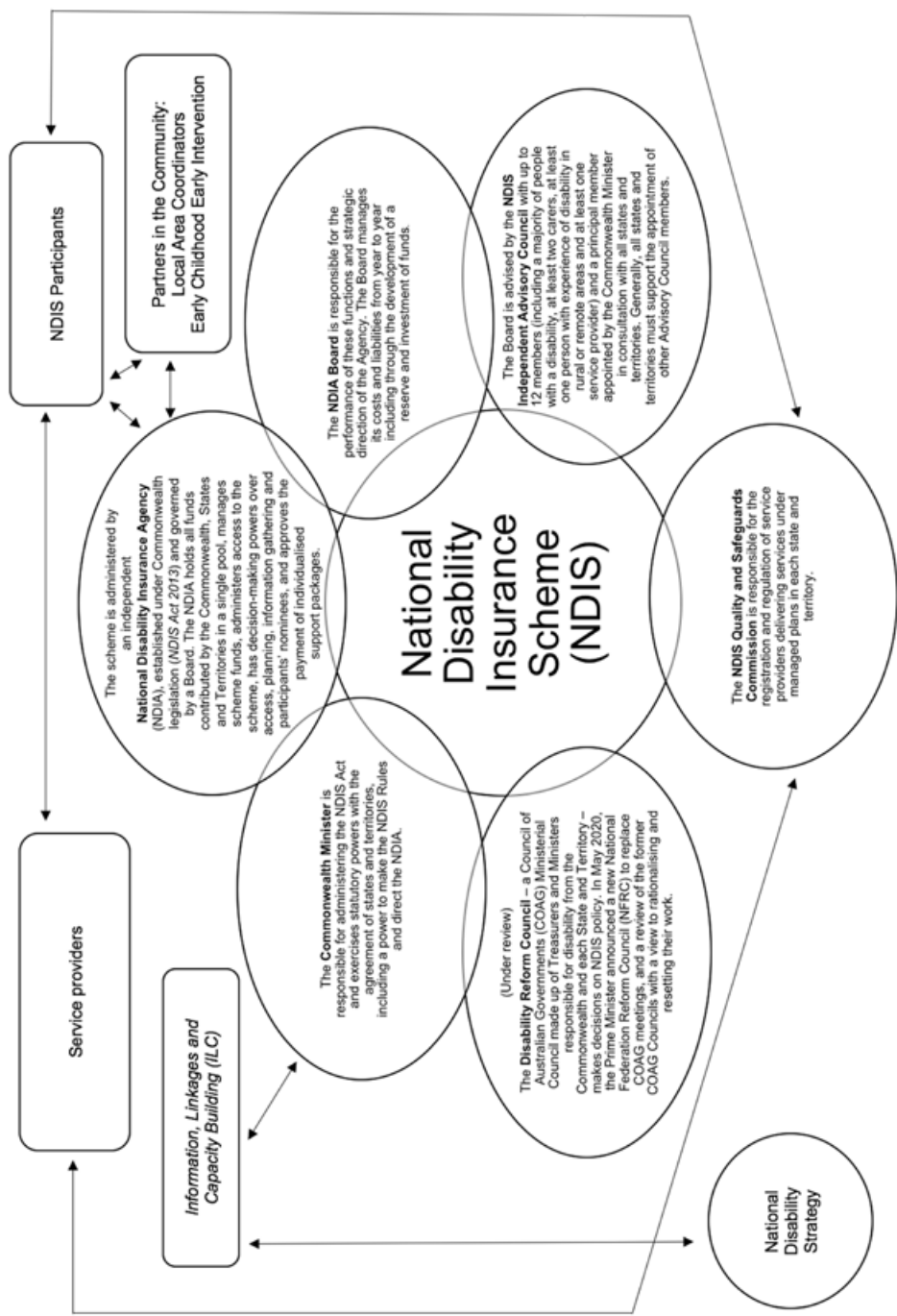


Figure 2.3 Governance arrangements for the National Disability Insurance Scheme

CONCLUSION

As public sector reforms underpinned by neoliberal principles continue to roll out across the world, there are still unanswered questions about how best to manage the performance of actors within them to reap their full benefit. The enduring legacy of new public management – a focus on demonstrating transparency, efficiency, and competition – perpetuates siloed performance management within and across connected service systems rife with competing priorities. It continues to influence how policy problems are framed; how resources are allocated and utilised; how data is collected; and how the impact of policy action is evaluated. This is problematic in an increasingly complex and dynamic public management environment exposed to market forces and fluctuations.

The service systems discussed in this chapter illustrate some performance management challenges posed by policy problems that cross jurisdictional boundaries; the growing involvement of non-government actors in delivering public policy outcomes; the range of relationships in the public sector; and risks of information asymmetry in public services. It is crucial in these environments to acknowledge that *all* actors within them have multiple motivations and priorities for the work they do, and that none are immune to testing the limits of institutional rules, rationing and prioritising the use of resources, and focusing on meeting the performance indicators most likely to ensure they stay in business. The extent to which performance management shapes the policy landscape remains open to scrutiny and debate, but there is ample evidence that policy success or failure can hinge on it.

In the absence of incentives to adapt, innovate or change behaviour to produce results outside individual key performance indicators, issues like buck-passing, cost-shifting, and gaming of performance measures persist in complex policy environments. When the performance of policy actors is managed only within boundaries set by discrete funding sources, important overarching evidence about service coordination, economies of scale, ancillary activity and outputs, and the flow-on effects of decisions made in the course of delivering outcomes is lost. This significant weakness in the institutional architecture must be addressed to manage performance in the public sector more effectively, and by extension, to strengthen both policy and practice.

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3. Applying behavioural science to performance management

Donald Moynihan

INTRODUCTION

Recent decades have seen growing attention to performance in government. Government officials are increasingly expected to justify their activities with performance data, which creates a further expectation that they use such information to make decisions in how they manage their programs. At the same time, a parallel process was taking place in the social sciences, directing attention to behavioural approaches to understanding individual cognitive processes (James et al. 2020). In the following sections I narrate the rise of a behavioural approach, and point to some lessons it offers for performance information use.

Behavioural Public Performance

Behavioural science draws from psychology, economics and other fields to focus on how individuals construe the world, and the consequent effect on the decisions they make. The unit of analysis is, therefore, the individual, with a strong emphasis on cognitive processes.

When it comes to decision making, behavioural science starts with the premise that people are not fully rational, if rationality implies making a full and exhaustive assessment of costs and benefits of each option to optimize a preferred outcome (Simon 1947). Instead, people use heuristics to manage such complexity. Sometimes these heuristics serve as useful shortcuts to efficient decisions, but they can also be cognitive biases that lead to systematic errors (Tversky and Kahneman 1974).

Behavioural science has taken different flavours. Most obviously, behavioural economics has fundamentally challenged standard models of economic behaviour. Some governments have set up special units to take advantage of behavioural science. But most of the initiatives that emerge have been with the design or implementation of policy, nudging members of the public and not addressing internal management processes (OECD 2017). We draw instead from another area – behavioural public administration – that has sought to make such applications (Grimmelikhuijsen et al. 2017; James, Gilke and Van Ryzin 2017) by applying behavioural insights to the workings of public organizations.

A subset of that literature specifically addresses questions relevant to goal-based learning, examining the cognitive processes related to performance information use, which James et al. (2020) characterize as behavioural public performance. This research employs experimental designs to understand the psychology of individual behaviour in public organizations. Experiments are generally designed to create a high degree of confidence behind a causal claim, at least within that particular context, though they need to be replicated to feel more confident about the results. An experimental approach can allow us to take on questions that researchers have long speculated on – such as whether greater managerial autonomy increases

Table 3.1 *Insights on how people process performance data*

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- *Numeric Literacy*: While people say they like hard information more, they are in fact more likely to be influenced by anecdotes or stories when judging public sector performance. A practical implication is that the presentation of data about public investments become more persuasive when they are part of a broader narrative, or illustrative stories. Too much data results in less attention.
 - *The Power of Comparison*: Comparative data has been shown to help make data more useful and understandable, since it provides a sense of progress, and some reference point for what good and bad performance is. Comparable cross-country or cross-regional public investment performance metrics can motivate public and governmental interest. Performance targets raise expectations, creating a response if even objectively unrealistic targets are missed.
 - *Implicit Antipublic Sector Bias*: Citizens assume government services are less efficient.
 - *Distrust of Government Data*: Citizens have lower trust in self-reported government data, partly because of distrust in government. Governments should therefore use trusted non-public sources to share data on public investments.
 - *Motivated Reasoning*: Our political beliefs and partisan identifications affect how we process performance data. Governments should look to ways to frame and disseminate data in ways that are non-ideological and get advance buy-in for data across political lines.
 - *Negativity Bias*: Citizens, managers and policymakers are more responsive to numbers showing bad performance than they are to evidence of positive performance. Governments should direct resources to problem-solving the areas that performance data suggests poses the greatest risk.
 - *Learning to Learn*: Learning from data appears to increase if people employ social routines of learning, sometimes called learning forums. Much depends on the design of these routines, for example, if they can overcome the defensiveness people feel in talking about performance. Providing managers with autonomy also increases attention to performance data.
-

attention to performance – as well as encouraging more novel questions – such as what is going on in the head of people when they are using data. As a result, most of the research examines how people process different type of data, presented in different ways.

Because we are discussing high-level outcomes, it is as important to look at how citizens as well as policymakers, make sense of data. The cognitive process of a citizen and a policymaker should generally be assumed to be similar, unless the specialized role of the policymaker will alter their behaviour. It is the case that policymakers have access to more information and have to negotiate in the policy process that helps to check their biases. However, most evidence suggests that even well-informed policymakers are similar in how they process data to members of the public (Baekgaard et al. 2019). Indeed, expertise can actually worsen biases, since it results in overconfidence (Tetlock 2005). The rest of the chapter identifies main takeaway points about what factors make it more or less likely for people to use – or misuse – data, summarized in Table 3.1.

Numeric Literacy

People are not naturally number crunchers, and become overwhelmed when faced with too many metrics, creating the problem of information overload. A saying attributed (perhaps erroneously) to Joseph Stalin – “a single death is a tragedy; a million deaths is a statistic” – reflects another bias we have: the idea that the story of the specific individual is more relatable and emotionally engaging than a table of numbers about a population. When asked what data would be most helpful to judge public services, people say they would prefer quantitative over episodic or anecdotal information. However, experiments show that anecdotes or stories generate a greater emotional response, are more memorable, and are more influential in influencing performance assessments of public organizations. For example, Olsen (2017a) finds that anecdotal information was more likely to affect people’s perception of hospital performance

than statistical information. Olsen also asked people to recall information they had seen in the news. One group was asked to write about episodic information of performance, while the other was asked to recall statistical performance information in the news. People were more easily able to recall the episodic data, and to recall it with greater accuracy.

We receive episodic information from personal experiences we have with government, stories we hear from our social networks, and the media we consume. Episodic information can have strong media value precisely because it evokes an emotional response among its audience. Thus, media coverage of crime is generally not coverage of aggregate statistics, but of examples of specific events. Such stories make people feel less safe and lead them to systematically overestimate the prevalence of crime. Performance data such as aggregate crime statistics can debias citizens from these erroneous beliefs. Larsen and Olsen (2020) find that mailing citizens with accessible statistical information about local crime rates resulted in people being more likely to provide accurate estimates of crime. However, people soon reverted back to their incorrect inflated estimates once they stopped receiving the mailings, especially those who intensively consumed media.

Citizens also tend to find round numbers more salient in a way that alters their decisions. This is sometimes referred to as left-digit bias. This basic fact is known to companies who price their good before some significant digit, knowing that a price of 9.99 *feels* much lower than a price of 10.00 at first glance, even though we know that it is really not all that different if we give the prices more consideration. In the same way, citizens look at numbers about revenues and expenditures through the lens of left-digit bias. For example, an experiment that assessed public support for a hypothetical stimulus program found that support tended to move up in a discontinuous fashion, with opposition jumping more when the cost of the stimulus went above a round number (Malhotra and Margalit 2010).

In evaluating school performance, Olsen (2013) shows citizens exhibit a similar pattern of left-digit bias. Substantive shifts in grade scores that did not cross a threshold (e.g. if grades moved from 5.1 to 5.9) went unnoticed in citizen evaluations, but when grades moved above a threshold (e.g. increased from 5.9 to 6), citizens became substantially more positive in their assessments. In effect, this means that people give credit to performance improvements not in a linear fashion, where every marginal increase in measured performance is accorded an equivalent update in the judgement of the person assessing performance. Instead, people employ a step-function approach to rewarding performance – increases in performance are not acknowledged until they pass some significant threshold. One potentially perverse effect of this tendency is that the subjects whose performance is being evaluated will limit their effort if they are slightly above a threshold point, since there is no reward in marginal improvement (Hood 2006).

A number of practical implications flow from these studies. Governments need to be realistic about the capacities of people to manage data. An excess of data will lead to less attention than a little data that does not tax the cognitive load of the user. More can be expected of policymakers and their staff, but their complaints about information overload reflect the point that busy decisionmakers may lack the time to process data, even if they have higher numeric literacy (Moynihan and Beazley 2016). Numbers by themselves are less powerful than narrative, so when it comes to presenting data, metrics should be tied to illustrative stories or anecdotes. Public managers who can skilfully blend metrics and broader narratives are more likely to persuade their audience.

The Power of Comparison

Presenting data in different formats can make it more or less interesting, useful, and motivating. A list of numbers by itself is of limited value, since an individual needs some reference point to make sense of the data (Tversky and Kahneman 1974). Comparisons – with peers, with past performance or with some future target – provide such a context. Comparative data has been shown to help make data more understandable, since it provides a sense of progress, and some reference point for what good or bad performance is (Nielsen 2014a).

Citizens view comparative performance data as more persuasive (James and Moseley 2014; Olsen 2017b). But not all comparisons are created equal, and comparisons with peers appear to have a markedly stronger impact on citizen evaluations of program performance than do comparisons with an organization's own past (Charbonneau and Van Ryzin 2015; Olsen 2017b). This seems to be because people are inherently interested in how they stack up against peers, especially salient ones like neighbouring or similar governments, or historical rivals. For example, Danes looking at comparisons of public sector performance find their neighbour Sweden more useful than other countries (Hansen, Olsen and Bech 2015).

Hong (2019) suggests that public organizations establish aspirations through a mixture of peer and historical comparisons. He examined shifts in the performance of Korean public organizations working in the shadow of a performance regime that uses a standardized scale to compare outcomes. He found that lower performers tended to benchmark against peers, seeking to get above some basic reference points, but that the best performers held themselves to a higher standard, and used their own historical performance as the relevant benchmark.

Anecdotally, there is already evidence of the power of cross-country comparisons. Perhaps the best example is the Program for International Student Assessment (PISA), a cross-national educational rankings of student performance that has had a meaningful influence on education policy management. PISA rankings gain a good deal of attention as national media covers how well a particular country stacks up with other countries, especially if national performance is perceived as falling below expectations (Martens and Niemann 2013). PISA rankings are potent in policymaking debates partly because they are easy to understand, and deal with a politically salient function.

Comparative data also seems to motivate public managers, even if the data is not directly tied to rewards. In one field experiment, school principals were offered the opportunity to download performance data about their school on a website (Andersen and Moynihan 2016). One group received performance data only about their school, while another group were also offered comparative data showing how their school ranked compared to others. The rate of downloads was monitored, unbeknownst to the subjects. Those offered comparative data tended to download more performance data, including other types of performance data than those just offered data about their own school.

Comparisons can also alter how employees think about their own performance and their willingness to defer to leaders. In one survey experiment, teachers became more willing to accept greater managerial authority in cases of high or low performance, suggesting a willingness to both give leaders credit for good performance, and defer to their agenda if poor performance creates a need for change (Nielsen and Jacobsen 2018). A study of social workers (Petersen 2020) found similar patterns: when workers were told their organization had good performance they were more open to new policy initiatives, and employees under intense work pressure were more likely to accept new initiatives under cases of both good and bad perfor-

mance. This finding may reflect a tendency for employees to ignore discomfiting information when possible. In positions of greater exposure of pressure, employees may be forced to accept the implications of even low comparative data, and respond by deferring authority to others or becoming more accepting of change.

Performance targets provide another form of comparison, since they establish aspirational goals that will later be used to compare against outcomes. Such targets also illustrate how comparisons can skew judgements. An experiment showed that the same actual level of performance may be perceived as more or less impressive if accompanied by performance targets that are respectively modest or ambitious (Moynihan 2015). One group of subjects was given data showing consistently improving performance for a program. The treatment group received the same performance data, but also were shown targets that made clear that even though the underlying performance was improving over time, it failed to match targets. As a result, the treatment group was less willing to allocate resources to the program. A similar design found that people tended to become less positive about the same underlying level of performance provided by a public organization if shown that a peer had higher levels of performance (Webeck and Nicholson-Crotty 2018).

Another bias associated with comparisons is the anchoring effect. Our judgements about performance can be shaped by some initial or anchoring reference point, which in turn can be manipulated, or not have much actual relationship with performance. For example, Bellé, Cantarelli and Belardinelli (2017) asked public personnel specialists in Italy to evaluate and score a public employee's personnel file based on their performance for this year. Some were told that the hypothetical employee scored 51/100 in last year's evaluation, and some were told they scored 91/100. Those different anchors, while unrelated to the performance elucidated in the personnel file, affected the evaluation: the low-anchor groups awarded an average score of 71/100, while the high-anchor group awarded a score of 88/100.

A specific form of performance targets are cut-off points that label an outcome as either achieving its goal or not. A program might be given green, yellow or red lights to communicate progress, or labelled as succeeding or failing. For example, in the US, broad categorizations that identified schools as failing under federal rules were rendered close to arbitrary given the different ways states calculated cut-off points. But the labels still mattered to citizens. Schools labelled as failing were less able to raise resources via referenda (Kogan, Lavertu and Peskowitz 2016), and saw greater exit of students (Holbein 2016). Even administrators are prone to place too much weight on such categories. One study of Texas schools found that schools that were essentially equivalent were treated differently when it came to resource allocation decisions made by administrators, depending on whether they fell just above or below a step in the performance rating system (Craig, Imberman, and Purdue 2015). The combination of target categories and limited numeric literacy described above can substantively affect citizen and policymaker perceptions, even if differences in the categories are not substantively meaningful.

What are the practical implications of comparisons for the use of performance data in the public sector? Governments can draw greater attention to performance data by presenting it in comparative perspective, especially using peer comparisons. About one-third of OECD countries use some form of national indicators, and the majority of these are internationally comparable, including many which are aligned with the Europe 2020 objectives (OECD 2017). One risk of peer comparisons is that countries or regions may start from very different places, so historical comparisons provide a good balance. The use of targets may create a risk

for programs, for when those targets are not met – even if performance scores are improving – this reduces support for a program among subjects. If such a risk is apparent to practitioners, they may wish to set incremental and realistic targets.

Antipublic Sector Bias

Individuals make more negative assessments of organizations if they are presented as public rather than private, even if they are given the same performance data (Marvel 2016; Hvidman and Andersen 2016). This has been dubbed an implicit antipublic sector bias: “Citizens *automatically* and *unconsciously* associate public sector organizations with inefficiency, inflexibility and other pejoratives, and these automatic associations colour their assessments of public sector performance” (Marvel 2016, p. 143). Marvel found that members of the public generally expect the public sector to have lower levels of performance, even in areas where the public sector performs as well as private operators, such as package delivery. Providing people with actual performance data can correct this bias, but the effect is temporary: after a while people revert to their prior belief that the public sector is lower performing.

The negative stereotypes of the public sector are at least partly dependent on what values people have when they think about performance, and in some cases, people may hold positive stereotypes on other values. In an experiment where people were asked to guess the performance of an elder care service, people predicted that the public organization would be less effective, more bound in red tape, but more equitable relative to private actors (Hvidman 2019). Not surprisingly, people’s views here were driven by motivated reasoning, discussed in greater detail below, with more conservative people more likely to generally view the public organization as less effective.

One practical implication that might flow from this bias is to emphasize the public–private partnerships that arise in public investments. On the other hand, such a strategy creates the risk of “submerging” the important contributions of public investments. In the long-run, governments can better address this bias by consistently offering evidence of public sector achievements (Mettler 2011).

Distrust of Government Data

Citizens have lower trust in self-reported government performance data. This may partly reflect an underlying suspicion of government described above. Distrust of government data appears to become greater as the task grows more complex. For simple and easily verified tasks such as clean streets, government self-reports are viewed as being as credible as other sources (Van Ryzin and Lavena 2013). Self-reports are also treated as credible if they show relatively poor performance (James and Van Ryzin 2017a). But when the data shows good public sector performance on complex indicators like citizen satisfaction, citizens trust self-reports less than reports from independent, non-partisan sources (James and Van Ryzin 2017a). The practical implication that arises is that governments should turn to trusted non-public sources or credibly independent public sources to share evidence of high performance.

Motivated Reasoning

People can hold accuracy motivations in their use of data, encouraging them to use strategies like careful reasoning to arrive at an unbiased conclusion. Such accuracy motivations are therefore the ideal for public employees, given their role, but are unlikely among elected officials or members of the public with partisan perspectives. People also have directional goals, where they use information to arrive at some pre-determined belief. Our political beliefs and partisan identifications encourage such directional goals when we process performance data. For example, conservatives and liberals react to the same performance data about public organizations differently. The credibility of those explaining the data depends on whether they are assumed to share the same ideological beliefs of the audience.

Motivated reasoning is a specific form of confirmation bias where individuals select and process information to fit with pre-existing beliefs, most frequently partisan ideological beliefs (Lodge and Taber 2013). For example, partisans tend to be less likely to attribute responsibility for negative outcomes to fellow party members but are more willing to blame opposing parties (Tilley and Hobolt 2011). In the same way, citizens presented with positive performance data about a local government are more likely to see their assessment of the incumbent party improve if they already identify with that party (James 2011).

Political beliefs also shape how members of the public assess the performance of specific public investments. One significant investment in public health in the US is the Affordable Care Act. James and Van Ryzin (2017b) undertook an experiment to understand how those with different political views made use of performance data to assess the policy. They found that when people were given information designed to prime their political identity, they selected performance data that portrayed the healthcare law more favourably and evaluated such favourable performance data as having greater credibility.

As noted above, citizens tend to have a general antipublic sector bias, but the extent of this bias depends partly on their ideological beliefs. When given the same performance data, conservative citizens tend to more positively assess the performance of a hospital if they are told it is a private provider rather than a public one, while liberals interpret performance data more generously for public hospitals (Baekgaard and Serritzlew 2016). A replication of this experiment for politicians shows the same results, and even shows that the provision of additional performance data at odds with ideological beliefs is not enough to debias their assessments (Baekgaard et al. 2019).

An experiment with Swiss legislators found that the addition of performance data made them more willing to deviate from the status quo allocation to recommend a different level of investments in transportation infrastructure (Demaj 2017), though not in a predictable pattern: in some cases it caused legislators to recommend more funding, and in some cases they recommended less. One reason why performance data might facilitate more decisive decisions is that data can help increase confidence in decisions made, especially in ambiguous and complex settings, even if the data does not do much to resolve such complexity (Snieszek 1992; Tsai, Klayman, and Hastie 2008). For the Swiss legislators, partisanship also played a role. Performance information had the greatest effect when it helped to provide support for easy budget trade-offs that were consistent with political preferences (e.g. investing in road infrastructure at the expense of environmental spending), helping to reinforce pre-existing partisan positions.

A specific type of directional goal relevant to public sector performance is what Christensen et al. (2018) refer to as “governance preferences”: people’s general beliefs about *how* public services should be provided rather than specific policy outcomes. An example would be a preference for public service providers over private providers. Christensen et al. (2018) find that such preferences cause elected officials to engage in goal reprioritization: using performance data about goals to evaluate their preferred provider more positively, even if that means abandoning their preferences about policy outcomes. In their experiment, policymakers with a strong preference for public services selected schools that had higher student well-being as a better performing school over a school that did better on academic outcomes 82 percent of the time if they did not know if the school was public or private. But if they learned that the school that did better on student well-being was private, they selected that school only 19 percent of the time. In effect, they abandoned their policy preference for student well-being to adopt a new preference for academic performance if it allowed them to use performance data to rate their preferred public school as doing better.

Motivated reasoning also shapes who policymakers find credible. Nielsen and Moynihan (2017) employed a survey experiment of local elected officials to test the role of ideology in shaping how advocacy matters. Elected officials were given performance data about local schools, and some were provided with a statement from a stakeholder – a union member – casting doubt on the validity of the test scores. For liberal politicians, the stakeholder and politician shared the same ideological space, resulting in the politicians becoming less likely to use test scores in a series of hypothetical decisions they made about the schools. By contrast, conservative politicians ignored the comments of the advocate. The result is that advocacy about the data actually increased the distance between how liberal and conservative politicians used the data.

The key lesson of motivated reasoning is that stakeholders do not approach performance data neutrally but will frame it to pursue their ideological goals. The credibility of arguments about the validity of data will be influenced by the political relationship between the advocate and the person hearing the argument. Governments should look to frame and disseminate data in ways that are non-ideological, such as building advance buy-in for data and goals across political lines. Governments could also try to prime data uses to accuracy goals, for example, by training employees to think about the duty to provide an honest and unbiased assessment of information. Such priming could also be used with members of the public. James and Van Ryzin (2017b) show that priming people to think about their health needs reduced their tendency to interpret healthcare data through their political identity.

Negativity Bias

Citizens, managers and policymakers are more responsive to numbers showing bad performance than they are to evidence of positive performance. This arises from a psychological trait known as loss aversion. Loss aversion is a bias that makes losses loom larger and more psychologically painful than equivalent gains, making people more averse to action that might increase losses, or engage in risky behaviour to minimize losses (Tversky and Kahneman 1974). There is some evolutionary logic for such a bias, since it could help populations avoid unnecessary dangers that posed a risk to their survival.

How does loss aversion matter to the use of performance data? Citizens, politicians and managers are most attentive and responsive to performance data showing poor performance.

Among citizens, both survey experiments (Olsen 2015; James and Moseley 2014) and actual elections offer evidence of this pattern (Kogan, Lavertu, and Peskowitz 2016). Citizens tend to assign less favourable ratings of political incumbents if shown performance data that implies poor performance, but generally do not provide equivalent credit if the data shows positive performance (James 2011; James and Moseley 2014). This pattern held in elections where incumbent UK local government officials tended to lose vote share when local governments were publicly rated as poorly performing but did not gain equivalent votes in cases of positive ratings (Boyne et al. 2009).

Policymakers therefore have good reason to be concerned about how citizens process performance data, and a number of studies have also documented negativity bias among elected officials. In experiments where politicians were given actual performance data showing local schools, they focused their attention on low-performing schools (George et al. 2017; Nielsen and Baekgaard 2015). Poorer performing schools were prioritized both for more resources and administrative reforms relative to schools that had performed better. One caution from this finding is that education is an essential public function. For policy areas seen as optional, policymakers may respond by deciding to withdraw resources. The key point is that they take actions that will minimize political blame from poor performance. Another way they respond is to shift blame for poor performance on to others. Another set of survey experiments of elected officials using an equivalent design found that politicians became more willing to attribute responsibility to school principals for performance outcomes when performance was poor (Nielsen and Moynihan 2017).

The effects of negativity bias appear to hold if individuals are shown different levels of performance, where some units of government perform lower than others, or if they are shown the same underlying data, but with the data framed as negative performance. The experiments described in the preceding paragraphs are examples of the former. As an example of the latter type of equivalence framing, Olsen (2016) shows that simply presenting the same hospital data in terms of patient dissatisfaction rather than patient satisfaction reduces citizen evaluation of the performance of the hospital.

A practical lesson of negativity bias is that public confidence in government is defined by public sector failures, not successes. Governments can minimize negativity bias by presenting data in terms of level of achievement (e.g. satisfaction rates) rather than failure (dissatisfaction rates). But governments should also try to manage the risks of blaming that negativity bias poses. In a cross-year study of school principals, Holm (2018) showed that they improved organizational outcomes by systematically focusing on the areas of lowest performance. A problem-solving ethos to government performance suggests minimizing failure rather than trying to maximize performance.

Encouraging Learning

While much of this chapter has described biases that make the use of performance data less likely to result in better performance, it is worth noting there are also some practical lessons from behavioural research. The benefits of comparisons have been elucidated above. Other research suggests that performance information use increases when managers have more autonomy (Nielsen 2014b). In a field experiment in Denmark, school principals were given varying levels of authority in making new hires. They were later provided with access to a website where they could download performance data about their school. School principals

Table 3.2 Principles of well-run learning forums

Meetings take place on a routine basis
Focus on important goals
Agency leaders are involved and seen as committed
Multiple level of employees facilitates learning and problem solving
Need appropriate and timely information
Need staff and technological capacity to analyse data
Quality data (reliable, accurate, valid, disaggregated to the right level, comparative) facilitates analysis
Follow-up on issues raised in prior meetings
Positive reinforcement
Constructive feedback
Reviews establish process of analysis

Source: Adapted from Moynihan and Kroll (2016).

who had been randomly assigned more autonomy also tended to download more information (Andersen and Moynihan 2016). The implication is that managers with little freedom to change things have little reason to invest their time in using performance data. Those that have more freedom, and therefore more responsibility, also have more reason to use information to inform the choices they make. The experiment also revealed that manager’s use of autonomy was tied to their policy preferences: the performance data was about student well-being, and school principals who had ranked student well-being as an important priority for them were more likely to use their autonomy to download data on this goal.

Another possible way to encourage learning is through routinized discussion of performance data, sometimes called learning forums. Using this standard, Moynihan and Kroll (2016) found that federal government managers who took part in learning forums were more likely to report making use of performance data to make decisions, allocate resources, and manage programs.

The way in which forums are organized also matters. Federal managers who rated their quarterly reviews as being better run – using the principles outlined in Table 3.2 – were more likely to use data to make decisions (Moynihan and Kroll 2016). Such learning forums juggle multiple imperatives. One is to balance defensiveness with excessive positivity. While people demonstrate negativity bias towards the performance of others, they demonstrate what might be called a positivity bias about their own work. For example, when provided with performance data about their own schools, teachers tended to explain the outcome as the result of their own efforts if the data showed high performance, but blamed others or characterized the data as being of lower quality if performance was low (Petersen, Laumann and Jakobsen 2018). Therefore, having a culture of critical questioning that can usefully disrupt positivity bias is important in learning forums.

At the same time, excessively critical questioning, especially by a superior in an environment where career progress and reputation is at stake, can generate defensiveness. In a lab experiment, Bouwman et al. (2018) established a negotiation game that showed that cooperation declined when the game included stronger accountability processes. In an experiment with a combination of public managers and students Andersen, Holm and Jacobsen (2018), found that subjects asked to prepare a memo based on performance data tended to write more defensively – failing to acknowledge performance problems – when their audience was a political principal rather than a professional peer. Creating an environment where people can openly discuss error is a pre-requisite to learning from those errors.

CONCLUSION: MANAGING BOTH COGNITION AND DESIGN

To the degree that performance data can facilitate learning from experience about public investments, this chapter has made the case that goal-based learning demands not just good data, but also an understanding of both the cognitive processes behind performance information use, as well as designing routines of performance information use. In short, it calls for both understanding what goes on inside our heads *and* how to change the environment around us.

An understanding of cognitive processes most frequently directs us to think about how performance data can be presented to minimize the triggering of biases. It is perhaps even more daunting to think about how to reorganize the environment in which decisions are made. A challenge for researchers is therefore to partner with public organizations to test alternative organizational arrangements that make performance more likely.

This topic is an area with much potential for additional research. One possibility is to study it in a wider range of both geographical and policy settings. Many of the examples studied come from the context of schools and hospitals – public services that are public-facing. More work is needed in other areas. It is possible, for example, that motivated reasoning or negativity bias is less likely to arise for less salient topics. While there is always potential for new insights, the degree of knowledge accumulation on the topic of behavioural public performance in the last decade has been nothing short of astonishing.

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4. Performance measures for governance systems

Sharron O'Neill and Jim Rooney

INTRODUCTION

As the old adage goes, 'What gets measured, gets managed'. Drucker¹

Accounting techniques, such as performance measurement, play a pivotal role in the management and governance of public sector performance; producing data that informs strategic and operational decisions, drives change and provides important mechanisms of accountability. However, academic attention to the role of measurement in public sector performance management suggests academic scholarship is problematically bifurcated along disciplinary lines. On the one hand, there is a tendency for papers published in accounting journals to be disconnected from interdisciplinary practice, lacking sufficient attention to, or appreciation of, the organisational context within which public sector measurement occurs (Steccolini 2019, p. 255; Broadbent and Guthrie 2008). On the other hand, papers from management and public administration disciplines are argued to lack a sufficiently problematised analysis of the accounting practice; ignoring the social and political forces that shape them and instead adopting a perfunctory view of performance measurement as a mere 'black box' of technical procedures (Steccolini 2019). This chapter addresses the latter concern with a view to help interdisciplinary researchers engage in a more effective critique of the role of performance measurement in public sector organisations.

In stark contrast to its portrayal as purely a technical tool, accounting for organisational performance is a socially constructed practice in which an evolving array of socio-political choices, conventions and techniques guide both the measurement of performance and the way those measures are subsequently mobilised in organisational systems (Burchell et al. 1980; Hopwood 1983). Key organisational practices highlighting transcendence beyond the technical aspects of accounting include examples such as the role of judgment (Trotman et al. 2011; Rooney and Dumay 2016), the creation of consensus (Farjaudon and Morales 2013) and financial reporting (Edgley 2014). Accounting becomes "deeply involved in constituting the spaces in which it is active" (as cited in Miller and Power 2013, p. 579) because those choices shape both the quantification of attributes of reality and the managerial decisions and actions that follow. Further, performance measures can also generate benefits, and risks, for individuals and governance systems (Power 2004b; Cuganesan et al. 2014b; Dahler-Larsen 2014; Brorström 2018). Academic attention to these socio-political influences is essential to understanding the outcomes. Also necessary, is critical examination of the extent to which measures are, and remain, fit for purpose as operating, technological or political environments change (for example, see Dumay and Rooney 2016), or where information is required for different, but related managerial decisions (for example, see Broadbent 2011; O'Neill et al. 2015). Given occupational health and safety (OHS) is a relevant issue for all public sector workers, the case of *Lost Time Injury (LTI)* performance measures is used for illustrative purposes in this

chapter. LTIs are deeply institutionalised performance measures, although much maligned and often employed inappropriately to guide OHS management decisions.

The discussion offered in this chapter is framed around Broadbent and Guthrie's (1992 and 2008) reviews of public sector accounting literature, in which three broad investigative approaches are revealed. First, they identified public sector papers that focused on accounting techniques and the power of accounting in isolation of its organisational context. We outline this technical approach by briefly describing the functional evolution of performance measurement as a technical tool for organisational planning, monitoring and control. Second, Broadbent and Guthrie identified papers that recognise the influence of context on the construction of accounting tools and techniques and examine how new accounting techniques are applied in a specific/changing context. While the primary focus remains on the accounting techniques, these offer a deeper analysis of the social construction and application of performance measures. Here we provide a foundation for that analysis by outlining qualitative characteristics that guide choices in design, implementation and evaluation of financial and non-financial performance measures in governance systems. Finally, they identify papers that are less concerned with examining the accounting technology and more interested in understanding the interaction between accounting and its context; that is, how "accounting impacts on organisations as whole entities" (Broadbent and Guthrie 1992, p. 16). This motivates an examination of the constitutive and performative effects of performance measures and the potential for the measurement process itself to generate organisational risk (Cuganesan et al. 2014b; Melnyk et al. 2014). Together, the distinctions evident in these three approaches provide a framework for describing the socially constructed nature of accounting and its potential to help both understand and transform organisational life.

TECHNICAL FOCUS: ACCOUNTING AS A MEASUREMENT TOOL

A quick tour of the history of accounting and accountability in society highlights an evolution in both the techniques and roles of accounting (which, for the purposes of this chapter refers to performance measurement and the production of financial, and increasingly, non-financial performance measures). In that journey, we should note that the concepts of accounting and accountability are intertwined, focused on rendering an account of activities conducted at various levels of society (Carmona and Ezzamel 2007).

Tracing back to the Mesopotamian Valley at about 4,500 BCE (Mattessich 2012), accounting was initially identified as a record-keeping practice. Basic commercial transaction details were written down including the parties to the transaction; a description of the goods exchanged; and, where exchanged for money, the amount paid and received (Keister 1963, p. 372). In this guise accounting is an instrument of commerce, prompted by basic individual and social needs. The creation of historical records, by extension, enabled the monitoring and control of commercial activity. This was made possible by the ability of accounting numbers to facilitate the reliable transmission of quantitative information across time and space (Robson 1992). Exploring the need for control, Carmona and Ezzamel (2007), for example, found that book-keeping in ancient societies such as Mesopotamia and Egypt was influenced by fear, being shaped by social and religious beliefs as well as customs: fear of failure to preserve spiritual order in Egypt and fear of chaos in Mesopotamia. This theme of order, organising and control continues in analyses of the role of accounting in later historical contexts (Kaplan

1984), including mercantile trade (Gleeson-White 2011); religious organisations (Quattrone 2004, 2015); as well as government control of indigenous tribes (Preston 2006), public health (Rosen 2015) and, to use a more specific example, the monitoring of outcomes of New Deal rural rehabilitation programs in the U.S. (Walker 2014) to name a few.

In the 18th century, innovations in both the technical and moral dimensions of measurement processes conveyed notions of increasing precision, and with this, values of “diligence, skill and impersonality ... agreement, credibility and trust” in otherwise chaotic and increasingly complex management practice (Power 2004a, p. 766; Porter 1995). Managers responded to new challenges through innovations in management accounting practices, such as costing and budgeting, extending the traditional monitoring and control function of historical financial accounting to now accommodate both planning (forward-looking) and control (backward-looking) agendas. Over time, these practices developed from simple estimations of future financial performance and comparisons between budgeted and actual financial results, through to accounting systems in which innovations in financial and non-financial performance data are integrated with other management systems (Chenhall and Moers 2015). This is illustrated, for example, in the evolution of OHS performance data; from the recording of financial compensation costs, to the analysis of compensation cost budget variances, to use of various financial and increasingly non-financial performance measures that inform and guide operational and strategic decisions about OHS risk management. Measures include injury rates to provide information about health outcomes for workers, climate survey scores to provide insight into worker perceptions of safety leadership and culture and the various non-financial lead and lag indicators that offer insight into the implementation and effectiveness of OHS-related activities and behaviours.

Papers in the first cohort of studies identified in Broadbent and Guthrie’s (1992) review of public sector accounting literature had adopted a functional, yet a-contextual view of costing, budgeting and other contemporary accounting practices. Focused on technical analysis of “the rules for [accounting] practice, and the creation, maintenance or change of accounting technologies” (p. 10), this research was often underpinned by the implicit, instrumental assumption that “when ‘properly’ practiced, accounting provides accurate, verifiable, comparable information which can be used to clarify issues and resolve conflict on the basis of principles such as rationality, objectivity and equity” (p. 9). From a technical stance, innovations in accounting practices are viewed as inherently “progressive” efforts “to produce ‘better’ accountings” (p. 10). As expressed by Stewart (1988):

Accounting techniques and practices are viewed as technical, facilitative rules, used to meet the [information] needs of management and other users. Accounting is seen as a value-free, neutral discipline that [innovates in response] to the various influences and pressures in and outside the organisation... [and] is viewed as a problem-solving technology that responds or adopts to the needs of the emerging organisations so as to facilitate organisational action. (Stewart 1988, p. 4 in Broadbent and Guthrie 1992)

From this perspective, the power of accounting lies in the ability of calculative processes to translate qualities of organisational systems to reliable numbers that inform decision-making. Reliability is anchored in agreed, rules-based classification systems that establish clear “categories of similarity [to] render diverse phenomena countable ... ignore ‘inessential’ differences and reduce complexity” (Power 2004a, p. 767; Robson 1992). These allow numbers to be both combined and transmitted, and facilitate comparisons of “activities and processes

whose physical characteristics and geographical location are widely dispersed” (Miller 2001, p. 382). Accepted systems of measurement are therefore mobile, replicable and stable and so enable action at a distance (Latour 1987; Robson 1992). Nevertheless, Broadbent and Guthrie (1992) observed that papers adopting a technical stance failed to view as important the context within which accounting is practiced.

TECHNICAL-CONTEXTUAL: PERFORMANCE MEASURES IN CONTEXT

The very role of accounting research is in part to make both accounting and our knowledge of it different – to move forward our understandings of accounting and, at times, the practice of accounting itself. (Hopwood 2007, p. 1367)

The second stream of public sector research highlighted by Broadbent and Guthrie (1992, 2008) examines accounting technologies and practices in their organisational context to understand better the way environments and culture shape local accounting practices. Although continuing to focus on the accounting technologies, these studies consider the way technical, organisational and political factors shape accounting practice to elicit a more nuanced understanding of how and why accounting technologies emerge, evolve, resist change or cease (Broadbent and Guthrie 1992), and the specific conditions under which performance measurement systems succeed or fail in improving organisational performance (Micheli and Mari 2014).

Importantly, the result of ineffective systems can vary from neutral to damaging. Micheli and Mari (2014, p. 149) attribute these failures to “an underdeveloped conceptualization of the notion of performance measurability” that often results in “a (usually unjustified) belief on the epistemic role of measurement”. A key implication of this insight is the performance systems identified this way tend to be static. They neglect the learning processes that might inform and shape change and fail to recognise a need for change in response to organisational dynamics or multifaceted (e.g. non-financial) organisational needs (Micheli and Mari 2014).

In contrast, papers adopting a technical-contextual research approach recognise accounting techniques, such as performance measurement, budgets and scorecards, and are not technical tools that naturally translate a neutral and objective reality to numbers. Rather, they are evolving, socially constructed processes that require subjective choices as to which qualities will be measured and communicated and how those processes will be performed. Understanding those choices and the socio-political influences, decisions and power relations that gave rise to them is critical to understanding the technologies themselves. Such enquiry can uncover hidden agendas, voices both loud and weak (Arnaboldi and Azzone 2010) and “games” such as “intentional distortions that are intended to avoid revealing embarrassing inefficiencies and/or to resist painful organisational change” (Rowe et al. 2012, p. 260). As Power (2004a) observes:

The task of social science is to open up the black box of performance measurement systems, to de-neutralize them and to recover the social and political work that has gone into their construction as instruments of control. (p. 778)

An essential part of this process is critical examination of the extent to which selected performance measures are then fit for the intended context and purpose. This requires deeper scholarly attention to the two key qualitative characteristics of accounting measures; both of which must be present for that information to be useful for decisions (IFRS 2018).

- **Faithful representation** (reliability): measures are reliable when they can be depended upon to represent faithfully the substance of the events, activities or outcomes they claim to quantify. There are three essential elements: *validity*, meaning the measure captures faithfully the attributes or phenomenon that it purports to quantify; *accuracy* (or precision) meaning the measure quantifies that phenomenon without error; and *objectivity*, meaning the measure quantifies that phenomenon without bias.
- **Relevance**: measures are relevant to users when they are capable of affecting, or making a difference in, the decisions made by those users.

Assessing the relevance and reliability of measures is necessary to confirm they are fit for purpose. It is also important to reassess when extending the use of performance measures to new contexts or problems. This can be illustrated by the ‘mission creep’ of injury-related lost time performance measures. In the 1800s, operations managers recorded employee absence data to assess lost productivity in workplaces; recording the number of days workers were unavailable as a result of occupational injury (number of lost workdays) and/or the number of organisational events that resulted in injury-related work absence (number of lost time injuries). More recent efforts to understand safety hazards and improve workplace safety outcomes saw managers and other stakeholders begin to apply LTI performance numbers to a range of problems and OHS management decisions without questioning the underlying assumptions and measurement practices.

LTIs became viewed as measuring all ‘serious’ work-related injury occurrences, despite only capturing a subset of injury events and omitting various high consequence outcomes, such as hearing loss. It therefore fails the test of faithful representation and has limited relevance for informing decisions about the success of injury prevention efforts. Of greater concern was the presentation of LTI measures in management reports and external reports as evidence of workplace safety system effectiveness; a fundamentally flawed proxy since LTIs simply don’t measure the attributes of OHS risk management systems and tend to correlate poorly with system outcomes (O’Neill et al. 2016; O’Neill and Wolfe 2017). Yet, despite limited relevance of LTI performance measures used in an OHS management context, longitudinal studies reveal LTIs formed the cornerstone of internal and external safety reporting and accountability from the mid-1900s to early-2000s (Brown and Butcher 2005; O’Neill et al. 2016).

Importantly, however, if the quality (reliability and relevance) and subsequent limitations of individual performance measures are well understood, then incomplete performance information is not necessarily a constraint – “as long as managers can handle the indicators in a flexible way, treating them as a means rather than ends when carrying out their work” (Jordan and Messner 2012, p. 544). To that end, studies of New Public Management (NPM) reforms raise concerns about the completeness of public sector performance information given the accountability of public sector institutions and managers for the achievement of multiple and increasingly intricate objectives (Pollitt 2018; Amayah 2013, p. 456). In particular, efforts to ‘improve’ the efficiency and accountability of public sector services (Brignall and Modell 2000, p. 281; Diefenbach 2009; Steccolini 2019) led to the introduction of various accounting techniques initially created to address market-based performance needs. Examples include

accounting technologies such as balanced scorecards, financial cost–benefit analyses and performance auditing (Modell 2009; Samiolo 2012; Rika and Jacobs 2019). The focus of NPM on economic efficiency has largely failed to reflect the complexity of public sector service provision (Greiling and Halachmi 2013), instead privileging financial results and objectives over other dimensions of service delivery (Arnaboldi et al. 2015). Even then, Samiolo’s (2012) study of a financial cost–benefit analysis for flood mitigation in Venice describes “how a supposedly standard calculative approach like cost–benefit analysis” encountered “multiple ‘accountings’ and calculative approaches” (p. 383) as “different numbers resulted from different ways of conceiving how the territory should be represented and inscribed in cost–benefit calculations” (p. 384).

Studies have subsequently highlighted the distorting effects of NPM assumptions of “results-oriented culture” (Verbeeten and Speklé 2015 p. 956) and relentless pressures to achieve “more with less” (Arnaboldi et al. 2015, p. 22) on the subsequent complexity and quality of service delivery by public sector institutions (Saliterer and Korac 2013; Arnaboldi et al. 2015). A key distortion arising from prioritising economic efficiency occurs when financial measures are used as the basis of individual incentives and rewards. For example, in a study of approximately one hundred entities within the Netherlands public sector, Speklé and Verbeeten (2014) found that financial performance deteriorates when organisational assumptions foundational to NPM are not sufficiently robust. These include the need for ‘high contractability’, where (i) organisational goals are clearly articulated; (ii) performance can be reliably measured and aligned with financial goals; and (iii) managers are able to predict the impact of change on these financial measures (Speklé and Verbeeten 2014, p. 132). In other words, the focus on economic efficiency that prompts the privileging of financial performance measures requires an organisational culture, processes and management that is able to focus on financial outcomes to the exclusion of other interests and needs. The importance of values, beliefs (Chenhall et al. 2017) and organisational culture is reinforced by recognition that most complex organisations manifest more than one culture in competing for organisational resources. For example, Wankhade’s (2012) study of an ambulance services trust performance in the United Kingdom found that differing interpretations and affects of quantitative performance targets arising between distinct sub-cultures within a single organisation resulted in dysfunctional behaviour and required constant managerial attention to rectify ‘sub-optimal’ performance.

Together, this stream of research encourages researchers to view performance measurement systems not as “passive tools providing information to assist managers” (Chenhall 2003, p. 129), but as the product of socio-political and environmental contexts in which they operate. Less visible is scholarly examination of the power and influence of the various public sector stakeholders on systems of accountability. For example, Wiesel and Modell (2014) explore the hybridisation of NPM and New Public Governance (NPG), highlighting the increasing consumerism associated with NPM initiatives and the effects on performance measures as a result of these increasingly diverse interests. Studies of the power and influence of stakeholders include papers by ter Bogt (2004), Demaj and Summermatter (2012) and van Helden (2016) which direct attention to the use of performance information by politicians and point to a lack of consensus in politicians’ appreciation of cash-based budgeting and accrual-based accounting and suggest the usefulness of (primarily financial) performance information to politicians exceeds its actual use, with use “decreas[ing] the more politicized, complex, uncertain and less measureable a policy field is” (Demaj and Summermatter 2012, p. 91).

Echoing earlier papers emphasising an overall need for greater theorisation of public sector performance research, van Helden (2016) calls for technical-contextual studies that examine the fit between performance information and “the information requirements of the decision-making process more directly, including political agenda-setting and problem-solving” (p. 534). This follows the consistent call from noted public sector scholar Kerry Jacobs for a more pluralist and interdisciplinary approach to theorising organisational performance (see Jacobs 2012, 2016; Jacobs and Cuganesan 2014), accounting systems (Brown et al. 2015), and public sector performance in a ‘post-NPM’ world, including constructs such as public value (Cuganesan et al. 2014a).

THE ORGANISATIONAL IMPACT OF ACCOUNTING: PERFORMANCE MEASURES IN ACTION

The third stream of public sector research identified by Broadbent and Guthrie (1992, 2008) was less concerned with the accounting technologies and processes, and more concerned with the two-way interaction between accounting and the organisation. Rather than “relegating accounting to a subordinate and reflective role in economic processes”, it recognises the active role accounting plays in them (Miller 2001 p. 382). This eschews a functionalist view of performance measurement as merely reflecting a pre-existing reality to reduce information asymmetry; a “re-presentation of something ... for someone...” (Vosselman 2014, p. 182). Instead, accounting is more than “an answer machine” (Mouritsen and Kreiner 2016, p. 23); it not only represents, “it *creates* and *permits*. It is an actant” (Vosselman 2014, p. 183).

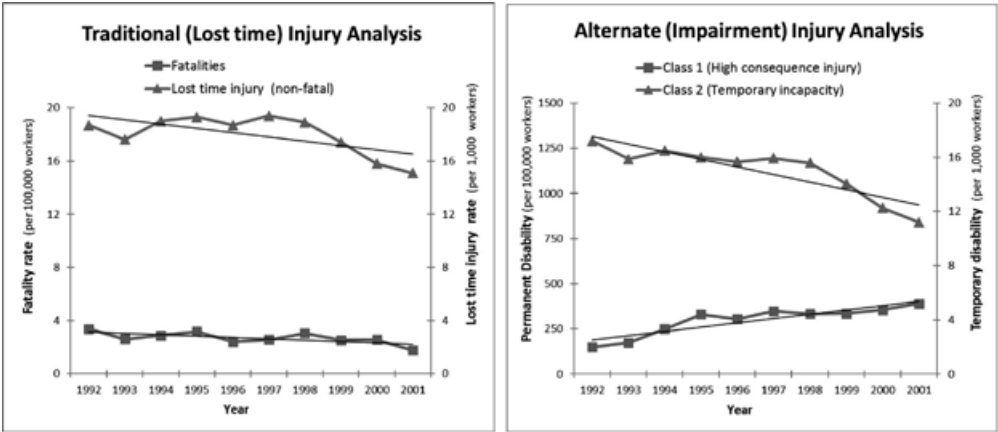
These effects may be intended or unintended (Dahler-Larsen 2014), given the near effortless communication and reuse of accounting information enables “action at a distance” (Latour 1987; Robson 1992). Accounting processes, as examined separately below, are therefore constitutive, can be performative and are potentially risky (Cuganesan et al. 2014b).

PERFORMANCE MEASURES ARE CONSTITUTIVE

The subjective choices of what and how to measure performance, as outlined above, constitute a mechanism through which selected qualities of organisational systems and organisational life are rendered either visible (i.e. counted) or invisible (i.e. not counted) to decision-makers (Hines 1988). The choices that give rise to visibility may be conscious or unconscious, and the crafted performance measures may be precise, incomplete, or deliberately opaque (see for example, Rowe et al. 2012). For example, Dambrin and Robson (2011, p. 441) revealed that flawed measures (in this case, measures based on calculations that were deliberately opaque to actors affected by them) can encourage actions that “... are contingent upon the existence of methodological opacity”. The enactment of alternate inscriptions to affirm or ‘cross-check’ published measurements is a likely outcome of such opacity (Dambrin and Robson 2011, p. 442). Acknowledging the incompleteness of management controls, the support of organisational structures and the exercise of expert judgment in decision-making choice accords with Power (2004a) in that:

Recognition of the role of tacit knowledge, of the epistemological priority of judgement in all calculation, raises questions about the coherence of any ‘trust in numbers’ and draws attention to the perverse consequences of performance measurement systems, which tend to make visible and valuable only a part of a complex whole. (p. 775)

Consequently, rather than reflecting an objective reality, performance measures are constitutive; creating and communicating a particular *version* of reality (Asdal 2011; Hines 1988; Hopwood 2007; Napier 2006). Illustrating this phenomenon, a study by O’Neill, McDonald and Deegan (2015) demonstrated how classification choices in the design of injury performance measures shape the version of reality presented to managers. This study contrasted trends in workplace injury rates using a sample of 435,000 compensated lost time injuries incurred over a ten-year period. Compensated injury occurrences were first classified using traditional measures of either fatal or non-fatal injury and the resulting trends in incidence rates were graphed (see Figure 4.1). These numbers portrayed a picture of improving performance in injury prevention over time, evidenced by declining rates of both fatal and non-fatal damage to workers.



Source: O’Neill et al. (2015).

Figure 4.1 *The implications of classification schemes on visibility of permanent disability*

However, when the same 435,000 injuries were reclassified according to whether harm to the injured person was permanent (fatality or disability) or temporary (short to moderate time to recovery), the trend lines revealed a very different story. The incidence of injuries resulting in severe and lifelong damage to workers had more than doubled, increasing by 156 percent over the decade (see Figure 4.1). This outcome had been hidden in the comparatively large number of temporary, non-fatal injuries. This alternate approach to counting injuries presented a very different picture of the reality of their workplace injury prevention efforts – and now was also able to explain a perplexing increase in workers’ compensation related expenditure. Nevertheless, the continued reliance on a traditional fatal/non-fatal dichotomy in many organisations perhaps suggests those with the power to change the measurement approach prefer the

more ‘successful’ picture of reality crafted by aggregated injury numbers; so choose for the number of workers rendered permanently disabled to remain invisible.

These different approaches to measuring performance illustrate the potential for diverse uses for, and reclassifications of, accounting materiality (see Edgley 2014), highlighting the ‘epistemological difficulties’ of accounting and, more particularly, the possibilities of a more overtly pluralistic philosophical foundation than has been evident to date (a concern shared with neoclassical economic analysis – see Bronk 2011). One form of response is outright rejection of specific instrumentalist theories or even accounting as a useful organisational practice (for a Marxist perspective, see Cooper 2015). In contrast, an alternative response is to conclude that “organizing without accounting is increasingly unthinkable” (Miller and Power 2013, p. 558). In support of a pluralist interpretation, observations found in practice appear consistent with the Latourian concept of accounting inscriptions as ‘transverse objects’ (Latour 1999, as cited in Mouritsen and Kreiner 2016, p. 24) leading to interactions between organizational action and accounting inscription whereby, over time, the “accounting number is neither truth nor lie”.

PERFORMANCE MEASURES ARE PERFORMATIVE

This state of academic affairs prompts reconsideration of the role of accounting and how managers use it. For example, Ahrens and Chapman (2007) identify that managers mobilise performance information as a resource, enabling them to take necessary actions to improve organisational performance. Focusing on how performance information is used by organisational decision-makers is a means of exploring further the changing possibilities for the role of accounting. Accounting numbers play an active role in public administration by enabling and extending control and authority over an internal, as well as an external environment (Asdal 2011, p. 1). Performance measures, therefore, are not only reflective (technical), and creative (constitutive), they are also performative (Gond et al. 2016; Vosselman 2014; Boedker 2010).

This is evident in the active language used, for example by Mouritsen et al. (2009, p. 738) and others, to describe accounting calculations and measures as inscriptions that *generate* knowledge (Robson 1992), *create* visibility (Cooper 1992), *facilitate* compromise (Chenhall et al. 2013), *mediate* between resources (Miller and O’Leary 2007); *enable* and *constrain* action (Dambrin and Robson 2011) “*identify* objects and objectives to be managed” (Chua 1995), *enable* agency and authority (Asdal 2011) and *legitimise* and *necessitate* socially unpalatable policy change (Holley et al. 2015).

The relationship between public administration and accounting is often depicted in the form of numbers that exert social conceptions of power to positive ends, such as budgets as a means of authorising expenditure. However, other studies have illustrated the limited influence of numbers as a form of management control, revealing how “weak numbers” (Asdal 2011) can be used to disable authority to produce a non-authority, replacing more radical action with accounting practices; “flawed measures” that struggle “to translate distant actions and objects into performance numbers” can produce alternative accountings (Dambrin and Robson 2011, pp. 428, 430); and “ceremonial” accountings can undermine competitive processes and accountability mechanisms (Mutiganda 2014, p. 131).

In particular, organisational practice is influenced by stimuli that affect both what individuals accept as knowledge and resulting organisational decision choices (Sutcliffe and McNamara

2001). Hence, users do not necessarily embrace and respond to accounting practices “but even when they are stubbornly opposed, over time the new visibilities and calculable spaces that are constructed tend to become the foci of decision and debate” (Miller 1994, p. 254). Of the potential dimensions that may impact this response (and of direct relevance to the OHS measures mentioned earlier), proximity between an organisational agent responsible for a performance outcome and those affected by them is identified in the academic literature to be influential in performance monitoring and control. For example, Lévinas (1979) theorises that a sense of individual and collective accountability emerges through encounters with the Other. These iterative processes imply that performance can depend upon the physical or emotional closeness between these organisational actors and the subject of their attention (Roberts 2003). Similarly, Jones (1991) also identifies proximity as an important factor exerting constraints on ethical decision-making. Mencl and May (2009), echoing Latour (1987), identify ‘action at a distance’ as the antithesis of this phenomenon.

Coincidentally, management actions at a distance have become more prevalent as institutions grow larger, more complex and geographically dispersed (Robson 1992). The corollary is the emergence of forms of uncertainty that belie depictions of accounting as an objective calculative practice representing organisational and individual performance numbers that can be transmitted reliably (Miller 2001). This contrasts with the certainties of predictions associated with deliberative ‘action at a distance’ (Miller 2001, p. 394). In other words, despite great efforts and expectations to the contrary, “procedurally rational decisions will have indeterminate effects” (Mouritsen and Kreiner 2016, p. 21).

PERFORMANCE MEASUREMENT IS RISKY

Together the socially constructed measurement of performance and the constitutive and performative powers of performance measures can make important aspects of organisational life visible, direct attention to issues of concern, and motivate desired behaviours and outcomes, delivering significant benefits for managers in public sector governance when used in conjunction with other forms of accounting (Dumay and Rooney 2011). However, if not managed well, performance measurement practices can instead generate risk for the organisation (as seen in the Lehman Brothers case, for example – see Rooney and Cuganesan 2015).

To explore this phenomenon, Cuganesan et al. (2014b) outlined seven types of performance measurement (PM) risk. These are broadly summarised below and illustrated with examples.

1. **PM systems fail to support external accountability:** where the measures are inadequate or inappropriate for discharging accountability for performance issues that are important to external stakeholders

E.g. Coyte et al. (2013) observed the disclosure of performance data to discharge accountability for the efficient use of philanthropic funds even though the reported measures failed to reliably assess either philanthropic activity or the extent of benefits delivered to targeted beneficiaries.

2. **PM information is under-utilised:** where effort is devoted to collecting and managing performance data, but the information is not used for decision-making and the potential benefits that may have accrued therefore remain unrealised (see also Grafton et al. 2010)

E.g. Khanal (2002) identified a range of sustainability data sets that, while potentially beneficial, are not considered in forestry management decisions in Nepal.

3. **PM misaligned to public sector goals:** where goals are not equally represented by performance measures, which can lead to a myopic focus on measured over unmeasured aspects of performance, and on local objectives at the expense of broader departmental, national or longer-term strategic goals

E.g. Francis (2013) found that an overreliance of senior staff on a UK hospital's performance management system focused on hitting performance targets resulted in patient neglect and high mortality rates.

4. **PM induces gaming behaviours:** such as switching, cherry-picking and data manipulation, which aim to maximise performance against a reported metric, either at the expense of, or without corresponding improvement in, actual performance

E.g. Health providers in the Netherlands systematically reclassified patients as belonging to a category of services in order to gain higher financial reimbursement rates from the public health system (Kerpershoek et al. 2016).

5. **PM systems misrepresent performance:** where actual performance is difficult to measure and alternative proxy measures (indicators) correlate poorly with actual performance

E.g. The ongoing and unresolved debate on depreciation methods appropriate to local government (for a discussion, see Pilcher 2018).

6. **PM restricts flexibility and/or blocks innovation:** where a need for change is obscured or ignored because existing practices are taken for granted / deeply institutionalised, or because a perceived need for comparability means change is unthinkable

E.g. Figure 4.1, LTI rates remain entrenched in practice as 'safety' measures despite significant deficiencies in relevance and reliability (O'Neill et al. 2016).

7. **PM adversely impacts employee welfare:** where performance measures drive policies, work design and behaviours that impact (negatively) on the factors that leverage

well-being, such as job demands, job control, work pace, workload or interpersonal conflict, resulting in increased stress and/or poorer health outcomes

E.g. where ‘return to work’ performance goals generate pressure for injured workers to return prematurely, undermining their recovery from injury (Cuganesan et al. 2014b, pp. 281–282).

In exploring antecedents and mitigations for public sector performance measurement risk, Cuganesan et al. (2014b) identified as the most common antecedents the complexity and multi-dimensional nature of performance in the public service, and “the economic rationality and logic that infuses and dominates NPM [and] displaces other important dimensions of public services” (p. 284). Other antecedents included political influence and pressures, turbulent policy environments and, importantly, performance management systems that are simply poorly designed and implemented. With these antecedents in mind, the final section of this chapter discusses the implications for public sector performance.

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

In summary, this chapter has examined the socio-technical processes of accounting for organisational performance in the public sector. Inter alia, we have outlined key attributes of performance measures and the measurement process, highlighting the multifaceted nature of organisational performance in this context. In contrast to much of prior accounting research on this topic, the intent was to demonstrate the potential of a theoretically informed framework for interdisciplinary analysis of the use of performance measures, performance measurement systems and processes in public sector research.

Supporting recent calls for such an approach as argued by Steccolini (2019, p. 258), there is a need to move beyond New Public Management (NPM) as a research context in striving to end its “golden cage ... of ... under-theorization ... as well as a focus on the limitations of accounting numbers (cf. Asdal 2011) and a critique of the [positive and] negative effects of public sector accounting”. Whilst there has been some accounting research in this direction (for example, Neu 2006; Modell 2001, 2009), these are isolated examples and generally do not represent the weight of public sector accounting research.

In particular, as a measurement system becomes institutionalised; taken for granted and ‘incontestable’, its “institutional character ... [is rendered] increasingly invisible” to practitioners and scholars and numbers become increasingly seen as objective and neutral (Power 2004a, p. 767; Miller 2001). These institutionalising processes can result in unintentionally detrimental outcomes, reducing the chances of achieving stated government policies (for example, see Modell 2012). This and similar findings underscore the need to examine social processes, power relations, coalitions and vested interests in any study involving the development or use of performance measures.

Such scholarship begins to respond to Miller’s (2001) concerns that “the emergence and roles of the calculative practices of accounting have been overlooked or marginalised in the sociological literature” (p. 379). As seen in similarly contested and complex objects of accounting research such Corporate Social Responsibility (CSR), there is an opportunity to strike “a middle path between the highly constructivist ontology, adopted in most accounting

research concerned with performativity and realist criticisms of this ontological position for de-emphasising the influence of pre-existing, objective realities on performativity” (Baker and Modell 2019, p. 930). This echoes earlier calls by Vosselman (2014, 2016).

NOTE

1. This popular adage is generally attributed to management consultant, Peter Drucker, however the source of the phrase remains unconfirmed (Levenson 2014; Marr and Creelman 2014).

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5. How can public service performance management be understood at a systems level?

Karen Gardner

INTRODUCTION

Performance management (PM) systems have been taken up widely in healthcare and across public services more broadly. Their introduction in the late 1980s marked a major policy shift away from command and control, rules-based approaches in managing public services, to more market-based forms of governance, involving indirect and arms-length regulatory approaches that use indicators to measure performance, often against centrally set targets (Bouckaert and Peters 2002; Freeman 2002; Moynihan and Pandey 2010). This new approach introduced the notion of accountability based on the achievement of measurable results, replacing an earlier policy regime focused on compliance with process (Hood 1991). In this way, performance management approaches offer a link between central control and local responsibility, serving as a tool of accountability as well as improvement, and arguably a vehicle for achieving democratic ideals of making services more accountable to citizens (Henman 2016). A key assumption is that governance processes that combine greater central accountability with local empowerment can drive innovation and service improvement (Osborne 2010).

Despite the overwhelming acceptance of performance management as a policy tool in many countries (Henman 2016; Moynihan and Pandey 2010), implementation has not been unproblematic or without contention (Tenbensel and Burau 2017). Empirical studies reveal a wealth of unintended consequences, including gaming, tunnel vision and competition which have the effect of undermining collaboration that is required for effective service delivery (Sitkin and Roth 1993; Smith 1995; Moynihan 2008). Furthermore, systematic reviews (Houle et al. 2012; Scott et al. 2011), large evaluations and studies of major health performance programs in the USA and UK have failed to demonstrate improvements in health outcomes (Flodgren et al. 2011) or care continuity (Campbell et al. 2009). When incentives are made contingent on performance, gaming of targets and measures is commonplace and, rather than embedding improvements in care, financial incentives are associated with a decline in activity when withdrawn (Lester et al. 2010) and may undermine professional motivations and trust (Harrison and Smith 2004). The expense of implementation and whether this justifies the outcomes achieved has also been debated (Hutchison 2008).

These consequences call into question the effectiveness of performance management and the underpinning assumptions upon which it purports to shift behaviour and promote improvement in service delivery. At the same time as this critique has gained momentum, however, cross country comparisons suggest more nuanced approaches to performance management are emerging in practice. Tenbensel and Burau (2017) argue that country-specific institutional arrangements and differing policy objectives are giving rise to different kinds of performance management approaches that support either ‘harder’ more targets based approaches or ‘softer’ more learning oriented ones, or a combination of both. Denmark, for example relies on accred-

itation rather than the targets based models applied in New Zealand and England (Tenbensen and Burau 2017), yet the value of performance management is heavily influenced by a focus on the latter (Freeman 2002). Given this shifting approach, further research is needed to both examine the variety of models, including the emergence of newer approaches to monitoring and managing performance in practice, and to consider what might be learned to develop more effective models. Understanding the conditions under which monitoring and measurement is implemented in the pursuit of accountability could help policy makers conceptualize more nuanced and effective approaches. One barrier to this is a lack of clear conceptual models and empirical evidence that describe the processes through which different approaches use data together with other incentives to influence behaviour.

This chapter draws on a framework developed by the author and others (Gardner, Olney and Dickinson 2018) that distinguishes between the practice of using data to verify levels of performance in contract-based arrangements and using indicators to monitor and promote improvement in network models, to consider how PM might best be developed to avoid unintended consequences, promote coordination and a focus on client outcomes. We explore how performance indicators are deployed and used to encourage a critical appraisal of the motivations, rewards systems and techniques that underpin different approaches to measuring the performance of public services. We show that market approaches are characterized by contestability and competition for funds, where success hinges on business acumen and delivery of outcomes within set parameters, while network and professional approaches build relationships across boundaries to improve, adapt and/or redefine desired outcomes. This insight expands possibilities for measuring and driving performance and draws attention to the purpose and value proposition of such systems and the architecture and reward systems that would need to be in place to facilitate information flows and feedback loops that support a learning approach and collaboration across siloes and organizational boundaries.

PERFORMANCE MANAGEMENT APPROACHES AND THEIR CONTEMPORARY EXAMPLES

As early as 2002, Freeman described two principal uses of indicators in performance systems, either as summative mechanisms for achieving external accountability such as to governments for funding, or as formative mechanisms for achieving learning and continuous improvement. The harder targets-based approaches described above use summative mechanisms to achieve external accountability to funding bodies for outcomes, and the network learning approaches are more internally driven systems that use formative mechanisms for the purpose of achieving improvement in service processes and outcomes.

Burau (2007) distinguishes four PM ideal types within these broad parameters: professional self-regulation, hierarchies, markets and networks. Gardner et al. (2018) situate these ideal types and their contemporary examples along a continuum, from the externally driven to more internally controlled systems described by Freeman (2002) (Figure 5.1). As shown, the policy goal and locus of control of each of these alternatives is identified, as well as the key strategies used to underpin their implementation. Markets and hierarchies are key examples of summative systems. They use managerial power to provide external verification of levels of performance under accountability arrangements linked to government or other funding contracts. Strategies deployed include performance pay, ranking, benchmarking and competi-

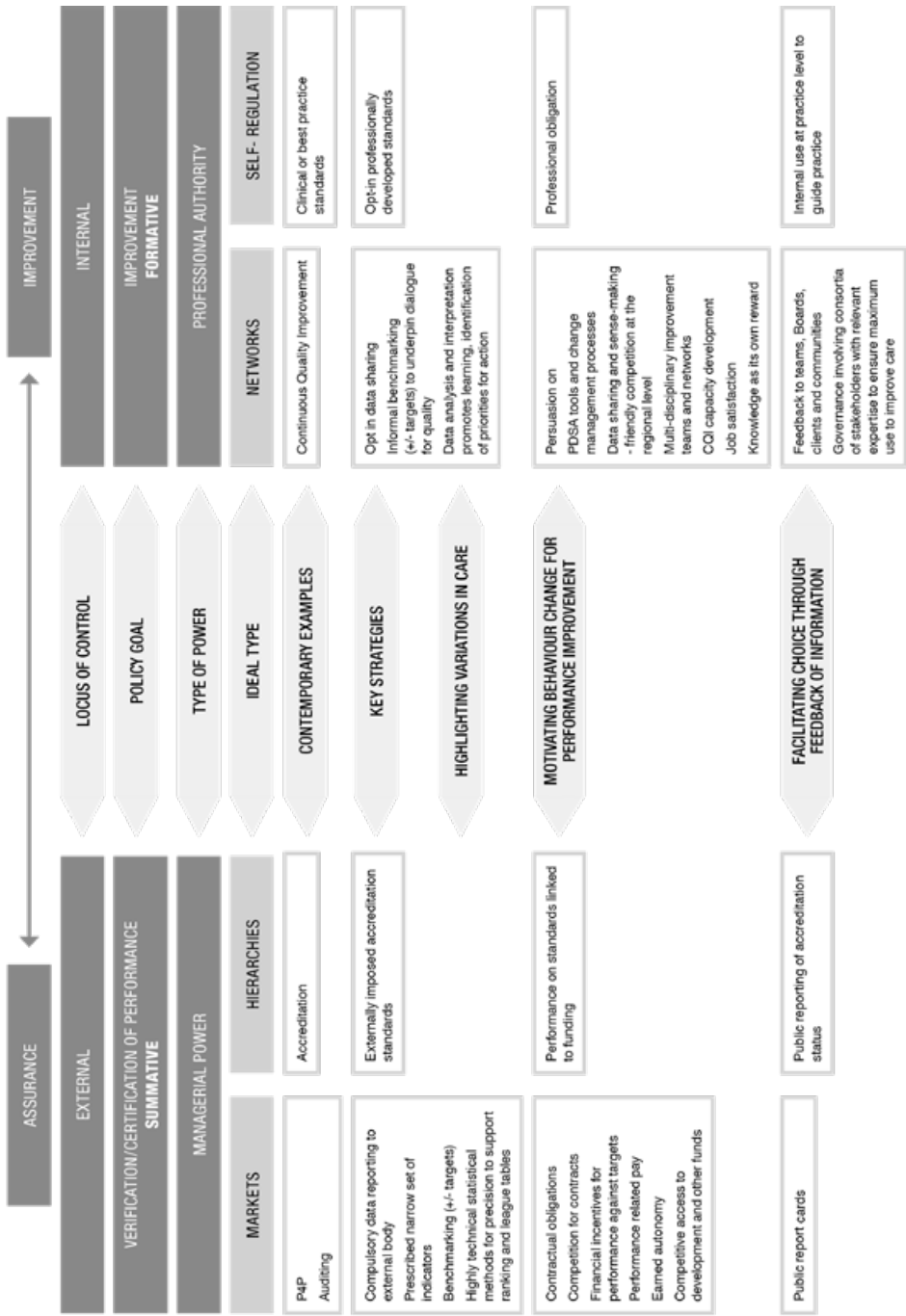


Figure 5.1 Performance management approaches and their component parts

tion which ultimately seek to drive compliance by auditing performance, often against targets (Power 1997). Accreditation is also an externally driven approach, but it is a key example of a hierarchical approach in which an independent external peer assessment of an organization's level of performance in relation to a set of standards is undertaken on a routine basis (ACHI 2015). Networks and self-regulatory systems, on the other hand, often referred to as 'soft' systems tend to be internally driven, relying on professional authority and the use of clinical standards, codes of practice and monitoring of data through peer review. Continuous Quality Improvement (CQI) and more traditional standards and guidelines are key examples of this formative approach. CQI is a structured organizational process that involves staff in planning and implementing a prospective, ongoing flow of service improvements based on continuous review of indicator data (Sollecito and Johnson 2013). Guidelines and standards are developed by the professions which exercise authority over specification of 'best practice' and their dissemination and use.

Assessing Outcomes

Central to all of these models is the use of indicators for measuring outcomes. These serve the primary purpose of identifying unwarranted variations in care, thereby indicating a level of quality and providing a baseline against which improvements can be made. All four ideal types in Figure 5.1 use data to measure and benchmark variations in care processes and outcomes, but data and outcomes are used in different ways to achieve changes in practice (Freeman 2002). In pay-for-performance and auditing systems, outcomes are understood as the endpoint of linear processes of change (Pollitt 2006) and data are used to underpin ranking and league tables to facilitate comparison of performance. This is in turn linked to rewards and sanctions (Freeman 2002). In the case of accreditation, data are used in summative processes to assess performance against external standards and although this is a developmental process, it is also summative. Results are used to assess compliance with 'best practice' and will determine whether an organization is accredited or not (Sibthorpe, Gardner and McAullay 2016). That is, data are used to assess compliance for the purpose of either certification (accreditation) or verification (auditing), creating a static snapshot of performance in relation to externally imposed standards or targets.

On the improvement side, CQI processes use statistics to underpin more informal benchmarking processes that serve as a starting point for engaging practitioners in discussion to generate insights into practice. While outcomes may or may not be conceived as endpoints of linear change processes, outcomes are always assessed in relation to context, thereby taking account of real world complexity and the embedded, emergent nature of performance. For example, performance may arise and be explained in relation to many different factors, such as, for example, a failure to follow guidelines, staff turnover, competing priorities or as a result of inaccurate data entry. Interpretation and comparison of performance is, therefore, inductive and can only occur through human reflection when results are understood in the context in which they are produced (Battles et al. 2006). When used formatively, indicators provide the data input for understanding performance in context, which is a necessary component of learning systems. In this way, data is the pivot around which dialogue for reflection occurs.

Rewarding Performance

All performance management systems use incentives to motivate behaviour change among professionals to improve performance. Externally driven systems typically use financial incentives to reward or sanction performance in relation to predetermined expectations. While rewards provide the contractor with the means to enforce compliance with standards or achieve performance targets, it leaves limited scope for providers to adapt processes or redefine outcomes as changes in contextual and/or other factors indicate the emergence of new priorities, unintended consequences, or need for change.

Network systems on the other hand, rely on the intrinsic motivations of those providing service and typically support these through strategies that build capacity for using data to improve practice. Continuous quality improvement (CQI) programs, for example, use system tools and processes to support deliberative dialogue (Campbell et al. 2010) and data sharing arrangements that facilitate sense making. By supporting intrinsic motivation and the systems that enable sense making, organizations can use data to underpin learning opportunities. Knowledge becomes its own reward, and reputational capital a key driver as services become known for their achievements. These might be determined by externally mandated expectations for performance, or by more internally identified ones in relation to local priorities, such as for innovations in care delivery, adoption of specific models of care, participation in quality networks or relationships with consumers.

Feeding Back Information

Information is key to informed decision making among purchasers and users of public services. While traditional principal–agent relationships previously delegated decision-making authority to professional bodies to act in the interests of clients on the basis of trust, information technology has made available a vast array of clinical and administrative information upon which PM approaches now draw to assess the quality, efficiency, cost and performance of services (Tuohy 2003). While the ability of the funder to hold providers accountable for performance is reliant on the specification and verification of information, increasing complexity in the provision of healthcare and the variety of involved stakeholders increases and blurs lines of accountability, which Tuohy (2003, p. 204) argues may be ‘multiple, tangled and obscured’.

A critical issue is the location of responsibility for ensuring accountability. Assurance systems facilitate vertical accountability through reporting processes from provider to principal but also horizontally through public reporting of outcomes to consumers and other parties in the form of league tables or comparative performance. Improvement systems engage a wider network of participants, extending accountability for processes and outcomes both vertically between providers and government; and horizontally between practitioners within teams, and between services and the individuals and communities they serve. CQI programs, for example, provide data feedback through structured deliberative processes such as Plan-Do-Study-Act (PDSA) cycles at team or service level. These emphasize learning, complexity associated with interpreting cause and effect, and a ‘no-blame’ approach to improvement as the primary goal for feedback. Embedding feedback and ongoing review into routine practice among networks of interested practitioners and other stakeholders is iterative and can be used to build a dynamic approach that enhances capacity for adaptability of systems to create change.

System Architecture

Modern performance management systems of all types are increasingly reliant on web-based portals that enable data extraction, transfer and sharing capabilities. Pay for performance arrangements usually provide infrequent, single loop feedback with public reporting but limited support for data sharing in networks of consenting services. CQI programs use data prospectively within teams and networks. They require system architecture that can support data flows and feedback loops over which providers and their peak organizations have control at different levels or jurisdictions (services, regions, state and so on), and with greater frequency to enable ‘real time’ feedback of results, self-tracking of individual performance and with in-built capacity for comparing de-identified results among services. Such approaches recognize a need for the involvement of a diversity of actors, as well as a diverse range of processes and subsystems at which feedback loops are required (Osborne 2010).

IMPLEMENTATION IS PATH DEPENDENT

At the practice level, implementation of any system is highly context dependent and the extent to which different approaches can be implemented varies according to the pre-existing relationships and policy levers within that system. Tenbenschel and Burau (2017), Burau (2007), and Chalmers, Ashton and Tenbenschel (2017) draw our attention to path dependence in the variety of systems implemented in Europe and New Zealand. In Australian primary care, implementation of approaches such as pay for performance into general practice has proven difficult because General Practitioners are predominantly small businesses which do not have a direct contractual relationship with government, but also because there is no nationally computerized clinical information system available to support extraction of indicators, and administrative data which is based on fee claims is inadequate for measuring outcomes (Campbell et al. 2010). As noted by Gardner, Sibthorpe and Longstaff (2008), in the absence of a contractual vehicle, the key government strategy since the late 1990s has been to support the development of a professional structure through which to build relationships with the profession and engage them in policy initiatives and goals (Smith and Sibthorpe 2007).

Network systems on the other hand are also complex and hard to implement as they require multiple actors, ongoing commitment, leadership and time. Literature suggests their effectiveness depends on the inclusion of key stakeholders, participants’ willingness to pool or shift resources and their capacity to develop common conceptions of problems, to find balance between inconsistent goals and to develop innovative solutions (Torfing et al. 2012; Koppenjan and Klijn 2004; Marsh and Rhodes 1992; Rhodes 1997; Klijn, Steijn and Edelenbos 2010). Yet organizations tightly bound by regulations, contractual obligations, performance indicators, eligibility criteria and incentives tied to the key performance indicators of their funding source have little scope to work that way and are generally reluctant to stray beyond the boundaries of their ‘measurable activity’ in a contestable funding environment (Olney 2016).

SUPPORTING THE EMERGENCE OF HYBRID APPROACHES

As implementation of performance management advances in different countries (Tenbenschel and Burau 2017), a more nuanced approach to achieving policy goals is arguably needed. Further thinking is needed on how, when and in what circumstances different mechanisms might be used to build coherent approaches to managing performance within the constraints of specific institutional contexts. Coherent systems need to consider how data can be used to motivate stakeholders in collective efforts to achieve ‘good’ outcomes as well as to enforce behaviours for safety where warranted.

A complex picture of areas amenable and not amenable to different incentives and strategies is emerging (Flodgren et al. 2011). It has been argued that public policy can better support clinicians’ intrinsic motivation through approaches that support systematic feedback and provide concrete opportunities to collaborate to improve care (Berensen and Rice 2015). Many examples of quality collaboratives and continuous improvement programs that incorporate these mechanisms exist around the world (Rubenstein et al. 2013; Schouten et al. 2008). In addition, evidence surrounding the unintended consequences associated with extrinsic rewards, such as gaming and tunnel vision, suggest that payments should be used sparingly and with care, in specific circumstances to achieve specific system objectives. Such circumstances may include as Berensen and Rice (2015) suggest, encouraging lower spending in circumstances where more services are unlikely to improve outcomes. At times, paying for improvements or supporting the introduction of new practices may also be warranted (Marshall and Harrison 2005; Jackson et al. 2017; Gillam and Steele 2013). Frameworks currently exist to assist policy makers determine when to use financial incentives or another approach (Glasziou et al. 2012).

CONCLUSIONS

A deeper understanding of the differences and inherent tensions between performance management approaches and the practical challenges associated with their implementation is needed. Without understanding the different goals of performance management, the strategies and system architecture that shape the use of data for achieving accountability and improvement, or acknowledging the system constraints that dictate possibilities for implementing performance indicators and related incentives, the policy focus on incentivizing behaviour change is likely to result in rigid systems with limited capacity for innovation and adaptation. By drawing on an earlier conceptual framework for performance management that classifies traditional, existing and emerging approaches to PM (Gardner et al. 2018), this chapter highlights differences and complementarities in the value proposition, conceptualization of outcomes, incentivization of behaviour change and system architecture needed for achieving feedback.

The discussion illustrates that market approaches are characterized by contestability and competition for funds, while network and professional approaches leverage on actors’ legitimacy and authority to build relationships across boundaries to improve and/or redefine desired outcomes. Assurance systems tend towards being static and linear, conceptualizing outcomes as direct products of interventions, amenable to rapid fix through the application of sticks and carrots incentives, rather than as emergent features of complex systems that might best be dealt with through iterative and creative problem solving efforts over time (Gardner et al. 2019). Moving from traditional agent-principal based relationships through markets and contracts to

more contemporary learning approaches, it is clear that newer approaches need to be supported by system architecture and feedback loops best managed through stewardship rather than control, where accountability needs to occur vertically between programs and governments as well as horizontally between providers within and across organizational boundaries and with clients and populations. Supportive infrastructure and tools are needed to expand and operationalize possibilities for measuring and driving performance.

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6. Causes of gaming in performance management

Jeannette Taylor

INTRODUCTION

A significant proportion of public employees have responded to the implementation of performance management (PM) systems in their organizations by engaging in gaming behaviour (e.g., Bevan and Hood 2006; Franco-Santos and Otley 2018; Zhou 2010). This raises several questions, one of which is whether gaming behaviour is simply a selfish act. We often take it for granted that public employees who engage in gaming are driven by self-interest. It is, however, also possible for factors other than self-interest to lead to gaming. It is the aim of this chapter to review the current state of knowledge about the causes of gaming in PM. Specifically, this chapter attempts to address three questions: (1) What is gaming?; (2) What are the common types of gaming?; and (3) What causes gaming?

WHAT IS GAMING?

Although gaming is defined in multiple ways, the various definitions share two common characteristics. First, gaming is a strategic behavioural response to the implementation of a PM or performance accountability system. The widespread implementation of an outcomes-based PM system creates incentives and pressures to game the system. Public employees are concerned that the public release of less than satisfactory organizational performance data negatively affects the external stakeholders' perceptions of their organization's worth and reputation, the degree of autonomy and level of public and political support they enjoy, the organizational funding received, and even their career prospects (Bohte and Meier 2000; Hood 2011; Moynihan 2012; Taylor 2011). Employees thus manipulate their behaviour in order to achieve a desired outcome, such as to meet their organization's pre-set performance targets or to give an impression of high organizational performance. Smith (1995) defines gaming as 'the deliberate manipulation of behaviour to secure strategic advantage' (p. 298), and differentiates gaming from misrepresentation: 'while misrepresentation leads to distortions in *reported* behaviour, gaming is the equivalent manipulation of *actual* behaviour' (p. 298). Similarly, Kelman and Friedman (2009) describe gaming as the act of 'making performance on the measured performance dimension appear better, when in fact it is not' (p. 917). Terman and Yang (2016) conceptualize gaming as 'unintended administrative responses to accountability systems that are meant to give the image of heightened policy implementation intent' (p. 283).

Second, this distortion in behaviour produces no actual or substantive performance improvement (Kelman and Friedman 2009; Terman and Yang 2016). de Bruijn (2007) describes gaming as a situation in which the 'performance only exists on paper ... [and] has no social significance' (p. 581). Instead, gaming often produces dysfunctional side-effects to public service delivery. Employees may respond to PM, for example, by focusing only on the tasks that are measured (Bevan and Hood 2006); by dealing with clients in a standardized

way (Tummers et al. 2015); or by selecting a specific group of citizens for which it is easier to achieve the goals (Koning and Heinrich 2013; van Thiel and Leeuw 2002). This implies that actual performance can suffer because attention, resources and effort are being channelled to organize the manipulation rather than to improve actual performance. Courty and Marschke (2007) define gaming as an ‘undesirable’ response ‘that the designers of the performance measures did not foresee’ (p. 905). Radnor (2008) defines gaming as the ‘creation of (both formal and informal) activities which allow a target or regulated deliverable to be met when the result leads to unintended consequences on the internal or external service delivery’ (p. 323). In summary, public employees who engage in gaming deliberately manipulate their behaviour in response to their organization’s PM system in order to give a false impression of heightened performance, with negative consequences on internal and/or external public service delivery.

There are several concepts in public administration that appear to be closely related or relevant to gaming. It is therefore important to briefly clarify each of them. They include the following:

Rule-bending. Rule-bending consists of ‘a willingness to depart from rules and procedures’ (DeHart-Davis 2007, p. 893). Some scholars (e.g., Tummers et al. 2015) describe rule-bending as working with the rules (e.g., adjusting them to meet specific demands and needs) rather than working against them. Others (e.g., Sekerka and Zolin 2007) view it as complying with some aspects of the rule, while ignoring other elements of the rule. According to the latter group of scholars, rule-bending ‘involves a decision to go around the formally stated obligations by not fully following a rule, requirement, procedure or specification’ (Sekerka and Zolin 2007, p. 228). Rule-bending can be conceived either negatively (e.g., as a form of deviance), or positively (e.g., to meet clients’ needs) (Borri 2017).

Deviance. Employee deviance is largely viewed negatively. For example, Robinson and Bennett (1995) define it as a ‘voluntary behaviour that violates significant organizational norms and, in so doing, threatens the well-being of an organization, its members, or both’ (p. 556). However, there are a few scholars who recognize the positive aspects of deviance. Spreitzer and Sonenshein (2004), for instance, define ‘positive deviance’ as ‘intentional behaviours that depart from the norms of a referent group in honorable ways’ (p. 828). They suggest that employees can engage in deviant behaviours because of good intentions or to bring about positive outcomes.

Divergence. Policy or street-level divergence focuses on the gap between formal policies and the actions of front-line workers or street-level bureaucrats (Gofen 2014). It is considered an integral part of street-level work: ‘it is now well accepted that the actions at the frontline of policy do sometimes, if not often, differ from the intentions of higher ups’ (May and Winter 2007, p. 453). Policy divergence is possible because of the presence of policy ambiguity and vagueness, as well as the discretionary power of street-level bureaucrats (Brodtkin 2011; Lipsky 1980; Maynard-Moody and Musheno 2000). Again, like the previous concepts, policy divergence can be framed negatively (e.g., shirking) or positively (e.g., responsible subversion), depending upon the context in which it occurs (Brehm and Gates 1997; Haynes and Licata 1995; Hutchinson 1990).

Rule-breaking. Rule-breaking is often viewed as a more serious act than rule-bending. Unlike rule-bending, which involves working with the rules, rule-breaking entails deliberately going against the rules (Tummers et al. 2015). In addition, while rule-bending suggests failure

to comply with some parts of the rule, rule-breaking refers to outright or total disregard for the rule (Sekerka and Zolin 2007).

Cheating. Bohte and Meier (2000) define organizational cheating as ‘an attempt to manipulate performance criteria’ (p. 175). Dictionary definitions of cheating emphasize a purposive intention to deceive or exploit others. The Lexico website (<https://www.lexico.com/definition/cheat>), for example, defines a cheat as ‘a person who behaves dishonestly in order to gain an advantage’. It recognizes that a cheat can gain an advantage over others or deprive others of something ‘by using unfair or deceitful methods’. Several scholars attempt to differentiate gaming from cheating, which is seen as more serious and problematic. Pollitt (2013) described gaming as bending the rules, and cheating as breaking the rules. Kelman and Friedman (2009) refer to activities that involve outright performance data falsification as cheating and those that fall short of outright falsification as gaming. For example, a government respondent in Hood’s (2006, p. 518) study described ‘outright falsification or making up of numbers as cheating but creative classification or interpretation’ as gaming.

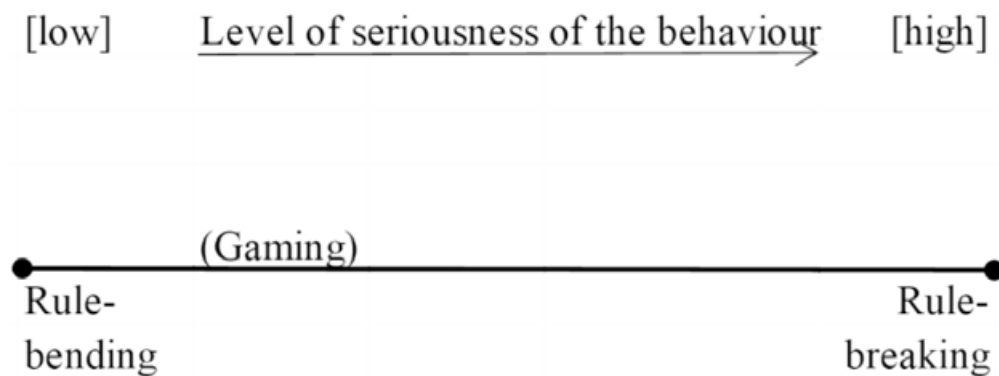


Figure 6.1 *The rule-bending/rule-breaking continuum*

Based on the discussion of the above concepts, the seriousness of any strategic behaviour in response to a PM system can be viewed as lying along a continuum, from rule-bending to rule-breaking. As shown in Figure 6.1, a less serious act occupies the left end of the continuum (rule-bending). An act becomes progressively more serious as it moves towards the right end of the continuum (rule-breaking). So where does the gaming construct sit along this continuum?

As will be explained later, there are some forms of gaming that are more serious than others (Gao 2015). Distinguishing gaming from cheating is also likely to be challenging in practice (Hood 2007; Pollitt 2013). What is seen as rule-bending and what is viewed as rule-breaking is likely to vary among individuals and contexts. Those who cheat or break the rules can also cushion or justify their lack of compliance by describing their behaviour as rule-bending (Sekerka and Zolin 2007). Perhaps as a result of the challenges associated with distinguishing cheating from gaming, a few authors have incorporated cheating into the gaming construct by acknowledging cheating as an extreme form of gaming. For example, Benaine and Kroll (2019) describe cheating as ‘the riskiest form of gaming’.

According to Hood (2006), gaming has shifted from cheating (e.g., the reporting of fictionalized data) towards more creative forms in recent years. Scholars, such as Pollitt (2013) have

also likened gaming to rule-bending. This implies that although the gaming construct is likely to occupy the whole spectrum of the continuum from rule-bending to rule-breaking in Figure 6.1, the prevalence of creative forms of gaming in recent times implies that gaming is more likely to be skewed towards the rule-bending than rule-breaking section of the continuum. The main types of gaming are presented in the next section.

WHAT ARE THE COMMON TYPES OF GAMING?

Multiple scholars have identified different types of gaming. Bohte and Meier (2000) distinguish three forms of organizational cheating in the US public schools: (1) cutting corners or doing sloppy work, particularly when resources are limited; (2) lying; and (3) sampling bias or 'cherry picking'. The latter occurs when organizations select (or report) only those cases that lead to a positive evaluation. For example, instead of difficult cases, an organization can focus on easy cases because they require minor effort from employees.

Hood (2006) differentiates between four types of gaming strategies in response to target-setting in PM:

- Type 1, where the performance data is creatively interpreted, spun, or contrived, and the output is changed. For example, ambulances can be relocated from rural to urban locations in an effort to improve the urban response times, but at the expense of longer rural response times;
- Type 2, where the performance data is creatively interpreted, spun, or contrived, and the output remains unchanged. Here, performance improvements are reported without a change in output. An example is 'storming', in which employees engage in a wild flurry of activity (a storm) to give a false impression of meeting the performance targets;
- Type 3, where the performance data is invented, dropped, or not provided, and the output is changed. An example is the quiet removal of a performance target in an organization after it fails to achieve this target or its actual performance drops; and
- Type 4, where the performance data is invented, dropped, or not provided, and the output is unchanged, such as reporting fictional performance data. Hood (2006) labelled this as cheating.

In the same year, Bevan and Hood (2006) identified three types of gaming strategies in the English public health care system:

- Ratchet effects, or the tendency to base next year's targets on the previous year's performance. In order to secure a less demanding target for the subsequent year, managers have a perverse incentive not to exceed the previous year's target even if they could easily do so. Nakrosis (2008) reported four Lithuanian ministries that intentionally set low targets so that they could be easily achieved;
- Threshold effects, which are the effects of targets on the distribution of performance across and within entities. Although managers who are performing below the target level may feel pressured to do better, those who are performing above the target have a perverse incentive to allow their performance to deteriorate to the target level. A result of poor performers improving their performance but outstanding performers slacking off is a narrowing of

the overall distribution of performance around the target. So the performance of different entities is crowded towards the target; and

- Output distortions. They occur when managers focus on meeting the targets at the expense of important but unmeasured aspects of performance (Bevan and Hood 2006). Terman and Yang (2016) state that the introduction of a 14-day waiting time in the US Department of Veteran Affairs led employees to keep veterans on a secret waiting list for months before they are officially entered into the Veteran Affairs patient-tracking system (Oppel and Shear 2014).

Radnor (2008) builds upon Hood's (2006) typology of gaming to propose four types of gaming. Radnor equates the former two types as gaming, and the latter two types as cheating.

- Muddled gaming is characterized by low levels of organizational gaming, and the effects of gaming are internal to the organization. Radnor (2008) discusses the potential effects of using the 'visitor count' as a performance indicator for museums. In an effort to raise the visitor count, a museum can count all people who come into the building, including those who are not directly employed by the museum, such as contractors. Muddled gaming can occur when the performance indicators are poorly designed and implemented (e.g., when they are not audited).
- Massaging gaming is characterized by low levels of organizational gaming, and the effects of gaming are external to the organization. An example provided is the use of the eight-minute response time for ambulances dealing with life-threatening emergencies. In an effort to meet this target, patients can be moved to a waiting list which is not officially reported. The activity is not changed but the way the data is reported has changed, and this affects the patients.
- Manoeuvring gaming is characterized by high levels of organizational gaming, and the effects of gaming are internal to the organization. The UK's Research Assessment Exercise is used as an example in which some universities attempt to secure a favourable outcome by including or changing the titles of staff, recruiting new staff, and establishing research centres.
- Manipulated gaming is characterized by high levels of organizational gaming, and the effects of gaming are external to the organization. Here, 'activities are deliberately changed, implemented and even encouraged in order to "hit the target" even if it results in poor service delivery and outcomes for the actual recipients' (Radnor 2008, p. 325). For instance, in an attempt to meet the four-hour waiting response time in the Accident and Emergency departments of UK hospitals, many patients had to wait in ambulances outside the hospital before being allowed to enter the waiting room (Commission for Health Improvement 2003).

In her study of China's target-based PM system, Gao (2015) differentiates between benign gaming and pernicious gaming. Gaming is considered benign if the desired performance goals are achieved and honestly reported. Gao refers to Bevan and Hood's (2006) ratchet and threshold effects as two examples of benign gaming. Pernicious gaming involves a deliberate distortion of activities or performance data to conceal the gap between actual and reported performance. Here, the reported data do not accurately reflect actual performance and the consequences are serious. The latter includes 'the loss of reliable information for decision making, inappropriate use of public resources and even harm to the public interest' (Gao 2015, p. 624).

Pernicious gaming can be further divided into two types – coping compliance and malicious deviance – depending upon whether there is an intention to sacrifice the public interest in order to meet the performance target. Coping compliance involves coming up with creative ways to fake target achievements. They include ‘storming’, cutting corners, and ‘playing magic tricks’ (falsifying performance activities without actually improving performance). Malicious deviance is a more serious type of pernicious gaming. It occurs when employees engage in gaming in order to meet the targets despite being fully aware of the adverse effects of their actions on the public. Examples which harm the public interest include output distortions and data fabrication.

Finally, Benaine and Kroll (2019) distinguish between data manipulation and effort manipulation in gaming. Data manipulation occurs when the performance data are manipulated to give an impression of improved performance without any actual change in outputs. Two common types of data manipulation are distortion and cheating. Data distortion involves creatively interpreting, reporting, or rearranging data to make them look favourable, while cheating involves lying or complete fabrication of performance data. Effort manipulation occurs when public employees manipulate their effort or resources to game the PM system. Effort manipulation is sub-divided into effort substitution and effort reduction. Effort substitution occurs when more effort and resources are provided to the measured activities at the expense of unmeasured activities (Kelman and Friedman 2009). Effort reduction involves reducing effort without necessarily transferring the effort elsewhere. It includes Bevan and Hood’s (2006) ratchet effects and threshold effects.

In addition to the various types presented above, there are other forms of gaming. Definitional drift is one of them. Here, a measurement category is intentionally stretched in order to produce a favourable outcome for the organization concerned (Bevan and Hamblin 2009). For instance, police reports can downgrade serious crimes in order to achieve a lower crime rate and in turn a higher ranking on the list of ‘100 Safest Cities in America’ (Grizzle 2002).

Based on the above review, it is evident that gaming is not a homogenous phenomenon, and can exist in various forms. Although this chapter focuses on the gaming behaviours of public employees, it recognizes that the outsourcing of public services can also encourage the external providers to game PM (Girth 2017). The pressures of meeting performance targets can drive some external providers to over-service profitable clients and under-service clients who are deemed more difficult or costly to serve. In the health care sector, for example, gaming strategies include ‘creaming’ or over-provision of services to low-severity patients; ‘skimping’ or under-provision of services to high-severity patients; ‘skimming’ or selecting high-profit/low-cost patients over patients yielding a lower profit per treatment; and ‘dumping’ or explicit avoidance of high severity patients (Ellis 1998; Neby et al. 2015). The existence of various forms of gaming raises the question: Why do they exist? What drives public employees to game PM? The next section will address this question.

WHAT CAUSES GAMING?

In their 2006 article, Bevan and Hood identify two groups of individuals who are likely to engage in gaming. Reactive gamers broadly share the goals of their principals but will engage in gaming if they have reasons or opportunities to do so. They gave the example of a perfor-

mance target which requires general practitioners to see their patients within 48 hours in the UK, which resulted in many primary care trusts refusing to book any appointments more than 48 hours in advance (Timmins 2005). Rational maniacs do not share the goals of their principals and will manipulate performance data to conceal their activities. Similarly, Pollitt (2013) stated that individuals could cheat within a PM system if they think that their behaviour could stop their unit from being closed down, or their behaviour is not abnormal or wrong because many others in the organization or industry are engaging in the same behaviour. By doing so, these scholars illustrate that people can have different reasons for gaming.

This chapter categorizes the antecedents of gaming into three groups: individual factors, group and organizational factors, and environmental factors. These precursors of gaming are identified from empirical research on gaming, and related behaviours, such as rule-bending and cheating.

Individual Antecedents

An obvious rationale for gaming is a strong desire for rewards. The latter can be monetary or non-monetary. For example, people can shirk to maximize leisure and minimize workload (Gofen 2014). Gaming is likely to occur in the presence of a high-stakes incentive structure (e.g., a bonus for heightened performance) (Courty and Marschke 2004; Heinrich 2002). The addition of incentives can motivate employees to 'turn their attention to maximizing the incentives they receive from their work' (Bohte and Meier 2000, p. 180). Public employees can game PM in order to meet pre-set performance targets and profit from this behaviour.

Gaming is possible because of information asymmetry between the agent street-level bureaucrats and their principal supervisors, and the discretion street-level bureaucrats typically enjoy at work (Lipsky 1980). Public policy objectives are also often broad and vague, and many programs/services (e.g., in health care, education) are complex and multi-faceted (Pollitt 2013). These challenges suggest that not all aspects of policies, programs or services can be measured, or measured accurately in a PM system. Opportunistic employees may take advantage of these gaps in the PM system (e.g., an absence of direct and/or rigorous performance monitoring) by engaging in gaming (Bohte and Meier 2000).

Public employees can also engage in gaming because of a fear of losses/sanctions. Compared to private sector employees, public employees are more averse to losses (Bonin et al. 2007; Dohmen and Falk 2010; Pfeifer 2011). Scholars, such as Hood (2007) and Weaver (1986) report a strong negativity bias in the public sector, in which negative performance information produces more activity and impact, including receiving more attention, than positive information. For example, the municipal managers in Charbonneau and Bellavance's (2012) study were more likely to provide justifications for poor performance than for high or average performance, even in the absence of performance incentives. Similarly, the public purchasing and contracting officers who had engaged in gaming in Terman and Yang's (2016) study feared the risk of failing to meet performance goals more than the risk of being caught for gaming.

Employees may also resort to gaming as a way to cover up or make up for losses, such as when they fail to meet pre-set performance targets. When individuals become aware they are low performers, they can try and compensate for their weaknesses by showing a greater willingness to engage in dishonest acts (Burdea 2013). Employees may have a 'hypermotivation' to cheat, that is, do unacceptable acts that in most circumstances they would not do, when they

think they are likely to lose valued privileges (e.g., money, reputation) (Rick and Loewenstein 2008). A fear of sanctions can thus be a more powerful motivating mechanism than a desire for rewards (Cornett and Gaines 1997; Jennings and Haist 2004).

A desire for rewards or an aversion to losses are, however, not the only reason for gaming. Gaming can be more than a simple response to incentives and preferences. Gaming can be a coping response to an organization's structural constraints, such as a badly designed PM system, scarce organizational resources, red tape, and challenging tasks (Bohte and Meier 2000; Greener 2005; Jackson and Adams 1979). Gaming can also be a response to unreasonable performance goals (Terman and Yang 2016), particularly under stressful work settings. According to Hupe and Buffat (2013), a 'public service gap' 'occurs when what is required of street-level bureaucrats exceeds what is provided to them for the fulfilment of their tasks' (p. 556). Public employees often face the dual pressures of having to address intractable problems, such as combating poverty and preventing crime, and produce almost immediate results in order to satisfy internal and external stakeholders (Sandfort 2000). When PM is used to compare the performance of organizations, those with limited resources have an incentive to game the system in the hope of generating performance outcomes that are comparable to those in organizations with more resources (Bohte and Meier 2000; Brodtkin 2007).

Instead of being solely guided by selfish motives, employees can also engage in gaming because of good intentions. The rule-bending literature states that street-level bureaucrats' actions are often shaped by their personal beliefs and norms about what is fair and unfair, and about which clients are worthy or unworthy (Maynard-Moody and Musheno 2003; Hupe and Buffat 2013). When the rules that street-level bureaucrats are expected to follow fail to meet their clients' interest, they may cope with this role conflict by adjusting or bending the rules so that the clients who are deemed worthy of their assistance can benefit (Maynard-Moody and Musheno 2003). Employees who bend rules in order to 'cut slack' to clients are those who identify with the clients more than with their organization (Bensman and Rosenberg 1963). When they feel a responsibility to act as 'citizen-agents' or to look after the interest of their clients, then what they see as 'the right thing to do' is likely to be a solution that "works for the customer" ... regardless of whether the solution is technically "right" (Kennedy and Corliss 2008, p. 433). Under such circumstances, they may view their action as an attempt to bend 'the rules back into place' (Tummers and Rocco 2015, p. 822).

Based on the rule-bending literature, employees may engage in gaming when they disagree with or fail to understand the purpose of the policies or rules (DeHart-Davis 2009; Tummers 2011). They can resist the policies if they think the policies are not meaningful for their clients or society (Tummers 2013). In the green tape theory, DeHart-Davis (2007) argues that employees are likely to accept formalized rules (rule formalization) that are perceived to be meaningful (rule purpose), well-designed (rule logic), consistently or fairly applied (rule consistency), and not over-controlling (optimal control). This implies that people can refuse to follow rules as a way to demonstrate their dissatisfaction with or resistance to the purpose/intent of a policy (Terman and Yang 2016). Such dissent shirking (Gofen 2014) is not just due to a conflict between rules and personal values; it can also be caused by a conflict between rules and professional values (Tummers et al. 2015).

Group and Organizational Antecedents

Employees' occupational and professional identity can affect their decision to engage in gaming. Public employees, especially street-level bureaucrats often see themselves as governed by occupational or professional ideologies (Hupe and Hill 2007). They can refuse to follow rules when they believe that the rules prevent them from acting in accordance with their professional knowledge (Gofen 2014). In this case, they can justify that their gaming behaviour reflects acceptable professional norms and practices (Terman and Yang 2016).

Employees can engage in gaming because of a concern for the well-being of groups other than or in addition to their clients. 'Pro-social rule breaking' occurs when 'an employee intentionally violates a formal organizational policy, regulation, or prohibition with the primary intention of promoting the welfare of the organization or one of its stakeholders' (Morrison 2006, p. 6).

In addition to group norms, such as professional norms, an organization's norms can influence employees to engage in gaming. Scholars such as Borry (2017) and Cohen (2018) point to the importance of an organization's culture. Employees' social connections with their peers may affect how they understand their official roles and how they perform (Oberfield 2010). Brehm and Gates's (1997) study finds that bureaucrats' propensity to work, shirk, or sabotage is linked to how socially connected they felt to their co-workers. Sandfort's (2000) study of welfare caseworkers shows that they internalize their organization's culture upon entry, which in turn shapes their attitudes and actions. Employees can engage in gaming when they think that it is widespread and approved in their organization (Tavits 2010). They can bend rules when they perceive an organizational norm to disrespect the rules (Veiga, Golden and Dechant 2004). According to Sekerka and Zolin (2007, p. 239), 'workplace environment that puts employees in the position of rule-bending inadvertently endorses the behaviour'. Lack of or an ineffective management's response to gaming sends a clear message to employees that the management tolerates gaming or sees it as an acceptable practice. The institutionalization of gaming within organizations makes it hard to address gaming (DiMaggio and Powell 1983; Meyer and Rowan 1977).

Employee engagement in gaming as a result of an organization's culture does not always occur under voluntary conditions. Rather than a free choice, employees may feel pressured to engage in gaming in order to comply with the group or organizational norms. In groups or organizations where gaming is rampant, an employee who refuses to engage in gaming can face intense pressures to conform to the group or organizational norms (Mars 1982). Employees conform when they fear group sanctions, such as disapproval, ostracism or expulsion from the group (Feldman 1984). This is particularly evident in cohesive groups; individuals in such groups value their membership, and may be more dependent on it, leading to greater conformity (Greenberger, Miceli and Cohen 1987). The police culture, for example, is often characterized with a strong sense of loyalty and solidarity among police officers, an emphasis on protecting one's colleagues, and a suspicion of outsiders (Crime and Misconduct Commission 2010; Merrington et al. 2014; Skolnick 2002).

Coercion to game the system can come from peers and supervisors alike. When pressed by their supervisors or other authority figures to bend rules, employees can 'abdicate individual moral agency by taking the position that they are simply "following orders"' (Sekerka and Zolin 2007, p. 238).

Environmental Antecedents

Finally, gaming can be caused by the organization's operating environmental factors, such as environmental complexity, media scrutiny, and policy regime (how a government addresses public problems) (Cohen 2018; Tan and Rae 2009; Terman 2017). Berliner (1956) finds that a continuous change in leaders can contribute to greater uncertainty and in turn more gaming. Merchant (1990) states that managers working in uncertain environments are more likely to respond to budget pressures by engaging in gaming. A public organization that fails to meet its performance targets or performs poorly relative to other comparable organizations is also likely to attract the media attention. Fears of any ensuing negative media coverage about taxpayers' monies being wasted, incompetent management, and the like can influence a negativity bias and in turn encourage gaming.

Terman's (2017) study shows that public managers' behaviours can also be influenced by their states' proximate political principals and policy regime. Terman finds that federal agencies are more likely to underestimate their performance targets when they have a strong incentive to meet their pre-set performance targets in order to attract grant money and federal partners. These agencies are, however, more likely to overestimate their performance targets during an election year or when there is partisan congruence with the federal government, that is, when the aspirational nature of performance targets is more important than the credible commitment of achieving them.

The effect of the organization's operating environment on gaming is illustrated in Zhou's (2010) study of collusion between a lower-level local government organization in China and its immediate supervising government organization in response to constant performance monitoring by higher-level government authorities. Zhou points to three issues within the Chinese bureaucracy that contribute to collusive behaviour among local governments. First, a uniformity in policy-making means that policies do not fit local conditions, and creates tensions and challenges that local government officials have to manage during the implementation process. Second, the PM schemes contain the following characteristics: high stakes, punitive measures, (often unrealistic) performance targets, and joint responsibility for outcomes. For instance, in family planning, the 'one item veto' means that the performance achievement of a local government organization across all the areas measured will not be acknowledged if it fails to meet its performance target in any one area. Largely as a result of joint responsibility, the penalties associated with failing to achieve performance goals are not confined to the public officials who are directly responsible for implementing the program; they extend to the official's supervisors and chief executive officers. Third, Zhou refers to the 'personalization of administrative ties' in which the local government officials attempt to meet targets by developing social network ties and increasing cooperation across agencies along horizontal and vertical authority lines. Through such networks, they increase their capacity to mobilize the required resources to meet the targets, and create a safety net in case any problem arises.

Zhou (2010) also mentions about the challenges faced by officials who refuse to participate in the collusion between supervising and subordinating agencies. Just as a supervising agency cannot ignore its subordinate agency's request to participate in collusion, a supervising agency has an incentive to participate in collusion with its subordinate agency because of the joint responsibility principle and informal social ties. The internal labour market for career advancement in local government is also tightly controlled. Local government officials' careers are often trapped in the Chinese bureaucracy, with no viable exit mechanism. If they refuse to

participate in collusion, they will find it hard to avoid the negative consequences. In short, the ‘collusion among local governments has strong, built-in enforcement mechanisms’ (Zhou 2010, p. 72).

CONCLUSION

Gaming is a complex phenomenon that can be caused by multiple factors. It can be due to a conflict between one’s values and some aspects of a PM system (e.g., its design, rules). Values here are not confined to personal values, but can extend to group values, such as professional values and organizational values. Public employees can make a rational choice to engage in gaming in order to protect their own interest and/or that of others. On one hand, their preference for maximizing the receipt and minimizing the loss of monetary and/or non-monetary incentives can drive them to game the system. On the other hand, their decision to game the system can be guided by the need to protect the interest of their clients, co-workers, and/or superiors. Further, gaming can occur under voluntary and/or coercive conditions. Employees’ decisions to engage in gaming may not be fully within their control. They can be pressured by others (e.g., group or organizational members) to do so. Rather than a lone, isolated activity, gaming can be a collective activity. Individuals who collude in gaming can include both internal and external stakeholders (Zhou 2010).

In most situations, it is often a combination of factors that drive public employees to consider gaming. Individual drivers often interact with organizational and environmental drivers to shape gaming. In order to fully understand why gaming occurs, we therefore need to take into account not just the perpetrators themselves (in terms of their values, views, and preferences), but also their context (the structural, people, and political elements).

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7. A test of wills? Exploring synecdoche and gaming in the national literacy and numeracy performance monitoring regime

Joseph Drew and Janine O'Flynn

INTRODUCTION

Rhetoric is the art of persuasion. Indeed, Aristotle defined the art of rhetoric, in his treatise of the same name 2,300 years ago, as the function of ‘persuading ... of discover[ing] the means of coming as near such success as the circumstances of each particular case allow’ (Aristotle 2012, p. 8). For Aristotle, the *ethos* (character or portrayed character of the rhetor), *logos* (reasoning through speech required to prove an apparent truth), and *pathos* (the emotions of the rhetor and listener) were all critical elements to be mastered for the purposes of persuasion. More recent scholarship on rhetoric has emphasized it as a collaborative ‘art of discovering good reasons, finding what really warrants assent because any reasonable person ought to be persuaded by what has been said’ (Booth 1974, p. xiv). This view of rhetoric – which runs well beyond dialogue to also include the fine arts and music – puts the discovery of truth and new levels of truth at centre stage (Booth 1974) and presumes the close interaction of agents who are open to change. By way of contrast, the pragmatic Riker (1990) defines rhetoric as *attempts* to ‘change opinion’, whilst noting that little opinion does indeed change. An unwillingness to change reflects that doing so ‘implicitly at least requires recognition of [previous] error’ (Riker 1990, p. 54).

The art of rhetoric infuses performance monitoring in the public sector (Drew et al. 2018). Those implementing a performance monitoring regime, at a minimum, have persuaded themselves and their political masters that the performance metrics chosen are important and that the method employed to summarise and communicate performance is appropriate for the policy goal. The other party to the dialogue – those who are being monitored – provide data which they implicitly assert is a valid representation of reality (Drew et al. 2018). Moreover, if the data is to be employed for decision-making purposes then end-users must be persuaded that the metrics appropriately reflect important aspects of the entity’s performance and that the data outputs are sufficiently robust and reliable to warrant reaction. Persuasion has become central to public performance monitoring regimes.

To demonstrate this importance, we focus on the case of the National Assessment Program for Literacy and Numeracy (NAPLAN) which has been administered in all Australian schools to most Year 3, 5, 7, and 9 students since 2008, and publicly released via the MySchool website since 2010 (Shine 2015). Since its inception, NAPLAN has been framed as a new opportunity to regulate teachers through the public release of results and the use of punishment and reward alongside this (Thompson and Cook 2014). Indeed, the political architect of MySchool, former Education Minister and Prime Minister, Julia Gillard, from the outset ‘made no secret of the fact she want[ed] parents to have a “conversation” with principals and teachers if their

school is underperforming’ (Balogh 2010). Thus from inception, the publication of NAPLAN on MySchool, was meant to persuade – persuade parents that the reports were a reliable and valid reflection of school performance, persuade teachers and principals to improve apparent performance if it was not deemed acceptable, and persuade ‘parents ... to make choices ... about what school to send their children to’ (Gillard cited in Munro 2017). More than a decade on from its adoption we can see that the persuasive intent of NAPLAN has produced persuasive effects – although not always precisely the type of effects that the policy architects may have envisaged. Parents have been persuaded to pay attention to the MySchool website (over 64,000 users logged onto the site during first two weeks of April 2019; ACARA 2019a) and vote with their feet (enrolment patterns have changed; Munro 2017). And, as we will see later in this chapter, principals and teachers have undoubtedly changed their behaviour.

Elements of rhetoric have featured in the performance monitoring literature in the past, however this has tended to be fleeting and partial. For instance, Bevan and Hood (2006, p. 520) in their seminal work on the NHS invoked one of the four master tropes – synecdoche – which they narrowly defined as the idea ‘that the part on which performance is measured can adequately represent performance on the whole’ (see also, Pollitt 2013). Until recently, only one half of the synecdoche trope has been described in the corpus of performance monitoring literature and its rhetorical context has been largely ignored. In this chapter we seek to place synecdoche firmly back in its rhetorical context and explain how an appreciation of public performance monitoring as rhetoric can reframe our understanding of the practice commonly referred to as gaming. By re-thinking performance monitoring regimes as exercises in rhetoric we open up new perspectives on the well documented instances of ‘gaming’ and ‘perversion’.

Better understanding of rhetoric also means that actors ‘will then better know why they agree or disagree, and will find it less easy to dismiss contrary arguments on mere methodological grounds’ (McCloskey 1983, p. 482). Such knowledge has the potential to reshape and even improve the relationships between those who do the monitoring, and those who are monitored, and also yield new insights into agents’ behaviours. For instance, Riker (1990, p. 55) proposed a theory of rhetoric which rested on the notion that experienced rhetors would act rationally to persuade auditors – thus if we regularly observe a certain type of behaviour elicited by performance monitoring regimes, then it would be reasonable to conclude that this type of reaction must be ‘widely believed to be persuasive’. By linking frequency of rhetoric to belief in efficacy we may be able to discern new public policy remedies for old ‘problems’.

Synecdoche’s companions in the art of rhetoric include metaphor which employs comparison to a ‘known’ to foster understanding (Smith 1996), metonymy (‘substituting an attributive or suggestive meaning for what is really meant’; Hamilton 2003, p. 1571), and irony which employs ‘incongruities, ambiguities, and apparent contradictions’ (D’Angelo 1987, p. 35) to elicit ‘frustrat[ion] and outrage’ (Smith 1996, p. 14). We identify all four of the master tropes in the NAPLAN program. Metaphor is invoked through colour by marking below average school results in red and above average school results in green (see Figure 7.1 for a greyscale version of these reports). In this way end-users are provided with known stop (red) and go (green) concepts through which to understand the apparent intended signal for school choice decisions. Metonymy is displayed when schools are ordered into league ladders whereby NAPLAN ‘results themselves became codes or indexes for the quality status of individual schools and education systems more generally’ (Klenowski and Wyatt-Smith 2012, p. 67). Irony is implied when parents are directed ‘to make choices’ (Gillard in Munro 2017) on the basis of MySchool data when it is known that most public schools are zoned (that is the

state government dictates which school children must attend based on geography), and many parents simply cannot afford private school fees ranging, on average in 2017, from A\$2,568 p.a. for Catholic schools to A\$7,644 p.a. for other independent schools, no matter how strong the motivation from MySchool is to vote with their feet¹ (ACARA 2019b).

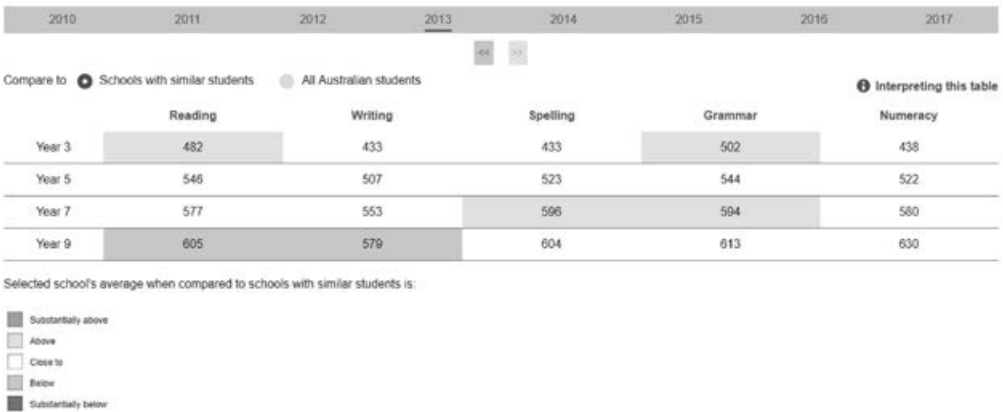


Figure 7.1 *Metaphor in NAPLAN and MySchool*

In this chapter we concentrate on synecdoche which is best defined as taking the ‘part-for-the-whole’ or ‘the whole-for-the-part’ (Chrzanowska-Kluczevska 2013, p. 23). We do this because we believe that this trope is a good illustration of how a rhetorical perspective on public performance monitoring can help us to better understand behaviour that has, to date, been constructed as the negative behaviour of gaming. This new perspective may also allow us to explore more appropriate public policy prescriptions. In the next section we outline the context for NAPLAN and MySchool in greater detail, with particular emphasis on the persuasive intent of the program. Following this, we explain in some detail the trope of synecdoche, showing how a more fulsome understanding can cast the negative practice of gaming in new light. Thereafter, we apply a synecdochical lens to interpret two commonly cited gaming devices which have been identified since the introduction of NAPLAN – manipulating the student examination population and teaching to the test; practices that may constitute examples of ‘honest’ and ‘dishonest’ cheating in the broader literature (Behn 2011). We conclude with some public policy remedies that arise from our understanding of public performance monitoring as an exercise in rhetoric rather than as an objective presentation of data.

NAPLAN AND PERSUASION

Under the Australian Constitution, education is the responsibility of the six states (and by extension the two territories). However, for some time the Commonwealth government has been a major provider of funds to the private school sector (around a third of total recurrent funds) and an important contributor to public schools (around 15 percent of recurrent funds) (Drew and Fahey 2018). Moreover, over the course of the last decade, various Commonwealth governments have linked funding to desired policy changes in the hope of enhancing

Australia's relative performance in global education rankings and by extrapolation the country's economic productivity. A key plank of Commonwealth policy has been to reduce information asymmetries² and by doing so to increase both exit and voice in the education sector and thus drive positive change, or so the argument has been put.

NAPLAN is the national assessment program for literacy and numeracy. In order to receive funding from the Commonwealth government, Australian schools must facilitate the NAPLAN tests for all Year 3, 5, 7 and 9 students in May of each year. The NAPLAN is comprised of five separate tests in reading, writing, language convention, spelling and numeracy which are designed in such a way that comparisons can be made between years and across cohorts (Drew et al. 2019). The tests actually have their origins in a 1999 meeting of state and federal education ministers which agreed 'to report on progress towards the achievement of the national goals...using national key performance measures', known as the Adelaide Declaration (ACARA 2019c). This gave rise to sample assessments on science literacy in 2003 and the very first NAPLAN in May 2008. In December 2008 a new Melbourne Declaration communicated that 'Australian governments commit to working with all school sectors to ensure that public reporting focus on improving performance and student outcomes; is both locally and nationally relevant; and is timely, consistent and comparable' (Ministerial Council on Education, Employment, Training and Youth Affairs 2008, p. 17), setting the stage for national reporting on NAPLAN achievement. In 2010 the MySchool website administered by ACARA was launched and provided publicly available school profile, attendance, finance, and NAPLAN achievement data in one place, for the first time.

Even before its launch MySchool was contentious. Indeed, the Commonwealth Education Minister Julia Gillard only convinced the Australian Education Union to abandon its plans for a boycott just a few days before the first scheduled test (Gillard 2010). Key to securing this agreement was copyright protections against 'the misuse of student performance data including simplistic league tables' and the employment of an improved index of community socio-educational advantage for selecting suitable comparison schools (Gillard 2010). 'Parents love[d] accountability' and demand for the MySchool website exceeded capacity of 2,350 hits a second or 1.75 million hits a day (Balogh 2010). However, opposition from teachers, unions and some academics was vociferous and continues to this day (Baker 2019).

Collecting, collating, and publishing NAPLAN was explicitly about change. The Commonwealth Education Minister at the time argued that: 'The aim of the exercise (publishing NAPLAN on MySchool) [wa]s to change low performing schools' (Gillard in SBS 2009). The ACARA (2019c) states that NAPLAN facilitated this goal by giving schools 'detailed information about how they are performing and Identify[ing] strengths and weakness which may warrant further attention' as well as providing 'education Ministers with information about the success of their policies and resourcing in priority curriculum areas' (ACARA 2019c). However, shortly before the introduction of MySchool, the then Education Minister conceded 'every question should be on the table, should be asked and answered if we are failing our children so that we can do better' including *inter alia* 'in some school systems that people will look at the principal and say, maybe we need a new principal' and 'parents making a choice ... [by being] able to click and compare that school with schools in the local area' (SBS 2009).

The rise of NAPLAN was accompanied by the language of failure. From the outset 'the message that teachers and schools were failing Australian students [has been] the dominant theme in the [media] coverage' (Shine 2015, p. 29). This fits with broader international trends

in education where rankings are used to acknowledge and shame. Indeed, ‘this is one reason why we publish school rankings: To give credit and prestige to the teachers, principals, and others affiliated with outstanding schools; and to, at the same time, embarrass and assign blame to those associated with low-performing schools’ (Behn 2015, p. 29).

In the Australian context, nowhere was blame more apparent than in the state of Queensland where ‘shock therapy was administered to the ... education system ... when the first national literacy and numeracy tests revealed that the state’s students languished at the bottom’ (Ferrari 2014). This ‘shock treatment’ included the introduction of a kindergarten year, an increase to the starting age for Year 1 students, administration of ‘practice tests’, ‘literacy, numeracy and science’ tests for new teacher registrations, ‘professional development in teaching, and testing, and school leadership’ (Queensland Government 2010, p. 5). The result was a dramatic change in performance prompting claims that ‘Queensland’s Rise to Top Education Performer Could Provide a Model for the Country’ (Sonnermann and Goss 2018). However, there have been some recent claims of ‘gaming the system [that] defeats NAPLAN aims’ (Weir 2018). In the next section we explore the tropes of rhetoric in more detail in preparation for taking a new look at behaviours heretofore condemned to be gaming.

RHETORIC AND SYNECDOCHE

Tropes (*topoi* in Greek meaning ‘turns’) are one of three ornaments of language identified by the ancients; the other two are figures of thought and figures of speech which we will not examine in this chapter. Rhetoricians ‘used a list of ten tropes which remained more or less standard throughout antiquity’ (Crowley and Hawhee 2012, p. 279), however later, during the Age of Enlightenment, rhetoricians gave greater focus to a subset of four principal tropes which they argued formed the basis of all ornament. Indeed, the Vichian (1744) tetrad was said to describe the movement of thought from concrete to abstract (Chrzanowska-Kluczevska 2013), and it is now commonly acknowledged that tropes think for us (McCloskey 1998). In the twentieth century rhetoricians argued that these four ‘master tropes’ subsume all other *topoi*, and each of the tropes – irony, metonymy, metaphor, and synecdoche – were associated with key characteristics (dialectic, reduction, perspective and representation respectively, Burke 1945).

Irony is considered to be the most sophisticated of the master tropes in view of the fact that it requires both the rhetor and auditor to be able to understand and problematize the concept at hand (McCloskey 1998). *Metonymy* has been described as ‘the trope of the technician’ (Smith 1996, p. 12) in view of its tendency to break a reality down into its components before seeking to replace it with an associated word or phrase. *Metaphor* has always been given a privileged position amongst tropes due to its centrality for generating understanding; indeed, Aristotle conveyed ambivalence about every other ornament. Metaphor involves both generalization and integration of a concept’s most salient qualities and indeed it has been argued that all language and mathematical reasoning involves metaphor (Chrzanowska-Kluczevska 2013; Smith 1996; McCloskey 1998).

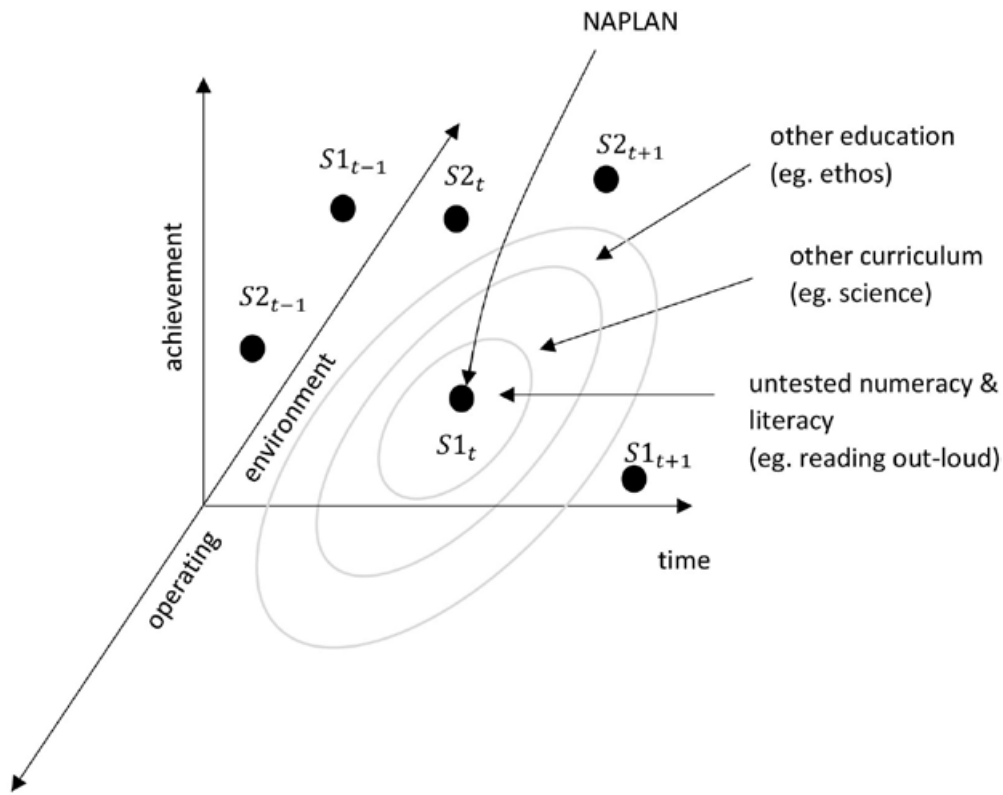
Synecdoche is a refinement of metaphor and involves taking the part-for-the-whole or the whole-for-the-part (D’Angelo 1987). Hamilton (2003, p. 1582) makes a strong case for the saliency of synecdoche noting that ‘the part can be central; to getting the audience to accept the whole and vice versa’. Sometimes the whole is simply too large to grasp (after all, we all learnt

our alphabet long before we composed our first prose), and other times agents believe that by focusing on a mere part, they can convey a sense of pre-eminent importance to an aspect of reality that they feel is fundamental to the object (for example the financial sustainability of a public entity without which all other matters may become irrelevant). Other times the whole is emphasized to ensure that the operational environment or purpose of the entity is not forgotten in a myopic quest to improve a part (for instance to prevent the common good from being neglected in the pursuit of balancing government budgets, Drew et al. 2018).

Undoubtedly the most common employment of synecdoche is part-for-the-whole. We regularly use part-for-whole in everyday communication – for example, we hope that this chapter is opening your *eyes* to the complexities of public performance monitoring. And, of course public performance monitors see entire entities and jurisdictions in terms of parts. This is because not everything can be measured and even if it could we would struggle to derive utility from such an avalanche of data. Where synecdoche has been considered at all in the field, it has been defined as the ‘taking of a part to stand for a whole’ (Pollitt 2013, p. 352). The case we use to illustrate this – NAPLAN – is a good example of the part-for-whole orientation: it looks at less than a third of the total student population in any given year (including just Years 3, 5, 7, and 9 in its net); and examines just literacy and numeracy (despite a much broader curriculum being taught including *inter alia* science, social studies, the arts). Figure 7.2 provides a visual representation illustrating just how small a part NAPLAN is of the education output function and it also illustrates other aspects of synecdoche that we will discuss below. As we note in Figure 7.2, not all education outputs are measurable; for example, school *ethos* would seem to defy quantification. And even from the subset that can be measured the architects of the performance regime have chosen to focus on a relatively narrow part. In choosing literacy and numeracy the architects of NAPLAN either make an implicit claim that what happens in literacy and numeracy at a school is closely associated with other important educational outputs such as the transmission of cultural values or the teaching of science and technology, *or* that these other parts simply do not matter (Bevan and Hood 2006).

Whole-for-part synecdoche is also commonly employed in everyday language. For example, *scholars* have cast considerable light on synecdoche but until recently this had been ignored in the performance monitoring literature. Whole-for-part conceptualization is a way of establishing relationships between the species and the genus (after Aristotle), or a way of understanding the sum of parts. In public performance monitoring whole-for-part synecdoche can often be employed to understand why agents and principals disagree on the inputs to performance metrics and the interpretation of an entity’s performance within a regime (Drew et al. 2018). Whole-for-part synecdoche can also allow us to perceive trends and associations that may otherwise go unnoticed. For instance, the media report ‘Australian Schools Are In “Absolute Decline” Globally’ (Hunjan and Blumer 2016) focuses on the whole (all Australian schools in the context of the entire globe) to stress the importance of national education policy (or lack thereof) for contributing to relative falling results by a sub-cohort of 14,000 15-year-old Australian students who took the Programme for International Student Assessments (PISA) in reading, mathematics and science, compared to sub-cohorts of 15-year-old students from the other 71 countries which participated. Without looking at this data in an international context and extrapolating from the sample to a national whole it would be difficult to take away any policy lessons (or value) from the test – only when the whole (Australia in terms of global performance) is contemplated can one start to draw lessons relevant to the national education debate that was raging at the time. In Figure 7.2 we simplify the peer group of 9,463 schools

in Australia to just two, to demonstrate how one sometimes looks at the whole (all schools, represented by S1 and S2) to understand the part (S1), but at other times focuses on the part (S1 and its explanatory ellipses) to understand the whole.



Note: In this figure $S1_t$ stands for school ‘1’ at time ‘t’. $S1_{t-1}$ refers to the same school the year before, and $S1_{t+1}$ is the same school one year after the reference year. The same nomenclature is used for school 2 (S2).

Figure 7.2 Synecdoche and the location of NAPLAN in time and space

However, as Drew et al. (2018) have noted previously, there is more to the ‘whole’ than merely the data points and ellipses that appear in Figure 7.2. To understand S1’s performance one needs to also understand its intertemporal and operating context. For instance, it is hard to judge S1’s performance until one considers how it performed at earlier and later NAPLAN exams (over the three years there is a distinctly downwards trend for S1 that suggests rapidly declining performance over time that would be a concern to most stakeholders) – and this clearly shows the value of intertemporal comparative data. Moreover, when one looks at the performance of the peer group over the same period of time one becomes even less enamoured with S1’s results (at time t). Similarly, the operational ‘whole’ is important to understanding the performance of an entity at a particular point in time. In this regard the concept of environmental constraint becomes critical – that is, the performance of an entity needs to be assessed in terms of the relative challenges that the entity faces in producing outputs. It has

long been argued that not all students have the same socio-educational advantage – that the relative wealth, employment and education of parents combined with measures of indigeneity and English proficiency are strong determinants of school success (Teese 2000). The ACARA attempts to signal environmental constraint through the index of socio-educational advantage (ICSEA)³ which is used to select similar schools for comparison. We have indicated the effect of environmental constraint by adding a third axis to Figure 7.2.

In the next section we explore claims of gaming in NAPLAN, or the practice of exploiting grey areas – we do this to provide a more positive view of performance than might be expected. We then follow this with consideration of how understanding performance monitoring through the lens of the rhetorical trope of synecdoche might be able to cast new light on the judgements made about performance as well as recommend potential public policy prescriptions – the main aim being to offer a new perspective on performance.

SYNECDOCHE AND GAMING

There is a long history of scholarship on gaming in public performance monitoring regimes. In general, this is seen as perverse behaviour which exploits grey areas in the design of performance regimes (see, for example, Bevan and Hood 2006). However, recent work has challenged this judgement arguing instead that there are distinctions to be made between different categories of behaviour, and that not all behaviour is a reflection of morality (Thompson and Cook 2014). For instance, Behn (2015, p. 31) makes a distinction between ‘dishonest cheating’ (falsifying results and the like), and ‘honest cheating’ (‘capitalising on the many available ways ... to make sure the scores look better’). It probably goes without saying that we regard dishonest cheating as unacceptable, but it is worth exploring the notion of ‘honest cheating’ some more. For instance, it may be that some forms of gaming are examples of ‘persuasion’ by those monitored to the monitors, and that this behaviour is about presenting data or results that can better reflect performance and meet apparent public policy expectations.

When we look at the example of NAPLAN, it would be naïve, based on international experience, to dismiss the notion of dishonest cheating alongside honest attempts at persuasion (Phelps 2013). Indeed the evidence from the infamous Atlanta cheating scandal where teachers, for instance, changed answers on student tests demonstrates that ‘a fixation on outcomes can alter employee motivations ... and increase the probability of cheating while simultaneously decreasing the likelihood that those knowledgeable of the acts will blow the whistle’ (Patrick et al. 2018, p. 547). Given the considerable emphasis in improvement and the power of ranking in the Australian context, it is somewhat problematic that ACARA relies on schools to report the majority of ‘test incidents’ and that it depends on principals, school boards and system authorities to conduct investigations into irregularities. Notwithstanding the high likelihood that a good proportion of both dishonest cheating and honest persuasion goes unreported, in the 2017 NAPLAN testing period 13 cheating breaches (3 substantiated and 7 under investigation), 26 security breaches and 59 general breaches were recorded (ACARA 2017). In this chapter we do not intend to examine in any more detail examples of dishonest cheating or corruption, rather in our subsequent analyses we focus on two common types of what Behn (2015) might term honest cheating, and what might more broadly be considered practices of persuasion: the first – manipulating the test population – could be considered a

‘general breach’ in some instances (but not in most); the second – teaching to the test – is discouraged but is unlikely to be considered a breach of any kind by ACARA.

Manipulating the Test Population

Since the earliest days of NAPLAN there have been allegations in the media that some schools have manipulated the test population to gain a more favourable impression of performance in literacy and numeracy than may be warranted (Klenowski and Wyatt-Smith 2012). Moreover, most of the potential methods for manipulating the test population are entirely in keeping with the NAPLAN protocols, even if they are not in the spirit of the program. In this way they may be examples of honest cheating (Behn 2015), and practices of persuasion in performance regimes.

Manipulating the test population can occur in many ways. For instance, it is common practice for non-public schools to request a copy of previous NAPLAN results when considering students for enrolment (Thompson and Cook 2014). Given that previous performance in NAPLAN is a strong determinant of future performance, using past results to screen in or screen out potential students will clearly benefit judgements about school achievement. Moreover, this screening behaviour is entirely in keeping with both the NAPLAN protocols and the education Acts in the various jurisdictions (Drew et al. 2019). Another way of manipulating the student population is to suspend students who might be considered ‘troublemakers’ if they are also likely to be poor performers at NAPLAN (Thompson and Cook 2014). This option is open to both public *and* private institutions, and once again is not contrary to NAPLAN protocols or legislation. A third strategy is to encourage parents of likely low performers to withdraw their child from the NAPLAN exams. Under the protocols parents are entitled to withdraw their child from the exam if they have a philosophical or religious objection to the test, or are a recent migrant to Australia. Recent media reports have suggested that some principals in the state of Queensland, in particular, have been ‘applying a decidedly liberal interpretation to the guidelines’ by encouraging some parents to withdraw selected students (Weir 2018). As Figure 7.3 demonstrates, this strategy appears to be quite a common one. Figure 7.3 plots NAPLAN scores against participation rate, and it is clear that public and Catholic schools, in particular, have experienced strong gains in NAPLAN scores at the same time as they recorded decreases to participation rates.

It is important to note a few things to fully understand the apparent trends presented here. First, public or government-run schools have no right to refuse students within their geographic zone, and Catholic schools have very limited discretion to refuse enrolment of baptised Catholics whereas Anglican and other private schools have a lot more opportunity to screen potential students (Drew et al. 2019). Because of these dynamics, it is not surprising that the apparent associations appear strongest for the public and Catholic schools. Second, it appears that quite small reductions in participation rates can result in quite large responses in recorded school NAPLAN achievement. The reason for this is largely due to the nature of the statistic employed by MySchool to report on school achievement – the mean (or average score) of students who sat the exam. To appreciate the full implications of ACARA’s methodological choice for identifying typical performance consider a school comprised of just six students, with the following individual scores in a given NAPLAN test:

380, 530, 535, 525, 530, 620

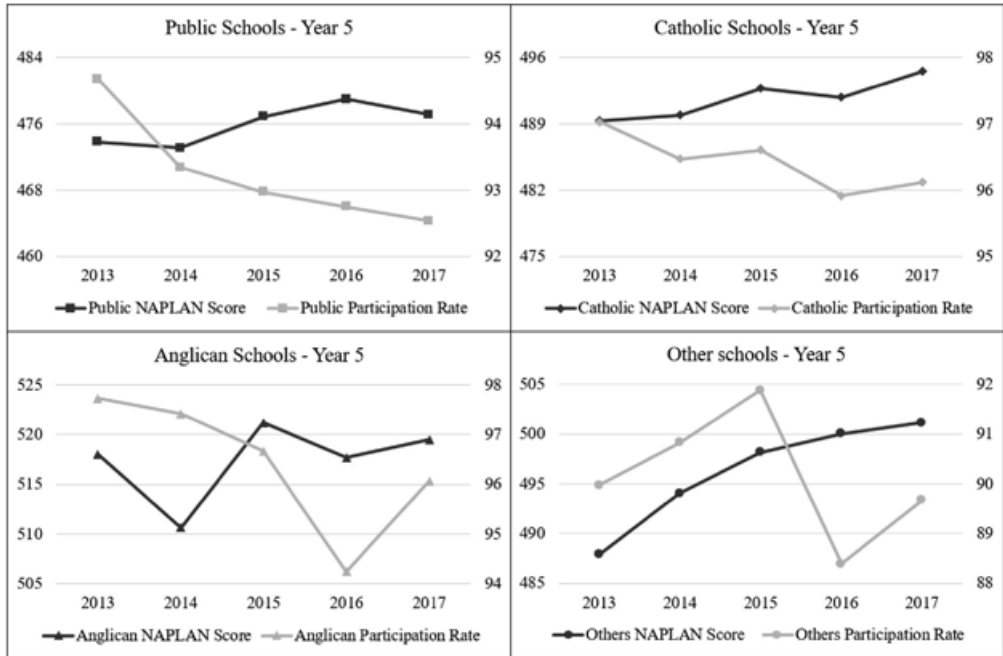


Figure 7.3 Year 5 NAPLAN test score and participation rate, Queensland (2013–2017)

Clearly the first and last students have performed quite differently to their peers (the first student struggled and the last has excelled, and both are considered, statistically speaking, to be outliers). The mean (520 in this example) as a measure of the ‘typical’ student has ease of calculation and general familiarity to recommend it, especially in the case of distributions that are more or less symmetrical. However, compared to the median (the middle number when scores are placed in ascending order – 530 in this case) the mean is very susceptible to skewing by outliers. For example, if a school were to exclude the first student from the test population by refusing enrolment where possible, suspending the student for a breach of school rules around the time of the exam, or encouraging the parents to withdraw the student from the exam to save them from stress or damage to self-esteem, then the mean would improve quite substantially (to 548). On the other hand, had the best performing student been absent on the test day (perhaps due to illness) then the score reported on MySchool for the institution would have been substantially lower (500). Even this simple example shows that there is a very high marginal benefit to manipulation of test populations and a potentially high marginal cost to random sub-samples that inevitably occur – especially when student numbers are relatively low or outliers deviate strongly from the median.

Using Behn’s (2015) definitions of forms of cheating, manipulation of student populations could be seen as honest cheating. This does not make it morally right (or wrong) but this practice can be seen as an attempt to persuade monitors that outliers would otherwise unduly skew perceptions of how the typical student at the school is performing. Indeed, as we have shown in the example above, the mean may often be a very poor representation of typical performance. Synecdochically, there is a disagreement between the principals of schools and those criti-

cising schools for gaming of exactly which ‘part’ is best representative of the ‘whole’. If one accepts that full participation is impossible owing to illness and the like, which doesn’t seem to raise the ire of critics, then the disagreement largely centres on how the methodology for reporting on ‘typical’ performance produces different results when different parts are sampled from the whole. It would seem that principals at many Catholic and public schools believe that selectively discouraging participation by some students to form a smaller part is much more representative of the whole, whilst principals at some of the other private schools may prefer to screen enrolments at the outset so that there is a higher probability of the part selected being what they feel to be a favourable representation of the whole. In both cases, appreciating synecdoche is critical to understanding why there may be disagreement between the parties who have a stake in these performance regimes.

Teaching to the Test

As early as 2010, claims were made in the media that teachers could influence NAPLAN results by teaching to the test (Shine 2015). Such behaviours are, however, entirely predictable in a performance regime constructed in this way. For example, the NAPLAN tests have a similar question style over time and the concepts tested tend to be repeated. In the case of the state of Queensland, for instance, the government *instructed* its teachers to complete practice tests in line with recommendations made by the independent review of the state’s poor performance in 2008 (Queensland Government 2010). Furthermore, there is strong evidence in the extant literature that many teachers do in fact teach to the test (Shine 2015; Thompson and Harbaugh 2013).

The main criticism of teaching to the test is that it might give schools that adopt this approach an unfair advantage in terms of results and rankings (Rout 2011; although it might be noted that there is little stopping other schools from following suit). Moreover, it has been noted that teaching to the test can mean that elements of the curriculum that aren’t tested are neglected (Klenowski and Wyatt-Smith 2012). However, others have argued that ‘if curricula are carefully developed by educators and the test is written with curricula in mind, then teaching to the test means teaching students the knowledge and skills we agree they ought to learn – exactly what our teachers are legally and ethically obligated to do’ (Phelps 2013, p. 38). The disagreement here seems to be, once again, synecdochical – which ‘part’ should constitute most of the ‘whole’. And understanding the notion of synecdoche becomes important in making sense of such regimes in practice.

The Australian NAPLAN regime tests just a small component of the curriculum: reading, writing, spelling, language conventions and numeracy. By way of contrast, national tests in America are much broader and cover literacy, numeracy, science and social studies. Given the emphasis on STEM (science, technology, engineering and mathematics) in the education debates in Australia, as well as the early forays into national testing relating to science literacy, it is hard to explain why the Australian government adopted an assessment program that covers such a narrow remit. If the synecdochical gap between the part chosen by ACARA (literacy and numeracy) and the whole (represented by the national curriculum) was smaller, then the practice of teaching to the test would seem less problematic. However, the current focus on the part, means there is probably good reason for some teachers and principals to believe that only NAPLAN related curricula matters, because that is all that has been chosen to be tested and publicly reported on (it may be the case that the Commonwealth government and ACARA

believe that other areas of the curriculum are closely associated with literacy and numeracy and therefore provide the foundation). Otherwise stated, literacy and numeracy are what parents are being asked to have ‘conversations about’, and ‘make choices on’ so it is hardly surprising that principals and teachers are focusing their efforts in these areas. Moreover, teachers may be encouraged to teach to the test if they believe that it is efficacious – this is not an act worthy of moral judgement but merely the outcome of being *persuaded* by the content and reporting of NAPLAN. Indeed, by focusing so much attention and effort on literacy and numeracy teachers and principals are providing strong signals that they have been *persuaded* and that they are in turn trying to *persuade* end users that they can excel in the areas under scrutiny.

In sum, if we were to change the ‘part’ – make it broader so that it comes closer to representing the ‘whole’ – then we might even predict that a considerable amount of the disagreement between actors could dissipate.

PUBLIC POLICY IMPLICATIONS

As the above discussion has illustrated, two commonly cited examples of gaming in NAPLAN can be viewed quite differently when we appreciate the notion of synecdoche. Here they can be seen as disagreements about what constitutes the ‘part’ and what constitutes the ‘whole’. Under this conception, when school staff manipulate the test population or teach to the test they are engaging in practices of persuasion that are intended to change opinion. Moreover, the frequency with which school staff are engaging in what hitherto has been condemned as gaming, suggests that there is wide belief amongst educators that these persuasive attempts are efficacious for the purposes of changing monitor’s opinions (Riker 1996).

Understanding the motivations of behaviours in practice is challenging (Alford and O’Flynn 2012), but expanding our conception helps us to appreciate the potential range of motivations and actions in new ways. Therefore, if one views performance monitoring behaviour as an attempt to *persuade* rather than *game*, then the public policy responses to the behaviour will be radically different. For instance, when manipulating the test population is perceived to be a form of gaming then punitive responses come to mind. Responses might include, for example: publishing participation rate data next to NAPLAN results to make ‘cheating’ visible to end-users; weighting NAPLAN results according to participation to apply a penalty for low participation; banning the use of NAPLAN data for enrolment purposes and league ladder tables as was promised to break the union moratorium, but never occurred; and ‘hanging’ some admirals (Bevan and Hood 2006 make an example of principals caught manipulating the test population). However, if one instead perceives manipulating the test population as an attempt to persuade about what is the best representation of typical performance at a school, then the possible public policy remedies change markedly. From a synecdochical view of the behaviour one would be more inclined to use a more appropriate methodology for reporting on typical student achievement (the median which is quite resistant to manipulation) and perhaps also include measures of spread (for instance the inter-quartile range) to give end-users a better idea of how much of the school population achieves close to the typical result. From this perspective, ‘hanging the admirals’ would not be appropriate, nor effective.

Similarly, if one takes the view that teaching to the test is a form of gaming then we might also be prone to recommend actions including that ‘time limits be put on student preparation’ (Gillard in Rout 2011). Hanging some admirals would also dissuade those seeking to get ahead

by focusing on teaching curriculum that is likely to be assessed. Other strategies might include ACARA introducing more unpredictability into the examination questions and improving processes of external security – for instance not sending exams to the school before the test date where they might be opened early (Phelps 2013). However, if instead one views teaching to the test as the rational act of school staff who have been persuaded of the pre-eminence of the narrow fields of curriculum which are tested, then the public policy remedy alters markedly. From a synecdochical view there are two possible remedies; first, to broaden the test so that it resembles far more of the ‘whole’ of the national curriculum; or second, to reduce the scope of the national curriculum and therefore redefine the ‘whole’ if ACARA feels that the other educational outputs do not matter. By closing the synecdochical gap one makes the test worth teaching to and may indeed promote a more consistent interpretation and execution of the national curriculum. Otherwise stated, instead of hanging admirals, the public performance monitor who is cognisant of the rhetorical nature of their task will use the test instruments to improve what happens in the classroom on non-test days, therefore valuing the whole rather than the part.

In illuminating the importance of synecdoche through this example, we also seek to demonstrate how the scholarly community might benefit from adopting a rhetorical perspective on performance monitoring. There is a large body of work on gaming in performance management regimes that tends to make ‘hanging the admiral-like’ recommendations to stop the perversion of the scientific positivist exercise (Bevan and Hood 2006). This spills over in various forms to policy practice and provides the evidence base for devising practical strategies to defeat gaming. However, the truth of the matter is that human ingenuity is pretty-well boundless and people will always find ways to exploit grey areas and put a better gloss on results than might be strictly warranted; each step in this game just creates new opportunities. If instead, scholars started to analyse performance monitoring behaviour as persuasion and attempts at persuasion they might be inspired to examine in greater detail some non-punitive remedies that work with the parties that are monitored rather than against them. This may actually lead to improvements in outcomes for all parties. We therefore suggest that performance monitoring scholars adopt the recommendation made by McCloskey (1998) to the economic community so many years ago – to put aside cherished ideals of modernist scientific method in favour of a broader conception of performance monitoring as rhetoric, and hence derive *ex ante* prescriptions for working with the monitored rather than continuing to focus on *ex post* autopsies of monitoring failures.

Viewing public performance monitoring as rhetoric ‘replaces damnation with toleration’ (Drew et al. 2018, p. 125). It replaces vain attempts to metaphorically have a policeman on every performance monitoring corner, with an open dialogue between parties willing to be persuaded. Otherwise stated, performance monitoring, in NAPLAN or any other field for that matter, need not be a test of wills but instead can become an ‘art of discovering good reasons, finding what really warrants assent because any reasonable person ought to be persuaded by what has been said’ (Booth 1974, p. xiv). Without shifting perspectives, then the game just continues.

NOTES

1. Indeed, the range of fees in 2017 was \$851 to \$27,807 for Catholic schools and \$156 through to \$37,166 for other independent schools.
2. Information asymmetries refer to the situation whereby one party has access to information that the other party does not have. For example, prior to MySchool, principals had much better information about the performance of the wider body of students in their schools, than parents had.
3. The ICSEA is an index of community socio-educational advantage which takes into account factors such as parents' occupations, parents' education, school's geographic location, and proportion of Indigenous students. See: <https://www.myschool.edu.au/more-information/information-for-parents/making-a-fair-comparison/>.

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8. Managing the complexity of outcomes: a new approach to performance measurement and management

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INTRODUCTION

It is now commonly taken as granted that public services and social interventions should be commissioned, managed and evaluated based on their contribution to societal outcomes – key indicators of social value such as health inequalities, educational attainment, criminal behaviour and psychological well-being. Methods of outcome-based performance management (OBPM) have become increasingly commonplace in public and non-profit management settings, promising better aligned performance incentives (Heinrich 2002; Schedler and Proeller 2010), goal-focused collaboration and innovation (Heinrich 2002; Carter et al. 2018; Fraser et al. 2018b), and more efficient utilisation of public finances in a context of fiscal retrenchment (HM Government 2011). The empirical record of outcomes-based reforms however offers little support for these purported benefits (Wimbush 2011; Fraser et al. 2018a; Clist 2019), and cautions that they can instead create a range of counteractive effects, encouraging gaming behaviours (Lowe and Wilson 2017), eroding trust and working cultures (Keevers et al. 2012), and creating intractable measurement and attribution problems (Bovaird 2014).

The scholarly response to these deficiencies has centred around developing procedural and methodological fixes to measurement and attribution processes (Boyne and Law 2005; Mayne 2007). In this chapter we undertake a broader conceptual analysis of outcomes, developing and expanding an alternative view developed in public health and social ecological literatures that outcomes are emergent products of complex systems, not linear consequences of individual activities or interventions. Drawing on key theoretical strands of the complexity sciences, we extend this view by elaborating four conceptual dimensions of complexity which we argue all societal outcomes present, which we term compositional, experiential, dynamic and governance complexities. We adopt this conceptual typology to critique the standard outcome-based performance management archetype, rooted in Agency Theory (Jensen and Meckling 1976) and technical management control systems theory (Johnson and Kaplan 1987; Smith and Bititci 2017), and conclude that this model is fundamentally limited in its ability to cope with the complexity which outcomes present.

We then adopt the four forms of complexity in a constructive capacity, transposing the challenges posed by complexity into design parameters for a new conceptual approach to OBPM systems. Building on recent complexity-informed performance measurement and management literature (Melnyk et al. 2014; Bourne et al. 2018; Okwir et al. 2018), we explore how two key theoretical transitions might support an alternative approach to performance measurement and management – a shift in focus from technical to social control mechanisms, and from Agency

Theory to Stewardship Theory. We finally discuss the practical implications of how public and non-profit organisations might go about embodying such a complexity-informed management practice.

THE OUTCOMES PROBLEM FACING PERFORMANCE MANAGEMENT

Performance measurement and management (PMM) systems became widely adopted as part of the New Public Management (NPM) reforms of the 1980s and 1990s (Hood 1991). Advocates of NPM warned that the lack of market-based performance signals in public sector organisations would encourage inefficiency and waste, and advocated borrowing the results-based incentive and reward systems used in the private sector (Gore 1993; Osborne and Gaebler 1993). Results-based management systems sought to base accountability and performance incentive structures on the achievement of measured ‘results’, rather than compliance to process, and in so doing realise an array of conceptual benefits including better-motivated workers, more innovative and entrepreneurial managers, improved transparency and more direct public accountability (Hood 1991; Heinrich 2002; Bevan and Hood 2006; Wynen et al. 2014).

PMM control and incentive systems were structured in accordance with Agency Theory (Jensen and Meckling 1976) as a classical agonistic principal–agent problem where one party (the agent), acts on behalf of another (the principal). In Agency Theory, information asymmetries between the agent and principal create the risk of ‘agency costs’, such as shirking, resource appropriation or subversion. Agentic autonomy was therefore seen as a risk to organisational performance, and so PMM systems operated to align the two parties’ interests through basing incentives on the demonstration of ‘results’ set by principals. Other NPM reforms such as privatisation, the creation of quasi-markets, and organisational disaggregation created further agonistic principal–agent splits, such as those between new employers and employees, commissioners and contractors, lower and higher subsidiary units, or regulators and semi-autonomous organisations (Le Grand 2010). To accomplish this, PMM systems borrowed from parallel developments in the private sector (Johnson and Kaplan 1987) by establishing a range of ‘technical’ management control systems (Smith and Bititci 2017; Bourne et al. 2018) built around objective, quantitative performance indicators. Theories of technical management control, with their roots in cybernetic theory, sought to base managerial decision making on formalised, routinely collected, quantitative elements of PMM systems (Tessier and Otley 2012; Smith and Bititci 2017). Under these conditions, the performance of ‘agents’ could be assessed against objectively assessed variation in performance indicators and agents could be held directly accountable for their resultant impact.

Early PMM systems were predominantly concerned with output control and process efficiency (Hood 1991; Heinrich and Marschke 2010). These systems soon became criticised for their narrow and introspective concern with organisational performance (Heinrich 2002; Schedler and Proeller 2010), which jarred with the increasingly fragmented governance landscapes which emerged under NPM reforms (Christensen and Lægreid 2007) and the growing footprint of governance networks and partnerships evident across the 1990s (Kickert et al. 1997). Outputs also failed to reflect a genuine concern with ‘what mattered’ to service consumers, conflicting with NPM’s emphasis on choice and customer satisfaction (Heinrich

2002). PMM systems in the public and non-profit sectors accordingly moved towards measures of ‘outcomes’ and ‘impact’, understood as the end value created by services and interventions (Heinrich 2002; Boyne and Law 2005; Borgonovi et al. 2017; Lowe and Wilson 2017).

OBPM brought two key conceptual benefits. First, OBPM promised an improved incentive structure which aligned the interests of service commissioners, practitioners and users around the achievement of publicly valued outcomes, permitting all parties to pull in the same direction (Heinrich 2002). By removing requirements for compliance, OBPM could then spur performance-managed actors to innovative and entrepreneurial responses to improve service results (Wynen et al. 2014). Second, OBPM sought to improve the quality of managerial decision making by basing performance judgements upon a dispassionate assessment of objective performance data. Thus, whether one was a parent choosing the school to enrol their children, a public manager seeking to improve team performance, or a senior government official choosing which service intervention to commission, OBPM sought to enable rational decision making based on reliable outcome data.

Empirical evidence for both claims has remained weak however, despite widespread interest and uptake of OBPM models in many sectors and countries (Perrin 2006; Carter et al. 2018). Reviews of payment by results initiatives (Clist 2019) and social impact bonds (Fraser et al. 2018a) paint an underwhelming picture of effectiveness of OBPM. Other reviews (Perrin 2006; Mayne 2007; Wimbush 2011) of OBPM note ongoing difficulties in the implementation of technical management control systems, in particular around measurement and attribution problems (Boyne and Law 2005; Bovaird 2014; Jamieson et al. 2020). More troublingly, empirical literature also documents a range of performance paradoxes, wherein OBPM implementation has actually undermined performance. The requirement for objectivity has resulted in ‘output distortion’ where measurability distorts organisational focus, giving a misleading picture of effectiveness (Bevan and Hood 2006). Studies have routinely demonstrated that, consistent with Campbell’s Law (Campbell 1976) and Goodhart’s Law (Strathern 2009), outcomes-based reforms have routinely created powerful perverse incentives for gaming and distorting performance information (van Thiel and Leeuw 2002; Bevan and Hood 2006). The distal, multi-dimensional nature of outcomes have also proved difficult to reconcile with the requirements for objective, unambiguous indicators and accounts for performance (Bovaird 2014; Jamieson et al. 2020).

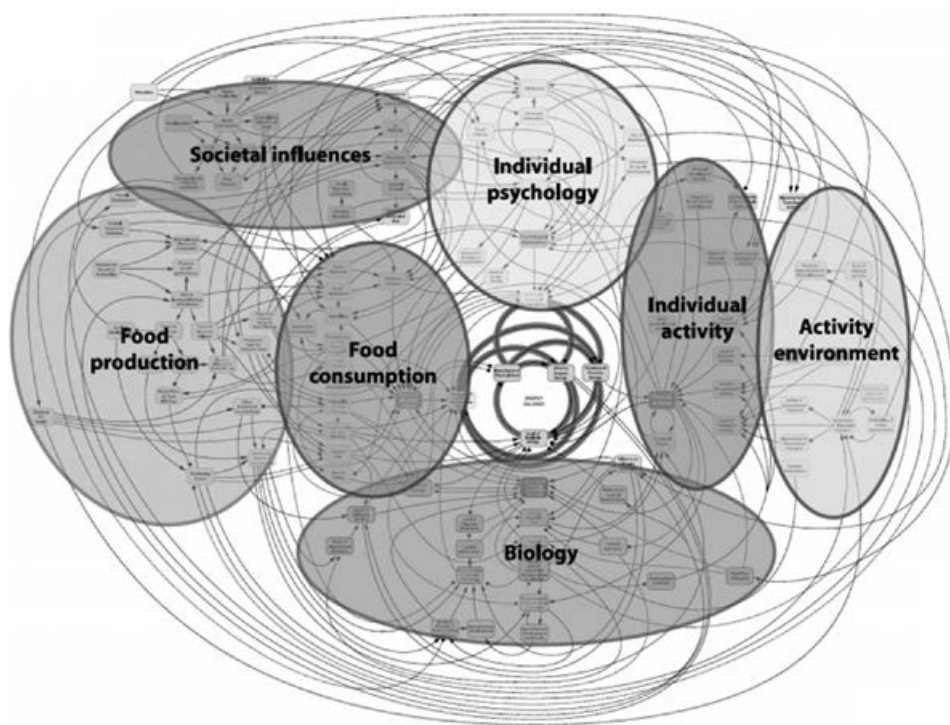
What is not clear at this stage is the extent to which these problems can be addressed by technical and methodological fixes, or if they stem from more fundamental theoretical deficits. Public management scholarship has in general adopted the former opinion, offering methodological invention and workarounds to the wicked issues of outcomes-based management (Boyne and Law 2005). Other authors have recommended that outcomes-based approaches are used only in those areas which conform straightforwardly to the measurement, attribution and incentivisation process (Giacomantonio 2018). In the latter case, the utility of outcomes-based approaches diminish to a small corner of the social policy world, undermining their central position within policy reform discourse (HM Government 2011).

This chapter takes another approach, to revisit the NPM-based OBPM archetype rooted in Agency Theory and technical performance control theory, which has evaded any significant scrutiny in the transition from output to outcomes-based management. The increasing complexity of the modern business environment has led PMM theorists to conclude that the simplistic and reductionist tendencies of PMM theory must be rethought to fit an increasingly complex situation (Melnyk et al. 2014; Braun and Hadwich 2016; Bourne et al. 2018;

Giacomantonio 2018). Modern public and non-profit management presents an arguably ‘more complex’ (Bourne et al. 2018) environment than many business sectors, as OBPM demands increasingly ambitious and innovative responses to tackle outcomes within a fragmented, dynamic and often fiscally constrained governance landscape (Lowe et al. *in press*). In the following section, we explore how complexity manifests in the unique and distinctive context of the public sector, specifically as it relates to its primary purpose: the realisation of public value and the improvement of outcomes.

COMPLEXITY AND THE MANAGEMENT OF PUBLIC SERVICE OUTCOMES

Performance management scholarship in the public sector has in general understood outcomes as being triggered following a causal sequence of inputs, processes and outcomes (Pollitt and Bouckaert 2004; Boyne and Law 2005; Schedler and Proeller 2010). While genuine societal outcomes – often themselves called ‘impacts’ in the results-based management literature – are determined by a far larger array of external factors, this view implicitly holds that it is possible to disaggregate the contribution of intervention effects from external factors for accountability and attribution purposes.



Source: Vandenbroeck et al. (2007).

Figure 8.1 The UK Government Office for Science obesity systems map

A contrasting view can be found in public health, health geography and social epidemiology literatures, which has drawn on complexity theory to reconceptualise outcomes as emergent products of interdependent complex systems (Roux 2007; Curtis and Riva 2010; Finegood 2011; Jayasinghe 2011; Rutter 2011; Fink et al. 2016). In this view, outcomes are determined by interdependent, dynamically interacting factors that cannot be wholly separated into component parts. As an illustrative example, Figure 8.1 presents the findings of a 2007 effort by the UK government's Foresight Programme to model the interconnected and nested sets of factors governing the emergence of obesity, spanning psychological, social, economic and environmental spheres (Vandenbroeck et al. 2007).

The diagram shows obesity as emerging from the dynamic interaction of a constellation of factors spanning multiple nested systems, including individual biological and psychological processes, and broader social and economic determinants. Compared with the standard logic models, this presents a radically different view of performance. Performance is determined not by the effectiveness of internal service processes or models of social intervention, but by how effectively an entity engages as an element within a broader complex system. Despite the visual complexity of the obesity map however, we contend it nevertheless remains a substantial underrepresentation of the complexity presented by outcomes. In the following section we develop this perspective and discuss four key forms of complexity – compositional, experiential, dynamic and governance – which we argue characterise all societal outcomes.

Compositional Complexity

The first dimension of complexity we term compositional complexity, in reference to the complex interrelation of the multiple and diverse parts which collectively determine outcomes. The obesity diagram illustrates vividly the wickedness of outcomes in the traditional sense (Rittel and Webber 1973), since both the mechanics of their formation and the efficacy of potential solutions become highly uncertain. Outcomes can be expected to be impacted by a large variety of external factors, themselves often unpredictable, uncontrollable, high-level and distal to organisational processes.

Compositional complexity relates not just to the multiplicity of causal factors, but also to their interdependency. Complexity theory cautions that constituent elements of complex systems are causally interdependent and mutually reinforcing, and therefore that causal products are emergent and irreducible to individual constituent factors (Byrne and Callaghan 2014; Boulton et al. 2015). Tackling just one factor underpinning any societal outcome is unlikely to be effective, since those factors are likely themselves to be reinforced by other interdependent factors. Social problems in complex systems can therefore be characterised by resilience and intractability. Conversely, small changes to individual factors can have large and disruptive effects when positive feedback loops are triggered, radically and unpredictably altering the overall causal composition. The multiplicity and interdependency of causal factors means that performance is not determined by the efficiency of individual parts, but by how effectively those parts interrelate (Melnik et al. 2014; Braun and Hadwich 2016; Bourne et al. 2018). Importantly for PMM systems, this means that individual actors within a complex system cannot reasonably be singled out and held accountable for the results which the system produces as a whole.

Experiential Complexity

While outcomes are often framed in policy discourse as unified aggregate factors with a universal causal make-up, they differ markedly in how they are experienced by individuals across populations. The conditions which lead individuals into and out of outcome states like obesity, homelessness, or poverty are often highly individualised, and appropriate solutions must therefore be similarly varied. To fully ‘map’ the problem of obesity, we would in reality require a separate systems map for every obese individual in the country. How any outcome is experienced by individuals is similarly varied – ‘well-being’ for instance is a contested concept which is socially determined by those individuals experiencing it. Experiential complexity therefore refers to the scope and variety of experience, needs and strengths which characterise aggregate outcomes, including how they are achieved, valued and prioritised in different people’s lives.

Experiential complexity is closely related to Ashby’s (1956) concept of variety, which refers to the number of possible configurations a given system can assume. In accord with Ashby’s (1956) Law of Requisite Variety, viable systems must be capable of at least matching the variety of demand presented to them by their operating environment. In PMM literature, variety is understood to reduce the applicability of aggregate performance indicators and to complicate information processing within internal organisational functions (Okwir et al. 2018). In the public sector, variety is an even more significant challenge since while private businesses can choose to target specific cohorts of customers, public organisations must appeal to a broad range of the public, often dealing with individuals with urgent, multiple and intersecting needs.

Dynamic Complexity

The obesity diagram is not static, but represents a mere snapshot of system dynamics, much of which will have altered in the years since it was produced. The property of co-evolution, in which systems respond unpredictably to variations in their internal parameters and their external environment, constantly reformulates patterns of causation (Boulton et al. 2015). Outcomes are therefore also subject to dynamic complexity, referring to the dynamism and instability of their causal make-up.

Dynamic complexity can manifest at the macro-level, for instance through socio-cultural trends, economic shocks, policy changes, or technological innovations. The effects of these factors are often uncontrollable, unpredictable, and require services and social interventions to adapt to a new performance landscape. Dynamic complexity also pertains to the level of the individual, where sudden changes in the life circumstance of service users, for instance relationship breakdowns, the loss of employment, or changes in health conditions, can dramatically alter the form and type of service intervention required at a case-by-case level. In either situation dynamic complexity adds a further layer of uncertainty which PMM systems must contend with – the lack of longevity of effective interventions and the relevance of any performance measures adopted.

Governance Complexity

Complex systems are characterised by multiple autonomous self-organising agents with power and influence dispersed across relationships amongst them (Murphy et al. 2016). Outcomes are always transboundary problems, requiring contributions from a range of semi-autonomous actors to tackle effectively. Modern public service landscapes, meanwhile, have become increasingly fragmented and polycentric (Kickert et al. 1997; Christensen and Lægreid 2007), particularly following many years of NPM reforms. Accordingly modern public service landscapes are subject to governance complexity (Kickert et al. 1997; Moynihan et al. 2011a) requiring the mobilisation of resources and knowledges from a range of self-organising and semi-autonomous entities.

In contrast to the other three dimensions of complexity, this is a limitation of the control rather than knowledge needed to navigate complexity. Even if, theoretically, these other dimensions were to be surmounted, any change agent would face an additional barrier in their limited power and influence over others needed to tackle outcomes effectively. Traditional PMM systems were developed largely for intra-organisational control in large organisations, leading PMM theorists to question their utility in an inter-organisational level where control is dispersed or absent (Melnik et al. 2014; Bourne et al. 2018). In addition to the epistemological limitations brought about by compositional, experiential and dynamic complexity, governance complexity therefore brings about the challenge of mobilising the necessary contribution and commitment needed to tackle shared problems across the requisite diversity of autonomous partners (Moynihan 2011).

THE IMPLICATIONS OF COMPLEXITY FOR PERFORMANCE MEASUREMENT AND MANAGEMENT

Building on the complexity sciences and their application within organisational theory and PMM scholarship, Table 8.1 presents a conceptual typology of the complexity of outcomes across the four forms explored in the previous section. This provides a conceptual framing of complexity tailored to the unique and distinctive context of public management. This typology relates each form to a particular characteristic of complex systems, each of which is argued to carry significant implications for PMM system design.

In the traditional OBPM archetype, technical management controls – the formalised, routinised quantitative metrics of PMM systems – are held to drive learning and trigger strategic adaptation based on identified best practices. Our analysis however indicates that technical controls can only generate performance judgements which are incomplete due to compositional complexity, which lack universal relevance due to experiential complexity, and which may be ephemeral due to dynamic complexity. This makes the link between cause and effect highly uncertain, since what ‘worked’ before may not work in the near future, and is unlikely to have worked for everyone. The complexity of outcomes means that what counts as best practice, success or good performance is always context-dependent and that uncertainty is therefore an inevitable element in decision making (Lowe and French 2018). Architects of PMM systems will face substantial ambiguity over which metrics to adopt to monitor performance, and how performance information may be interpreted in retrospect for performance appraisal. The final dimension, governance complexity, is an additional barrier to agents uti-

Table 8.1 Conceptual typology of the complexity of outcomes, and its implications for performance management practice

Condition of complexity	Complexity theory principle	Explanation	Implication for practice
Compositional complexity	Interdependency	Outcomes are determined by independent configurations of multiple factors linked together through feedback loops	Causal uncertainty. Causation cannot be reduced to individual contributions, and 'agents' cannot be held directly accountable for outcomes
Experiential complexity	Variety	Each person has their own experience of an outcome – how it has been achieved, how it is valued, and how it may be improved	Heterogeneity of need. Outcomes cannot be effectively standardised across beneficiaries of services and interventions
Dynamic complexity	Co-evolution	What counts as a desirable outcome, and the causal make-up of those outcomes, is constantly changing	Instability over time. Outcome indicators and targets cannot remain static, and 'best practice' is constantly changing
Governance complexity	Self-organisation	Power and control are dispersed across a range of autonomous partners	Lack of control. PMM systems cannot control all the relevant factors which contribute to any outcome

lising whatever partial knowledge is gained from performance information to possess, design and implement effective social interventions.

The assumption taken from Agency Theory that extrinsic incentives applied within agonistic principal–agent relationships will lead to improved performance is also undermined. Principals cannot access the information they need to design effective PMM control systems, while agents are deprived of the autonomy to adapt their approach based on their particular operating context. A complexity-informed conceptual analysis of outcomes implies that outcome-based accountability is unreasonable and counterproductive to enforce, since it will often be impossible to control external factors, or to adjudicate with any real authority over competing claims to impact. The uncertainty and lack of control agents face is instead likely only to amplify perverse performance incentives, since gaming performance or distorting performance information becomes the only feasible approach to ensuring success and avoiding sanction.

This complexity-informed analysis of OBPM suggests that PMM systems based on principal–agent relationships and technical management controls are significantly limited in their ability to effectively improve outcomes. This contributes an explanatory narrative for the poor empirical record of OBPM described earlier in this chapter, suggesting that OBPM is likely to heighten perverse performance incentives and generate misleading conclusions from around partial, out of date or over-generalised performance information. In this view, the poor performance of outcomes-based approaches in practice does not follow poor implementation or methodological deficiency, but is rather a feature of the PMM paradigm itself.

The complexity of modern business operating environments prompted to pose the question 'Is PMM fit for the future?', and for leading PMM theorists to begin to revisit the theoretical foundations of PMM theory (Beer and Micheli 2018; Bourne et al. 2018). We consider the challenge for public sector organisations is at least as strong – and that the conceptual analysis

of outcomes undertaken here can provide a basis for revisiting, rather than merely confounding, the assumptions of traditional OBPM.

A COMPLEXITY-INFORMED THEORETICAL BASIS FOR OUTCOMES-BASED MANAGEMENT

We have argued that OBPM systems have failed to function effectively because the theoretical basis used to construct and manage PMM relationships – Agency Theory and technical managerial control systems – are undermined by the inherent complexity of outcomes. Complexity theory has attracted enduring interest in public management and policy scholarship (Teisman and Klijn 2008; Eppel and Rhodes 2017), however complexity has in general been positioned as a problem, rather than a solution, to public management practice. We consider that the four forms of complexity provide a constructive foundation from which to theorise an alternative conceptual basis for OBPM which responds explicitly to the view of outcomes as emergent products of complex systems. We describe two key theoretical transitions which may enable PMM systems to respond to complexity: moving from Agency Theory to Stewardship Theory, and from technical performance control to social control.

FROM AGENCY THEORY TO STEWARDSHIP THEORY

Agency Theory has provided a suitable relational basis for constructing accountability and incentivisation systems based on results. Agency Theory, however, provides no organising schema for organising performance management relationships where no central hierarchical authority exists, for instance within inter-organisational partnerships or alliances (Bourne et al. 2018). More fundamentally, agentic autonomy is understood as an organisational cost (Jensen and Meckling 1976), rather than an essential capacity to cope with the varied, rapidly changing and causally complex circumstances brought about by compositional, experiential and dynamic complexities. One promising alternative theoretical basis is Stewardship Theory (Davis et al. 1997; Dicke and Ott 2002; Schillemans 2013). Originating as a critique of Agency Theory, Stewardship Theory presumes that principals and agents share a motivation to achieve an organisation's purpose. Service managers and commissioners are advised not to constrain agency, but instead that 'a steward's autonomy should be deliberately extended to maximise the benefits of a steward, because he or she can be trusted' (Davis, Schoorman, and Donaldson 1997, p. 28).

Compositional, experiential and dynamic complexities make the link between activities and outcomes highly non-linear, context-specific and unstable over time. This demands that organisations be capable of providing flexible or adaptable enough service solutions to the public, often in the absence of direction from formalised and pre-ordained performance metrics (Melnik et al. 2014). Most significantly, this view calls for an extension of autonomy of frontline and public-facing professionals to respond to the presentation of complexity at its source – for instance, between a care giver and care recipient. By trusting that agents are both inclined and equipped to respond effectively to the complexity of their operational contexts, Stewardship Theory legitimises a relaxation of the monitoring and attribution burden by enabling operation through trust in the absence of hierarchical control and formal results-based

accountability. Stewardship Theory would therefore reframe performance management as a dynamic and emergent process accomplished by ongoing learning and revision among those traditionally occupying ‘agent’ roles, in return for a relaxation of the formalised monitoring and accountability burden.

Stewardship Theory may also offer a useful means for navigating governance complexity by helping construct inter-organisational performance management relationships. We have argued that PMM systems based on Agency Theory are also of limited value in informal and multi-agency environments where contractual principal–agent relationships cannot be established. In this view, the purpose of specifying shared outcomes would form the basis for building inter-organisational alliances to respond to key shared challenges. Stewardship may provide a framing for brokering and maintaining key inter-organisational alliances based on shared principles, providing focal points for brokering alliances and undertaking collaborative action.

From the perspective of Stewardship Theory, performance improvement in a complexity-informed context is primarily a function of the intrinsic motivation of stewards to learn, collaborate, and organise activities in a socially responsible manner. As a mechanism for governance however, this can be argued to rely on a naively optimistic view of human nature, particularly since collective stewarding behaviours can be undermined by ‘free riders’ who work instead to shirk work or behave opportunistically. While this may be offset by high levels of public service motivation in the public sector workforce (Perry and Wise 1990), we consider that stewardship is a desired but not assumed propensity in the public sector workforce. In addition, increasing autonomy for those traditionally understood as ‘agents’ can create coordination challenges (Hoverstadt 2010), and measurement difficulties in aggregating information for collective decision making (Cook and Miller 2012). While Stewardship Theory establishes a conceptually appropriate relational structure for complex behaviours therefore, it lacks a suitably robust control system.

FROM TECHNICAL CONTROL THEORY TO SOCIAL CONTROL THEORY

PMM systems have relied on technical management controls, particularly formalised, quantitative outcome data, to drive better managerial decision making. In complex environments however, useful performance information is context-dependent, time-limited and individualised, which diminishes the validity and relevance of long-term, aggregate and unidimensional performance indicators. PMM scholars have suggested that a focus on ‘social controls’ may provide an alternative means of coordination and performance improvement in these situations (Child 1973; Ouchi 1979; Smith and Bititci 2017; Beer and Micheli 2018; Okwir et al. 2018).

Social controls operate through emergent, cultural and behavioural elements of organisational control by appealing to the ‘emotive, affective elements’ of organisational behaviour (Smith and Bititci 2017). The PMM literature describes how social controls amplify, nurture and capitalise on intrinsic motivational drivers through emphasising values and core beliefs (Simons 1994; Alvesson and Kärreman 2004), enacting symbolic behaviours which emphasise these values (Schein 1992; Malmi and Brown 2008) and creating new organisational and inter-organisational norms and routines which can enact a form of peer-based or horizontal

accountability (Ouchi 1979; Simons 1994). For Bititci et al. (2015) social controls are the art rather than the science of performance management.

Value-based controls (Simons 1994) calls for the emphasis of mission, purpose and value as directives for organisational behaviour. Common examples of this in practice include mission statements, statements of purpose and other organisational belief systems which convey values (Simons 1994). The significance of collective values brings to light Moynihan et al.'s (2011b) argument that leaders 'set the table' for effective performance management. Leadership must ensure social controls extend beyond merely codified statements of purpose, and connect with factors which resonate with values and inspire purposeful use of performance information (Moynihan et al. 2011b). Leaders should therefore encourage the creation of a 'developmental culture' which encourages learning and adaptability as a normative good and accepted professional competency (Zammuto and Krakower 1991). The use of social controls within PMM systems is a key aspect of complexity-appropriate PMM practice, encouraging employees to use performance information purposefully for learning and performance improvement (Moynihan et al. 2011b) rather than to satisfy accountability burdens.

Additionally, governance complexity makes it necessary to operate in an inter-organisational environment where performance is collectively determined and formal hierarchical accountability is not possible to enforce. Social controls may be the only feasible mechanism of coordination in many inter-organisational contexts. This challenges leadership to translate organisational goals into factors which resonate with values not just of employees, but of actors beyond the organisational boundary. PMM systems can then facilitate the creation of shared goals which can provide platforms for inter-organisational collaboration, help construct alliances, and enact a form of horizontal accountability by '[inculcating] norms that center on social impact' (Moynihan et al. 2012, p. 478).

A focus on social controls therefore challenges the view of PM as a technical-rational endeavour involving only routinised, aggregated and formalised performance metrics commonly adopted, legitimating a broader view of useful performance information involving qualitative and context-specific insights. This is not to say, however, that technical control elements of PMM systems should be abandoned altogether, however technical performance information be considered in concert with a range of contextual information. Importantly, Smith and Bititci (2017) argue that the effects of PMM systems depend on the interplay between technical and social elements, with technical controls operating in service of social controls.

We contend that the combination of Stewardship Theory and social control theory provide an alternative basis from which to theorise and construct an alternative model of outcome-based performance management which responds to the four forms of complexity described previously. Stewardship Theory provides an alternative basis for the construction of performance management relationships which assumes congruence in the motivation and goals between those traditionally occupying principal and agent roles, including managers and practitioners, or commissioners and delivery bodies. Stewardship Theory advocates enhancing the responsibility and autonomy of stewards to engage with an unpredictable and changeable context and capture the non-routine performance information essential to engaging with complexity. Given that stewardship is a desired but not assumed state for public officials, theories of social control provide mechanisms to inspire, guide and inculcate stewarding behaviours which respond to complexity. By appealing to professional standards, normative codes of behaviour, organisational values or aspirations of better performance, social controls therefore

provide motivated stewards with some role boundary through which appropriate actions can be undertaken, without diminishing their ability to navigate unplanned and emergent contexts.

OUTLINING A COMPLEXITY-APPROPRIATE MODEL OF PERFORMANCE MANAGEMENT

We contend that the combination of Stewardship Theory and social performance control theory allows us to outline the contours of an alternative model of performance management which is conceptually appropriate to the demands of complexity. Table 8.2 shows how this model contrasts starkly with the traditional model of OBPM which developed in the context of NPM in both its conceptual foundations and operational mechanisms.

The two models begin their divergence in their conceptualisation of outcomes. A complexity-informed OBPM adopts the view developed by public health and social determinants scholarship, that outcomes are external, dynamic and emergent systemic properties. Performance in this context is not determined by the internal effectiveness of processes, but by how effectively an organisation can engage with this external complex system. With Stewardship Theory providing a relational basis for PMM and social performance control theory providing a coordinational mechanism, a complexity-appropriate PMM system would offer a very different value proposition to traditional OBPM. Rather than extrinsic incentivisation coupled with objective decision making driving performance improvement, performance is more a function of intrinsic motivation and the capacity of individuals and organisations to learn and adapt autonomously to the complexity of their presenting context.

These two bodies of theory provide the basis for two broad models of OBPM which can be functionally differentiated at three key operational parameters. First, since goal incongruity and fragmentation are critical issues in complex governance situations, a complexity-informed OBPM system retains an important coordinational function. If it is impossible or counterproductive to enforce direct accountability for outcomes, it may still be possible to build collective stewardship for them. Social control theory affords a range of mechanisms, for instance mission building, value-based controls (Simons 1994; Tessier and Otley 2012) norms and horizontal accountability (Ouchi 1979), and symbolic action (Schein 1992). This creates a key role for leadership to inspire, connect and build momentum for change both within and across organisations. Models of leadership such as integrative leadership (Crosby and Bryson 2010), transformative leadership (Moynihan et al. 2011b) and complexity-informed models of leadership (Uhl-Bien et al. 2007), all provide useful theoretical context for operating in this way.

Second, the two models differ in how performance information is used for improvement purposes. Decision making, which is based entirely on routinised, aggregated, formally reported and singularly quantitative performance information lacks the contextual relevance to inform effective decision making in complex environments. A broader view of useful performance information, legitimating the viewpoints of those engaging directly with complexity, is critical to effective practice (Lowe and French 2018; Lowe et al. *in press*). The use of technical performance data remains critical in a complexity-informed archetype of OBPM, however this should be used primarily for learning purposes, not for holding people accountable for movement in indicators. Leaders can help the uptake of performance information for improvement by helping foster a developmental culture, encouraging learning and tolerating responsible failure.

Table 8.2 Two models of outcome-based performance management

	Traditional OBPM	Complexity-informed OBPM
Conception of outcomes	Outcomes are the result of service processes and interventions	Outcomes are emergent properties of complex systems
Theoretical basis	Technical performance control, Agency Theory	Social performance control, Stewardship Theory
Value proposition	Improvement emerges through the extrinsic incentivisation of agents based on results control Performance information provides management with the means to pursue objective decision making	Improvement comes through the intrinsic motivation of stewards to achieve public value Performance information promotes learning based on deep contextual knowledge
Coordination mechanism	Clear and measurable goals, accountability structured around results	Leadership features promoting shared values, norms and symbolic behaviours, developmental organisational cultures
Focus of performance information use	Accountability	Learning
Decision making authority	Top-down/managerial	Bottom-up/practice-based

Third, in traditional OBPM strategic and budgetary decisions are reserved for those occupying ‘principal’ roles – such as funders, commissioners and service managers – who are often detached from the context in which performance information originates. Rather than harnessing performance information to inform centralised and managerial decision making, a complexity-consistent response instead would work to build decision-making autonomy and promote rapid learning and adaptation amongst lower organisational units and others occupying traditional ‘agent’ roles (Bourne et al. 2018). To respond to complexity, this should involve extending autonomy to practice-engaged professionals, where complexity can be understood and tackled most directly. This requires trusting and investing in the expertise and capacity of staff to act responsibly and with substantial autonomy, a role which extends beyond the ‘discretionary’ powers commonly derogated to frontline employees (Lipsky 2010).

Taken together, these parameters set out a very different model of performance management to the traditional OBPM and the methods which currently preoccupy policy discourse. A complexity-informed OBPM model seeks to create the conditions for good performance to emerge through motivating collective stewardship of outcomes and promoting iterative learning based on contextualised performance information. Adopting a complexity-informed OBPM practice constitutes a far more significant institutional challenge for public service organisations since it involves changing deeper-seated cultural norms of risk tolerance, hierarchy and accountability. Nevertheless, having articulated the contours of this approach, it is possible to identify examples of initiatives and organisations which exhibit this model strongly. A particularly clear example, for instance, is the Buurtzorg model of community nursing, a large-scale initiative which has positioned frontline autonomy, systemic integration, and a learning culture as key elements of its successful approach (Monsen and de Blok 2013).

CONCLUSIONS

Building on the view of outcomes as emergent products of complex systems advanced in public health and social epidemiology scholarship, this chapter has undertaken a conceptual

analysis of implications of complexity for PMM systems in the public sector. Its principal contribution to public administration and non-profit research is the development of a new conceptual taxonomy of the complexity inherent to public service outcomes and an exploration of its implications for PMM system reform. We have argued that outcomes present four forms of complexity with which PMM systems must contend:

- Compositional complexity, which results from the interdependence and inter-determinacy of the causal factors from which outcomes emerge.
- Dynamic complexity, which results from the coevolution of interacting factors and the instability inherent to their environment.
- Experiential complexity, which results from variety, both in the multitude of causal pathways to shared outcomes and in how such outcomes are experienced and valued by individuals.
- Governance complexity, which results from the heterogeneity of actors involved in creating social outcomes, and the absence of a single locus of control for those actors, itself increased by the fragmentation of modern public service landscapes.

By making these forms of complexity visible, the conceptual taxonomy enables us to locate the noted deficiencies and paradoxes of OBPM at the conceptual and paradigmatic level, rather than as procedural or methodological shortcomings. The second and more significant theoretical advancement made has been to adopt these four forms of complexity in a constructive capacity towards theorising an alternative model of OBPM which responds meaningfully to the complexity of outcomes. This latter trajectory has been explored in business PMM literature (Bourne et al. 2018; Melnyk et al. 2014; Okwir et al. 2018) but has not yet been substantially explored in the distinctive context of public service.

We develop two particular theoretical literatures which might enable an alternative form of OBPM, and which may assist in theorising new ways of embedding an outcomes-focus. We argue that Stewardship Theory provides a promising alternative conceptual architecture for designing performance incentive systems, allowing PMM systems to capitalise on agentic autonomy and motivate learning. Second, we argue that focusing on social controls in place of technical management controls may help to create the permissive and enabling learning cultures necessary to motivate learning and build a collective sense of responsibility for outcomes.

The chapter delineates between two archetypes of OBPM, although it is granted that PMM systems may exhibit some elements of one (e.g. an extra-organisational focus on stewardship) while rejecting others (e.g. maintaining vertical accountability within organisational functions). We consider, however, that an integrative approach, blending elements of both OBPM archetypes will not be straightforward, since motivation-crowding effects can displace stewardship behaviours and be culturally abrasive to learning cultures (Deci and Ryan 1985). There are also certainly situations where a more traditional approach to PMM is appropriate in simple and even complicated environments – for instance the standardisation of certain clinical procedures for patient safety. However, for reasons elaborated at the beginning of this chapter, where initiatives are focused on genuine societal outcomes we consider that public organisations may find themselves with little choice but to move towards a complexity-informed OBPM archetype.

There are signs of this shift occurring in contemporary public management practice. Organisations like Buurtzorg have undertaken strikingly similar approaches to those advo-

cated here, including promoting the autonomy of self-managing teams to respond to situated needs (Monsen and de Blok 2013). The Scottish government has adopted an outcomes-focus in its performance measurement system which promotes collaboration and learning without enforcing outcomes-based accountability (Mackie 2018). Funders and public sector commissioners have begun to explore complexity-informed approaches to OBPM by refocusing accountability on learning rather than measurable results and by seeking to influence the conditions needed for outcomes to emerge (Davidson et al. 2017; Lowe et al. *in press*).

As noted earlier in this chapter, academic studies adopting complexity theory have provided more insight into the challenges than solutions precipitated by complexity. We consider that by integrating a complexity-based critique of PMM with a critical analysis of outcomes, new constructive research trajectories for PMM and public administration scholarship are revealed. Scholars are prompted to ask very different questions, for instance, how do public organisations recruit and retain employees who exhibit high degrees of intrinsic and pro-social motivation, and how might they be socialised to take on a stewardship role in performance management relationships? Which leadership approaches can best assist PMM systems to inspire learning, collaboration and collective improvement? How can technical performance indicators best work in service of social controls operating in PMM frameworks? The developing theory and practice of complexity-informed management provides a promising context to explore further the mechanics of a complexity-informed public management practice described in this chapter, and the challenges and opportunities this affords in practice.

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PART II

ORGANIZATIONS AND EMPLOYEES: PERFORMANCE MANAGEMENT AND CAPABILITY DEVELOPMENT – THE AGENDA OF THE FUTURE?

Deborah Blackman, Dianne van Meegen, Samantha Johnson and Fiona Buick

In Part I, the focus of the research was on governance and systems aspects of performance management, with arguments suggesting that, for it to be effective, it needs to be seen as part of a bigger whole. This is because the processes that are developed to encourage and shape new behaviour can only be effective when they are part of a wider series of interventions that interact with each other.

Implicit in all the research presented so far is that, irrespective of the level of analysis, changes will only emerge if the individuals within any system or organization behave in new, desired and recognizable ways. A key mechanism for encouraging new and desired behaviours is performance management at the organizational and individual levels. However, it is well documented that undertaking either of these effectively has proved challenging for leaders and managers (Andrews, Boyne and Enticott 2006; Budworth and Mann 2011; Taylor 2015; West and Blackman 2015). It is for this reason that we lead into the next section about organizations and employees, wondering first, if we need to be thinking more about what performance management is *supposed* to do and, second, whether adopting a capability development lens will lead to more effective results.

PERFORMANCE MANAGEMENT AS A STRATEGIC TOOL

Reflecting the ongoing challenges with performance management at multiple levels, there have been ongoing calls for a need to rethink performance management. However, to date these have tended to focus either on ‘ditching’ or refining techniques such as appraisal (see for example: Adler et al. 2016; Kenny 2016; and some discussion by Michael O’Donnell in Chapter 9), rather than reframing or reconceptualizing it. We wonder (similarly to Adler et al. 2016) whether, instead of asking should we be doing performance management at all, or if there is a better process we can adopt, should we be considering different questions if organizational or employee performance management processes are to be more effective?

The majority of performance management is set up as a formal organizational process that is implemented once or twice a year; employees and managers establish goals for the year, check-in mid-year to assess progress against these goals and then formally evaluate performance at the end of the year (or performance cycle). The first issue appears to be that, when performance management is seen to under-deliver, the focus becomes about improving the way that such formal policies and processes are designed and implemented (Blackman, West, O’Flynn, Buick and O’Donnell 2015) rather than considering alternative explanations. West and Blackman (2015) argued that one of the problems is that organizational leaders get too focused on having performance management policies and processes and ensuring compliance with these, rather than asking themselves why they need performance management and what they want it to achieve.

The importance of linking performance management to its goals and context is raised by Helen Dickinson and Janine O’Flynn in Chapter 10. They talk about the need to consider how new ways of delivering public services encourage new ways of working and suggest that these changes should trigger discussions as to what performance management is for in this new context. They argue that by going back to performance fundamentals, and conceptualizing performance management as an integrating function, this could lead to new approaches rather than trying to make old approaches fit the new context. This perspective of performance management as an integrative, core management function leads to questions as to what is the best way to undertake it.

Michael O’Donnell in Chapter 9 develops this theme asking whether reconsidering performance management as a continuous and informal process would lead to better outcomes. Adopting such an approach positions performance management as core business or as habitual work practices (see Blackman, Buick and O’Donnell 2017), ensuring employees know what is required of them and how they are performing, enabling a much better management of both organizational and individual expectations (Blackman, Buick, O’Flynn, O’Donnell and West 2017).

Another issue with performance management is that implementing adequate and appropriate measures of success and achievement at both the organizational and individual levels in the public sector context is difficult. The intent of the work being undertaken is to support significant long-term and difficult-to-measure outcomes. However, the impact of relatively short election cycles and the application of a wide and ever-changing array of standards and measures creates significant traction challenges. Barbara Allen, Evert Lindquist and Elizabeth Eppel in Chapter 11, compare two national initiatives designed to improve public service organizational outcomes, both of which survived across electoral cycles. One of the major differences between the initiatives was whether the frameworks were seen to be future focused

to shape ideas or were trying to establish what had happened. This reflects some of the issues already seen in Part I of this book, relating to the potential impacts of measurement. As a result of these differences, the strategic usefulness of each framework can be seen to be quite different. Reflecting on the research and chapters in this book, it seems that concerns over a lack of strategic focus in performance management are ongoing and that, going forward, for governance and systems initiatives to be effective, they must reflect organizational strategic needs.

Another issue emerging in the chapters in this section is that to be successful performance management needs to reflect the context within which it is situated. This means it is important for it to reflect organizational strategic needs and the national and economic context of the organization. For example Frank Louis Kwaku Ohemeng, in Chapter 12, explains how the lack of consideration of both the context of developing countries and the applicability of some of the suggested approaches to such a context, is one of the reasons performance management has not achieved its potential.

WHAT ARE THE ORGANIZATIONAL CAPABILITY CHALLENGES AT PRESENT?

Another issue raised by West and Blackman (2015) is that the term ‘performance management’ continues to hold negative connotations relating mainly to underperformance, or the counting of outputs. The term inevitably provokes a range of horror stories about the worst performance management experiences that people have endured, encountered or, indeed in some cases, created, without being fully aware of ‘their place in the mess’. Applying this deficit mentality to performance management can be counter to building organizational or employee capability and is, potentially, one of the reasons for its ongoing lack of success cited in so many of the chapters in this book.

At its simplest, to have capability is to be able to do something that will have useful outcomes (Grant 1998). It can be argued that organizational capability emerges when leaders are able to establish structures and processes that shape employee behaviours in ways that create desired outcomes (Andrews, Beynon and McDermott 2016; Ulrich and Lake 1991; Ulrich and Wiersema 1989). Thus, reflecting on the discussions in Part I of this book, it becomes clear that performance management is one way to create organizational capability. This is reflected in Michael O'Donnell's (Chapter 9) argument that leaders need to role model behaviours and teach subordinates how to undertake continuous performance conversations effectively. However, in Chapter 13 André de Waal and Paul Jan Linker explain why capability within the public service has been impeded over time and how some public service organizations have failed to become high performing because of the way that the organization has been set up. They present their research that identifies numerous obstacles to becoming a high performing organization, which are mostly communication and collaboration based, and how performance management can help address these obstacles.

Governments often work well during an immediate crisis as, at such times, there is sufficient impetus to collaborate, communicate, engage in joint problem solving, and remove unnecessary red tape and hierarchical barriers (Boin and Renaud 2013; McMullan and Innis 2020). This demonstrates that there is incredible capability within the public service. This is of current interest as we are writing during the COVID-19 pandemic during which we have seen some impressive examples of agility and collaboration undertaken within and across

governments (see for example: NHS Nightingale hospitals in the UK, Astbury-Ward 2020); the rapid mobilization of public servants across the Australian Public Service to aid the COVID-19 response (see Byrne 2020); delivering support services quickly (Arandia 2020; Communities and Justice 2020); supporting working from home (DW 2020; Jenkins 2020) and supporting the population more generally (Ladner, Katsumasa and Kyuri 2020; United Nations 2020). While we are being told that the world will never be the same again (see for example: Macintyre 2020; Ramirez 2020), and many organizations are keen to reap the benefits of their capability under pressure and avoid a return to the former status quo (Boland, De Smet, Palter and Sanghvi 2020), there are concerns that a focus on ‘snapback’ to what was in place pre COVID-19 (Bergin 2020; Hurst 2020) may create false expectations and prevent real change. We wonder, as per current anecdotal evidence, whether this focus in ‘snapback’ might also occur at the organizational level. The reality is that it is unlikely that there will be any quick return to ‘normal’ but there is a question as to how can governments plan to sustain, and even further develop, innovation and new capabilities?

One argument is that the belief that systematic processes and hierarchical structures are necessary to maintain order and maximize efficiency, continues to hold organizations back from fully embracing the agility needed to build the required capability to fit current and future needs. In fact they encourage the tendency of an organization to return to its original state (Joyce 1982; Schneider and Somers 2006). However, there are examples of where significant gains can be achieved, and capability can be demonstrated, through moving away from these beliefs and rethinking the mechanisms required to achieve desired outcomes. In Chapter 14, Fiona Buick identifies that there is an over-focus by governments on structural and cultural solutions for inter-organizational working. She suggests that a more effective approach to working is to establish a common purpose across organizations and use performance management to align employees to this purpose.

The persistence in focusing on hierarchical structure can also have the effect of limiting the impact that those at lower levels of the hierarchy are able to make on the way an organization achieves its goals. They can be held back from contributing to their full potential if they are not well supported to either learn or contribute effectively. Although senior leaders may agree that one of their core roles is to develop their people, the reality of how that happens is not always clear. Samantha Johnson, in Chapter 15, discusses this very point arguing that although organizational rhetoric stresses that leaders need to be accountable for employee capability development, this is often not what happens. When one sees a skilled and enlightened leader who takes their role as capability builder seriously, they generally hold a very clear view that most individuals, even those currently not performing well, can be supported to find their ‘place to perform well’. They know that people need to be encouraged, and sometimes pushed outside of their comfort zone, to find their place to learn, grow and broaden their capability set; they also need the time and space to apply new skills and knowledge. But the capacity to do that is a skill in itself, and the performance management of individuals is perfunctory and too focused on tasks with little regard to how the role contributes to overall performance of the organization. Helen Dickinson and Janine O’Flynn in Chapter 10, Fiona Buick in Chapter 14 and Michael O’Donnell in Chapter 9, all stress the need for clear individual/organizational alignment, with Michael O’Donnell also identifying how supervisors, managers and leaders all need to know what to do and consistently model desired behaviours.

The need for consistency within, and across, performance management processes is a recurring theme in many of the chapters. Questions about how different roles and skills are

perceived, measured, defined and rewarded are generally subjective and can be impacted by many variables, which, in extreme circumstances, can appear to depend almost on a whim (Hancock, Hioe and Schaninger 2018; Lee 2019; O'Donnell 1998; O'Donnell and O'Brien 2000). The challenge of developing and articulating robust and shared measures of 'strong performance' and/or 'impressive capability' that adequately capture the array of experience, skills, capabilities, attributes and appetite for change and learning that support the achievement of organizational goals, remains a challenge. Work done to use more behaviourally based definitions of strong performance and capability has gone some way to enhancing clearer expressions of expectations, but the ability to develop capability remains a mix of science and art. Rebecca S. Ayers, in Chapter 16, addresses this by showing that progress can be made by improving capability through performance management; without the need to replace whole systems, but by thinking carefully about how to implement what is already there. She discusses the potential for information technology to help create new ways of evaluating performance and improve fairness across large groups of employees in ways that permit greater credibility of the system (Hancock et al. 2018) across government not just organizations.

Such credibility is critical because, if used well, performance management shapes not only the work and skills that are acquired and implemented, but also the adoption of behaviours that create organizational climate and cultures. The importance of 'soft' governance is increasingly understood, including its focus on persuasion, advice, norms and climates (Kocourek, Burger and Birchard 2003). The question is, how do these norms develop and how are they sustained? The last two chapters in this section address aspects of this. In Chapter 17, Edward M. Mone and Manuel London explain how managers can use performance management to create higher levels of engagement. Whilst in Chapter 18, Deborah Blackman, Fiona Buick and Michael O'Donnell demonstrate that performance management can be used to encourage desired behaviours at the individual level and that this can, in turn, lead to cultural change at the group or organizational levels. The research in both of these chapters matters because not only does it show how performance management engenders particular behaviours, but how it can create capacity for change through amending mental models. This brings us back full circle to the idea that, as part of integrated and aligned human resources processes, performance management can, and should, underpin strategic endeavours.

CHAPTER OVERVIEWS

Chapter 9: Prospects for Continuous Performance Conversations in the Australian Public Service, Michael O'Donnell

The widespread adoption of 'government by performance management' represents a form of institutional isomorphism and demonstrates the considerable faith governments have placed in the potential for performance management to improve individual employee productivity and organizational performance. Traditional formal performance management in the public sector begins with the development of performance goals, or indicators, and ends with a review of employee performance by supervisors using a formal performance rating scale. However, recently the continuing efficacy and relevance of annual performance management cycles has been questioned with a focus emerging on having more informal, continuous conversations. This chapter considers the issues related with this development both in terms of its potential

advantages as well as organizational considerations such as senior leadership modelling, time taken, and new skill requirements for all parties. The author suggests that whether public sector supervisors are willing to accept the need for more continuous and informal performance conversations will depend on the willingness of more senior managers to support peer-to-peer learning and to invest their time in coaching and mentoring to enhance supervisors' skills in communicating performance expectations, giving and receiving feedback and in evaluating employee performance in a fairer and more consistent manner.

***Chapter 10: The Changing Nature of Work: Time to Return to Performance Fundamentals?* Helen Dickinson and Janine O'Flynn**

The changing nature of government – its role, how it goes about doing things, and the tools deployed – has led to a changing nature of work and this chapter considers such changes and what it means for how performance should be considered in the public sector. The argument developed through the chapter is that there remain a range of performance challenges in the public sector and that, despite all the attention on performance over the last few decades in particular, there remains a performance puzzle at the core of public sector practice. In addressing the fundamental puzzle and thinking about these challenges, it is argued that the changing nature of work has, and continues to have, the potential to amplify these challenges. In this chapter, the authors present a two-pronged approach. First, a return to some performance fundamentals – thinking about our purpose and using that to calibrate the choice of performance regime. Second, looking more holistically at performance, drawing together the various aspects and actors that contribute to government purpose and outcomes, and think about these in a much more integrated way. Together this can provide a powerful approach to assisting governments in responding to the needs and aspirations of their citizens.

***Chapter 11: Assessing Organization Performance in Public Sector Systems: Lessons from Canada's MAF and New Zealand's PIF*, Barbara Allen, Evert Lindquist and Elizabeth Eppel**

Public sectors at the national and sub-national levels are complex, multi-faceted organizational systems, comprised of a host of departments, a mix of variously more independent agencies, and central agencies to help governments coordinate, control, and monitor them. As a result, there has been considerable interest in instituting performance management frameworks and to monitoring organizational performance. This chapter, building on some of the ideas seen in Part I, focuses on relatively rare and recent efforts to introduce organization-performance systems. The authors present frameworks developed by two governments dedicated to reviewing the performance of departments and agencies in their respective public sectors: Canada's Management Accountability Framework and New Zealand's Performance Improvement Framework. These two systems are chosen as they are surprisingly and intriguingly, different from each other and have survived through electoral cycles. In this chapter, the authors consider the strengths and weaknesses of the different approaches and how each shape, or not, the organizations they are assessing through the choice of ideas and assessments.

Chapter 12: Making Performance Management Work in Developing Countries Through System Integration: The Perspective from Ghana, Frank Louis Kwaku Ohemeng

Reflecting some of the discussions on NPM in Part I, this chapter presents how many developing and transitional economies adopted, institutionalized and implemented performance management. Unfortunately, there have been numerous challenges to these initiatives including: an over-focus on employee performance management, over-reliance on the efficacy of performance appraisal and lack of integration/alignment between employee and organizational performance. In this chapter, the author makes the case that scholars and practitioners should pay significant attention to the development of the organizational performance system and focus on how to use it to improve the performance of public sector organizations. The author explains why performance management is so pervasive in the public sector in developing countries and then uses the case of Ghana to consider how to improve the current approaches. He explains that in most developing countries, and in Ghana in particular, a number of performance management elements have become standalones, while at the same time the relationship between performance management and the organizations' external environment continues to be ignored in its development, institutionalization, and implementation. To address these, the author calls for an effective integration of all elements of performance management into a coherent system.

Chapter 13: The High Performance Government Organization: A Different Approach to Effective Improvement, André de Waal and Paul Jan Linker

In this chapter, the authors present research into how to establish how well government organizations perform and then how to improve that. The base line data shows that governmental organizations worldwide perform between 6+ and 7– on a scale of 1 to 10, which means they are moderate performers. However, the authors argue that this is because employees are hampered in their work by persistent patterns that are characteristic of governmental organizations. Planned improvements fail to develop improved public value. The chapter then presents the potential of becoming an High Performance Government Organization (HPGO) which realizes significantly more public value over a longer period of time than other organizations, and where civil servants continuously improve their work with passion and pleasure, because clear conditions for improvements have been set. The research establishes both the obstacles and potential solutions and then goes on to demonstrate that for improvements to emerge they need to be supported by effective performance management systems. The importance of providing useful organizational and employee performance information is highlighted.

Chapter 14: Performance Management and Common Purpose: Rethinking Solutions to Inter-Organizational Working, Fiona Buick

Although many public sector organizations undertake inter-organizational work to develop effective solutions and achieve high performance, there are ongoing challenges with the actual practice of inter-organizational working. According to the literature, establishing a common purpose helps parties to focus on an agreed endpoint or goal and achieve desired performance yet, to date, precursors to successful inter-organizational working have focused more on either the 'structural solution' or 'cultural solution'. In this chapter, the author presents

findings from an exploratory comparative case study and presents a typology for supporting inter-organizational working, suggesting that a greater focus on common purpose has the potential to increase the likelihood of success. The author argues that a common purpose between organizations will be useful if it is recognized by all parties, and is articulated and embedded in daily practice. She argues that employee performance management can be used to achieve this through clarifying the roles and responsibilities of individuals and organizations involved in inter-organizational working and aligning them to the achievement of common purpose and goals.

Chapter 15: Who is Accountable for Capability Development? Samantha Johnson

Individual capability development is widely accepted as a stepping-stone to organizational high performance and most public sector organizations engage in it. Many commit significant budgets, time and effort into building individual capability and yet, there is little exploration of who should be held to account for its quality and effectiveness. In this chapter, the author presents a brief overview of the way capability development programs are often evaluated and suggests that, while evaluation is important, it falls short of holding someone to account for standards and quality. Research is then presented into middle management capability development undertaken across the Australian public sector that highlights a lack of accountability for individual capability development and suggests that the terms responsibility and accountability are used interchangeably. The author argues that improving accountability for capability development means having clear discussions about who is responsible for building capability and who is accountable for ensuring that capability development actually takes place in ways that result in improved organizational performance. It becomes clear that individual performance management must include accountability for capability development for there to be actual organizational improvement.

Chapter 16: Modern Employee Performance Management in the U.S. Federal Government, Rebecca S. Ayers

In this chapter, the author explores how the way that federal agencies are both managing the modern workforce's performance appraisal process and changing employee perceptions of that process can help to better manage the modern workforce. Although nothing from a legal, regulatory, or policy perspective has substantially changed in the last 25 years for US federal performance management, incremental changes have helped modernize the process and positively increase perceptions of the process for federal employees. The author focuses on two recent, significant changes to the federal performance management process and discusses: first, the use of technology to streamline and enhance the transparency and accountability of the process. The potential of technology to dramatically modernize how performance is measured and human contributions evaluated against organizational objectives is considered. Second, a new government-wide Senior Executive Service performance management system is presented as an exemplar of the impact of standardizing processes for similar employee groups. The benefits of standardization to make improvements to performance management potentially reducing rating inflation are discussed.

Chapter 17: Using Performance Management to Drive Employee Engagement in the Public Sector, Edward M. Mone and Manuel London

Tight resources and the importance of using public funds wisely means the public sector has to control costs and improve performance. At the same time, there is a wish to enhance employee morale and engagement (Lavigna 2013). In this chapter, the authors show how performance management can be a driver of employee engagement in the public sector, offering research-driven approaches to conducting effective performance management. They present research that identifies that performance management is a driver of employee engagement and discuss the challenges performance management and employee engagement face in the public sector and approaches to overcome them. They draw on specific initiatives of the USA and UK governments where performance management has been used to foster employee engagement, highlighting five key components of performance management: goal setting, feedback and recognition, employee learning and development, mid-year and annual appraisal, and a climate of trust and empowerment. The authors suggest that, despite the challenges faced, managers' performance management actions can increase employees' engagement in work, improve their individual performance, and ultimately enhance their agency's overall performance through a climate of employee engagement.

Chapter 18: Designing Performance Management to be an Ethical Tool, Deborah Blackman, Fiona Buick and Michael O'Donnell

The authors of this chapter suggest that performance management can be used to support the creation of an ethical culture, offering it as an exemplar of how performance management can enable the horizontal alignment of different human resources policies and practices, thereby strengthening the possibility of improved organizational behaviours. The creation of an ethical culture is widely espoused as an organizational tool to support the prevention of poor, at best, and corrupt, at worst, practices, but how to achieve it is not well-established. Schwartz's (2013) three elements, or pillars for supporting a successful ethical culture, are used as a model to consider how the lessons learnt from this in terms of developing an ethical culture can be applied to the design and implementation of performance management as an ethical tool. The authors present research to suggest that, if undertaken as a series of well-planned conversations, combined with clear leadership modelling, employee performance management can influence values development. They do not focus on formal performance management processes; instead they focus on the role of managers and leaders in creating a clear understanding of what ethical high performance should look like and designing coherent processes to support that. The authors suggest that by thinking about performance management as a way of creating and managing desired behaviours through the creation of interventions designed to perturb and extend mental models, the integrating role of performance management becomes much clearer.

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9. Prospects for continuous performance conversations in the Australian Public Service

Michael O'Donnell

Over recent decades governments across many developed and developing countries have implemented performance management practices in an effort to align employee work performance to the achievement of government priorities. This widespread adoption of 'government by performance management' represents a form of institutional isomorphism and demonstrates the considerable faith governments have placed in the potential for performance management to improve individual employee productivity and organisational performance (Moynihan and Panday 2005; O'Donnell and Turner 2005; Pollitt 2013; Townley 1997). When working effectively, performance management systems aim '... to ensure that the organization and all of its subsystems (processes, units and employees) are working together in an optimum fashion to achieve the results desired by the organization' (Biron, Farndale and Paauwe 2011, p. 1295). Traditional formal performance management in the public sector begins with the development of performance goals, or indicators, and ends with a review of employee performance by supervisors using a formal performance rating scale.

The continuing efficacy and relevance of annual performance management cycles have been questioned though by many organisations because of their focus on past performance and behaviours and on punishment as much as rewards (Cappelli and Tavis 2016). Supervisors expected to devote considerable personal resources to completing forms and discussing performance with employees often view annual performance management reviews as a waste of their management time and effort. Many supervisors also seek to complete performance discussions with employees as quickly as possible in order to minimise the potential for conflict with employees dissatisfied with their performance rating (Brown, Hyatt and Benson 2010; Blackman, Buick and O'Donnell 2017). In addition, many public sector employees perceive performance management assessments by their supervisor to be inherently subjective and arbitrary (Lee 2019). Employee anxiety regarding a lack of perceived fairness can be compounded where senior management seek to utilise performance management to identify and remove underperforming employees (Blackman et al. 2015). Overall, according to Adler et al. (2016, p. 220): 'More than 90% of managers, employees, and human resource (HR) heads feel that their performance management processes fail to deliver the results they expected, and many view their current processes as ineffective and/or inaccurate...'

High levels of dissatisfaction with traditional performance management practices has also led to a growing trend among private sector employers towards adopting more continuous approaches to performance management. Firms such as Microsoft, IBM and Adobe, and professional service organisations, such as Deloitte, have moved away from formal annual performance evaluations of individual employees. These firms have instead introduced more regular performance 'check-ins' and promoted more continuous and collaborative performance conversations between supervisors and employees. Managers in these firms reported that performance conversations were occurring without the need for performance ratings, or

prompts from the human resources department. These conversations involved both individuals and teams and resulted in enhanced workplace productivity and increased employee job satisfaction when compared to more traditional performance appraisal processes (Cappelli and Tavis 2016).

The successful implementation of more regular performance discussions though requires the active support of supervisors, who play a critical role clarifying performance expectations, providing performance feedback to employees and evaluating employee performance against performance rating systems (Kavanagh, Benson and Brown 2007). Marsden highlights that 'Line managers are the strategic link in the chain translating the abstract objectives of change into the everyday tasks that individual public servants undertake...' (2004, p. 351).

This chapter explores the prospects for implementing a more continuous and informal performance management system within public sector organisations. The chapter considers whether more continuous performance conversations can assist supervisors and employees to develop more specific performance goals that are aligned to organisational objectives. In addition, it explores whether more regular and informal performance discussions can encourage supervisors to provide more candid performance feedback and become more consistent when evaluating employee performance. The chapter begins by exploring the growth of performance management in the Australian Public Service (APS) from the late 1980s.

PERFORMANCE MANAGEMENT IN THE AUSTRALIAN PUBLIC SERVICE

Performance management systems have been widely used across APS agencies from the 1980s. On 30 June 2019, the APS comprised 147,237 employees located across all Australian states and territories, and represented approximately 7.2 percent of all 2,046,700 public sector employees in Australia (ABS 2019). The APS was responsible for national policy and service coordination in policy areas that included health, education and transport, with service delivery largely carried out by State governments. The APS comprised some 18 departments and approximately 80 agencies and statutory authorities (APSC 2019; O'Donnell, O'Brien and Junor 2011).

While APS employees have historically been rewarded for high performance by promotion through an extensive classification system (Caiden 1965), from 1987 members of the senior executive service were expected to negotiate performance agreements outlining their key job responsibilities. In the early 1990s, senior executives and senior middle managers were eligible for performance bonuses following an assessment of their work performance. This system of performance bonuses was extended to all APS employees following the election of the Howard Liberal/National Coalition government in 1996 when largely automatic progression through pay classifications was replaced with annual assessments of employee performance by supervisors against agency-specific performance rating scales. Employees were typically expected to receive a rating of at least three on a five-step scale to be eligible for a pay increment and performance bonus (O'Donnell and O'Brien 2000).

While performance bonuses ended for all APS employees except the senior executive service following the defeat of the Howard government in 2007, annual assessments of employee performance by supervisors was retained to justify annual pay increments (O'Donnell et al. 2011). At the federal level, legislation in the form of the *Public Service Act 1999* and guide-

lines disseminated by the Australian Public Service Commission (APSC) encouraged agency managers to continue to measure the performance of employees against APS values and leadership behaviours (APSC 2018, 2019). The APSC strongly endorsed the achievement of a high-performance culture across APS organisations using performance management systems (APSC 2019, p. 19). The 2018–19 State of the Service Report noted that:

A high-performance culture is a system that promotes and incentivises effective performance and fosters talent. Performance expectations are clear, alongside a focus on performance improvement and prevention of underperformance ... and requires mutual accountability for achieving effective performance. (APSC 2019, p. 17)

Concerns were frequently raised by APS employees from the mid-1990s and into the 2000s that they received minimal performance feedback from supervisors. Many APS employees also perceived evaluations of their performance by supervisors to be subjective and arbitrary (O'Donnell 1998; O'Donnell and O'Brien 2000). Over time, there was growing evidence that more APS supervisors were willing to engage in more regular discussions of performance issues with their staff. By 2017, the APSC's annual State of the Service Report highlighted progress in the Department of Communications and the Arts which had implemented a performance conversations framework that aimed to enhance the capabilities of supervisors and employees to discuss performance problems and employees' future development needs in a timely manner. Overall, this framework was believed to have encouraged more informal conversations to take place in conjunction with the formal process of performance management. This framework was credited with clarifying employee expectations and creating increased alignment between employee performance and organisational priorities (APSC 2017). Despite such positive examples, the 2017 APS employee census highlighted that employee satisfaction with performance management remained low. While some 80 percent of APS employees believed their job roles were clear, in a number of agencies this figure dropped to below 50 percent of employees who agreed they had clearly developed roles and performance expectations (APSC 2017).

By 2019 many APS employees were concerned that their supervisors failed to demonstrate the behaviours associated with a high-performance culture (APSC 2019). While 61 percent of APS employees in 2019 believed 'that the performance expectations of their job were clear and unambiguous', a more modest 48 percent of employees 'agreed that their overall experience of performance management in their agency had been useful for their development'. This was the same percentage as for 2018 (APSC 2019, p. 18). Additionally, some 37 percent of APS employees did not believe that their organisation addressed underperformance 'effectively' and they highlighted the reluctance of many supervisors to 'hold difficult conversations' with staff the supervisor believed were underperforming (APSC 2019, p. 19). APS employees were also concerned that many supervisors were overlooking their career development. Some 62 percent of APS employees agreed with the statement that 'My supervisor discusses my career plans', while just 64 percent agreed that 'My supervisor coaches me as part of my development' (APSC 2019, p. 118). This highlights the reluctance of many APS supervisors to clarify performance expectations and to discuss employees' future developmental needs. To overcome such employee concerns, supervisors can be encouraged to clarify performance expectations and goals with employees.

GOAL-SETTING

An extensive literature emphasises the positive relationship between goal-setting and employee performance (Brown and Benson 2005; Locke and Latham 2002). Proponents of goal-setting encourage supervisors to develop specific and meaningful performance indicators for employees that can be linked to the achievement of organisational objectives (Lee 2019). A central tenet of goal-setting theory is that specific and challenging goals motivate employees to deliver higher levels of performance when compared to vague goals, or merely encouraging employees to ‘do their best’ (Itzchatov and Latham 2020; Locke and Latham 2002). In the APS, employees expressed frustration with performance agreements that contained vague performance criteria and behaviours. For example, employees in the Department of Finance and Administration were dissatisfied with behavioural criteria they perceived to be overly ambiguous and that provided excessive levels of discretion to supervisors when deciding their performance rating. As one Finance employee noted:

Employees are expected to demonstrate these behaviours in all areas of work: Everyone was outwardly gung-ho, with this ‘will to win’, all these leadership behaviours you’re supposed to demonstrate. You know, talking up the Department ... I think the ‘will to win’ got a bit lost in translation. I think a lot of people took that to mean win at all costs. (Interview with Department of Finance and Administration employee, 2001, cited in O’Donnell and Shields 2002, p. 447)

Supervisors are expected to play a central role in ensuring a clear alignment between employee performance and the achievement of organisational priorities (Brown and Heywood 2005). To achieve this alignment, supervisors need to clearly explain the performance criteria and goals developed to assess employee performance. Clarification of performance expectations by supervisors aims to reduce the potential for employees to focus on achieving either too many goals or goals that are not aligned to organisational objectives (Clarke, Harcourt and Flynn 2013; Wenzel, Krause and Vogel 2019). For example, Blackman et al. (2019) found that in high performing areas of APS organisations employees believed their team had clearly articulated performance goals and timeframes and understood the performance standards expected of them:

...high performance in public sector organizations will only develop when employees have a clear understanding about both their role requirements and how their roles align with organizational goals. (p. 186)

Employee acceptance of performance goals in the public sector may be constrained though where organisational objectives lack clarity, or where performance standards are not clearly communicated. Public sector organisations can experience a considerable degree of goal ambiguity as governments seek to accommodate a range of stakeholders with often conflicting interests (Chun and Rainey 2005). Government priorities can also change at short notice and alter the work performance expected of public employees. This lack of clarity can be compounded where supervisors are unable or unwilling to communicate performance expectations, or to explain how performance standards will be used to evaluate employee performance (Longenecker and Nykodym 1996). For example, Blackman et al. (2019) found that in many APS workplaces the performance standards expected of employees were not clearly artic-

ulated by supervisors, or understood by employees, creating uncertainty among employees regarding the performance levels required for a particular performance rating.

Employees may also respond negatively to performance goals being imposed on them by their supervisors with minimal consultation. Marsden and French (1998, p. 23) found that approximately two-thirds of British Inland Revenue employees experienced some pressure to accept performance goals developed by their supervisor with limited employee input. Where there is limited employee participation in goal setting, it is likely to make public sector employees more cautious about accepting 'stretch' goals because of concerns over potential work intensification (Marsden and French 1998). The imposition of performance goals by supervisors may also undermine public employees' willingness to participate in teamwork, or to share information. For example, in the British Inland Revenue pressure to achieve individual work targets discouraged employees from assisting work colleagues who were struggling with their own work tasks and undermined the willingness of many employees to participate in work teams (Marsden and French 1998). On the whole, many public servants in the British Inland Revenue believed that objective-setting discussions with their supervisor ultimately involved accepting increased workloads:

...very many civil servants felt pressured into accepting objectives imposed by management, and thought that in practice everyone had the same objectives: increase quantity. (Marsden and French 1998, p. 11)

To overcome these concerns, the organisational justice literature emphasises that employees should have an opportunity to voice their opinions when performance expectations are being discussed and agreed with supervisors (Linna et al. 2012; Pulakos and O'Leary 2011). The degree to which employees can have some input into setting performance expectations though depends on the willingness of supervisors to accept that employees have a legitimate role to play in these conversations.

PERFORMANCE FEEDBACK

The quality and frequency of performance feedback provided by supervisors is central to a more continuous approach to performance management. Such feedback can be effective in resolving minor performance problems before they escalate into more serious workplace issues (Longenecker and Nykodym 1996). Itzchatov and Latham highlight that: '...feedback provides information on goal progress, that is, whether an individual is engaging in behaviour that will lead to the desired goal' (2020, p. 379). Supervisors often struggle though to deliver effective performance feedback because of competing work demands, poor communication skills, or a desire to avoid conflictual encounters with employees (Lin and Kellough 2019). APS supervisors were also unwilling to engage in more regular and informal discussions with employees to discuss performance problems:

They were good at saying 'Good work, well done', but if they harboured concerns they weren't raised with you. You'd hear about them at the performance interview. They might be brought up in the weeks leading up to the performance round. In the cases where people received negative feedback more often than not I would say it was done towards the latter end of the performance cycle rather than immediately when you could do something about it, lessons could be learned, and people could

move forward. (Interview with Department of Finance and Administration employee, 2001, cited in O'Donnell and Shields 2002, p. 448)

Reluctance by supervisors to providing candid performance feedback carried over into the formal performance appraisal review. Performance reviews in many APS agencies in the late 1990s and 2000s often involved a brief appraisal meeting where few substantive issues regarding any deficiencies with employees' performance would be discussed in detail. Such reluctance reflected supervisors' desire to maintain productive working relationships and team cohesion (O'Donnell 1998; O'Donnell and Shields 2002).

Employees are also more likely to respond defensively to negative feedback that threatens their sense of self-competence (Itzchatov and Latham 2020). Employees may believe that their poor performance results from limited supervisor or co-worker support and resist the opportunity to learn from performance feedback provided by their supervisor (Lee 2019). Adler et al. (2016) highlight that employees often experience attribution errors when receiving performance feedback and that '... we are likely to take credit when we succeed and to avoid blame when we fail but to see others' success and failure in starkly different terms...' (p. 230). Because of the potential for employees to respond defensively to unfavourable performance feedback, Kluger and DeNisi (1996) found that over one-third of performance feedback reviews by managers resulted in reduced levels of employee performance. This highlights the requirement for supervisors to be provided with training and development in the provision of constructive performance feedback in order to minimise the potential for feedback to demotivate public sector employees (Blackman et al. 2019; Lee 2019).

Encouraging supervisors to engage in more regular and less formal performance conversations has the potential to assist supervisors to develop their skills and self-confidence at conducting more candid performance conversations. It can also provide employees with real time information regarding which tasks to continue and which to stop. More regular and timely performance feedback increases the likelihood that employees can avoid unexpected surprises when receiving their formal performance assessment (Brown and Benson 2005; Pulakos and O'Leary 2011). Where feedback from supervisors follows immediately after the completion of a specific work task, or project, improved employee performance is more likely to occur (Cappelli and Tavis 2016; Itzchatov and Latham 2020). More continuous feedback by supervisors also provides employees with increased opportunities to discuss their future developmental needs and may increase employees' trust that developmental opportunities will be provided to them (Blackman et al. 2019; Lee 2019).

The evaluation of employee performance by supervisors against a rating scale represents an ongoing area of controversy in the performance management literature (Adler et al. 2016). The following section considers how public sector supervisors can potentially apply performance ratings more consistently and to take organisational justice considerations into account when assessing employee task performance and behaviours.

PERFORMANCE EVALUATION

Public sector supervisors utilise performance rating systems to evaluate employees' eligibility to receive organisational rewards such as pay increments, bonuses or promotions. A positive performance rating can also increase employee motivation and self-esteem and encourage

them to continue delivering high levels of work performance (Brown and Benson 2005). The application of performance management rating systems though assumes that supervisors have the ability to distinguish between different levels of employee performance in a fair and objective manner. When deciding the rating an employee would receive, supervisors are expected to observe and document employee performance against key job responsibilities and behaviours consistently over the performance management cycle prior to deciding employees should receive a particular rating. In reality, supervisors often lack visibility over employees' daily work performance and are likely to witness employees completing work tasks infrequently. Such partial insights are unlikely to provide supervisors with sufficient information to make informed and accurate assessments that capture the entire range of an employee's task performance (Lin and Kellough 2019). Such assessments may also obscure gender discrimination in the allocation of performance ratings, especially where female employees are being assessed by male supervisors (Rubery 1995).

Supervisors are also likely to provide many employees with a rating in the middle of the rating system and they frequently experience difficulties differentiating between excellent, average or poor performers (Kim and Rubianty 2011; Reinke 2003). This can give rise to central tendency errors where, regardless of their level of work performance, most employees are rated at the mid-point of the rating scale, or higher (Lin and Kellough 2019). For example, Brown et al. (2010) found that on a five-level rating scale in one large Australian public research organisation, 98 percent of employees received a three or better. Employees who have specialist knowledge and skills may also believe that their supervisor lacks the ability to make an accurate evaluation of their contributions (Kavanagh et al. 2007). In addition, the gap between task performance and formal assessment can be sufficiently long that key employee performance achievement are forgotten, or downplayed (Lin and Kellough 2019). Such outcomes are likely to reinforce employee concerns that supervisor-driven performance assessments do not represent an objective assessment of their task performance (Marsden 2007).

Supervisor evaluations of employee performance can therefore give rise to intentional and unintentional errors hidden behind a mask of objectivity (Kim 2016). Common supervisor errors include halo, first impression and similarity errors (Brown and Heywood 2005). Halo errors occur where the completion of one task to a high level results in the supervisor assuming that the employee can complete all work tasks to this level. Additionally, first impression errors occur where a supervisor forms an initial impression of the employee that influences all subsequent performance judgements they make. Similarity errors can occur where supervisors exhibit a positive bias towards individuals who come from a similar gender or racial group to themselves. Poorly defined performance standards may increase the likelihood for supervisors to make halo, first impression and similarity errors (Lin and Kellough 2019).

Leniency represents another common supervisor error when assessing employee performance. Leniency errors occur where supervisors provide employees with inflated performance rating scores to maintain ongoing working relationships (Brown et al. 2010). Supervisors may also decide to rotate high performance assessments among employees to minimise the potential conflicts within the work group (Lin and Kellough 2019). Inflated ratings are common where the performance rating is linked to a pay bonus, promotion decision, or access to development opportunities. According to Lin and Kellough: '... supervisors often lack the energy, commitment, or motivation to assign low scores, even where they are justified' (2019, p. 185).

Because of concerns over the accuracy of supervisor evaluation, senior public sector managers may impose quotas on the number of high performance ratings awarded by supervisors.

This process of standardisation, or moderation, of performance ratings is likely to reinforce employee concerns regarding arbitrary evaluations of their work performance (Brown and Benson 2003; Kim and Rubianty 2011; O'Donnell 1998). For example, employee support for performance management systems in four large British government departments was undermined when employees perceived that senior management manipulated performance ratings to reduce labour costs. Such perceptions also increased employees' levels of apathy and cynicism, with many British public service employees believing that they have limited scope to receive a high performance rating where moderation occurred (Marsden 2007, p. 1274). In Australia, Blackman et al. (2019) found widespread suspicions among APS staff that a system of moderation by more senior managers was in place that undermined their motivation to achieve the highest performance ratings. They believed that there was little point in trying to deliver high performance if their efforts were unlikely to be acknowledged, or rewarded, by more senior management.

Despite wide-ranging criticisms of performance evaluation systems, some formal process for assessing individual employee performance is likely to remain in place to determine public employees' eligibility for pay increments and promotion (Pulakos and O'Leary 2011). A more informal approach to performance management though may still be possible that seeks to minimise the complexity of the formal system of performance management. This may facilitate opportunities for increased communications between line managers and employees regarding strategic level demands and pressures, alongside discussion of team and individual performance expectations and behaviours. Therefore, it may be possible to design a system that provides a 'simple formal appraisal systems rather than burdensome ones that often come with high costs and can [often] collapse from their own weight' (Pulakos and O'Leary 2011, p. 161).

TRUST AND FAIRNESS

The damage to employee morale caused by moderation processes highlights the importance of employee perceptions that their performance will be evaluated fairly by their supervisor (Reinke 2003).

... legitimacy is defined in terms of whether employees believe the process adequately evaluates individual performance and rewards good performance. (Reinke 2003, p. 24)

Employee assessments of fairness includes considerations of distributive, procedural and interactional justice. Distributive justice emphasises employees' perceptions of whether resources such as pay bonuses or promotions will be fairly distributed. Procedural justice considerations involve employee perceptions that employment decision-making processes will be followed fairly and consistently (Clarke et al. 2013; Harrington and Lee 2015). Procedural fairness involves providing employees with opportunities to participate in the design of performance criteria (Kim and Rubianty 2011, p. 343). While there are close connections between the two forms of justice, procedural justice perceptions can have a stronger influence on employees' overall perceptions of fairness and have a more significant impact on their willingness to demonstrate citizenship behaviours (O'Donnell and Shields 2002). For example, Brown et al. (2010) found that in a large Australian public sector research organisation employee per-

ceptions of performance management fairness were enhanced when they participated in the performance management process and believed that their supervisors applied performance standards accurately and consistently.

Interactional justice involves employees' perceptions of how willingly their supervisor interacted with them during the performance evaluation process. It also highlights the extent to which employees perceive that they are treated ethically by their supervisor during performance conversations which is critical to their acceptance of performance management (Harrington and Lee 2015). According to Reinke:

Leadership and trust coexist in a self-feeding cycle that moves either toward ever-deeper levels of trust or the complete breakdown of trust. The cycle is fuelled by the participant's perceptions of the behaviour of others in the relationship. (2003, p. 35)

Where employees are confident that their supervisor will treat them ethically and respectfully during performance management discussions, they are more likely to reciprocate by delivering organisationally desired task performance (Clarke et al. 2013). This includes an increased likelihood to demonstrate cooperative and altruistic behaviours such as information sharing (Cho and Poister 2013).

Working as a lubricant of organizational functioning, trust increases voluntary compliance, altruistic behaviours, and individual and organizational performance. (Cho and Poister 2013, p. 181)

All three elements of organisational justice involve subjective assessments by employees of their likely treatment by their supervisor before they agree to participate in performance management (Harrington and Lee 2015). Such assessments highlight the critical importance of supervisors taking employee perceptions into account at all stages of the performance management process, in particular when discussing performance goals, when providing feedback on employee task performance and behaviours and when evaluating employees against the organisation's performance rating system.

CONCLUSION

Acceptance by supervisors of the need for more continuous and informal performance conversations with employees requires senior managers to support and model workplace behaviours that reinforce the value they place on this approach to performance management. Many supervisors are likely to remain sceptical of the value of investing their time and effort in more frequent performance discussions and may prefer to err on the side of leniency when evaluating employee performance. The behaviours that support more continuous performance conversations are unlikely to emerge therefore unless supervisors have some awareness of what they look like, highlighting the importance of more senior managers modelling these work behaviours themselves (Blackman et al. 2019). To overcome supervisors' inertia, senior managers can also demonstrate their support for this human resource practice by investing additional resources in training and development to enhance supervisors' skills and competencies to conduct more regular performance discussions with employees.

However, many supervisors have limited time to participate in formal workplace training and often struggle to put new knowledge gained at formal training workshops into practice

because of ongoing workplace pressures and deadlines (Johnson et al. 2018). These limitations highlight that supervisor development via peer-to-peer learning and coaching and mentoring by more senior managers may be more appropriate for disseminating the potential of more continuous performance conversations. As well as being more cost effective, there is some evidence that peer-to-peer learning and coaching by senior managers can be effective. In high performing areas of APS agencies, Blackman et al. (2019) found that managers and employees were willing to utilise peer-to-peer coaching and mentoring by more senior managers to successfully develop their managerial skills, including in performance management.

Supervisors also play a critical role in ensuring that employees understand their key job responsibilities and how they align with organisational objectives (Kim 2016). More frequent discussions of organisational priorities may encourage increased employee participation in goal-setting that emphasises joint problem-solving. Where employees believe that they have a legitimate voice in these discussions, it can enhance their perceptions that they are being treated fairly and increase their levels of trust in the performance management process (Brown and Benson 2005).

One aim of more continuous performance conversations is to increase the frequency of interactions between supervisors and employees. Supervisors may be reluctant, or unable, though to develop the communication skills required for successful performance conversations (Brown et al. 2010, Lin and Kellough 2019). To enhance their skills, supervisors will need to practice giving and receiving more candid and detailed performance feedback which can also be facilitated by peer-to-peer learning and coaching by more senior managers. More regular conversations has the potential to assist supervisors to avoid the prospect of minor performance issues becoming major workplace problems. More frequent conversations may also increase the willingness for employees to highlight performance criteria that are beyond their control (Brown et al. 2010).

Additionally, peer-to-peer learning and coaching and mentoring by more senior managers can assist supervisors to minimise common biases when undertaking performance evaluations, such as similarity, central tendency or leniency errors, and encourage supervisors to evaluate employee performance more consistently (Lin and Kellough 2019). The willingness of supervisors to review their biases prior to evaluating employee performance is also critical to efforts to enhance employee trust in the performance management process (Blackman et al. 2019). This could involve providing supervisors with frame of reference training to develop a common understanding of how to interpret employee performance against the organisation's rating system (Adler et al. 2016). Such development can also encourage supervisors to take procedural, distributive and interactional justice considerations into account when engaging in performance management conversations with employees.

Whether public sector supervisors are willing to accept the need for more continuous and informal performance conversations depends on the willingness of more senior managers to support peer-to-peer learning and to invest their time in coaching and mentoring. Such cost-effective investments in learning and development have the potential to enhance supervisors' skills in communicating performance expectations, giving and receiving feedback and in evaluating employee performance in a fairer and more consistent manner. More continuous performance conversations represents a growing trend in both the public and private sectors that has the potential to enhance employee motivation and job satisfaction and to overcome a number of the deep-seated problems many organisations face when adopting more traditional approaches to performance management.

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10. The changing nature of work: time to return to performance fundamentals?

Helen Dickinson and Janine O'Flynn

The topic of performance is central to the theory and practice of public administration and management, and there has long been attention to what we might term the *performance puzzle*. This puzzle has mainly centred on how to improve performance in the public sector, from the level of individual employees, all the way through to organisations, programs, and systems. However, to date, the large-scale programs of reform that have sought to enhance public sector performance have not solved the fundamental puzzle. Quite the contrary, the changing nature of government – its role, how it goes about doing things, and the tools deployed – has had profound effects for performance. For example, if government now relies much more on external providers to deliver services, how do we better incorporate the performance of other parties into how we measure and manage performance? And, if we become more reliant on technology to carry out roles formerly done by public servants, what does this mean for measurement and management? Exploring what the changing nature of work means, and the challenges it poses for how we conceive of performance in the public sector, is an important part of the performance management story.

As the nature of work has changed, there has been much said about how we need to think about performance, and performance measurement and management, in different ways. We diverge from this path, making the case that rather than developing new ways of thinking, we can draw much from a return to performance fundamentals. In this chapter we examine the changing nature of the role, operation and tools of government, and then explore issues arising from this in five main parts. The first part focuses on measuring and managing performance and points to the ongoing performance puzzle that governments confront. The second part examines the changing role of government, focusing in on what governments do and how they organise to achieve these goals. We map out what are considered the three main phases of reform and change – traditional public administration, new public management, and new public governance – noting that whilst these may be useful markers, most systems are more complex, layered and hybrid.

The third part of the chapter focuses more on how government goes about getting things done, with a discussion on the changing nature of work accompanying these transitions. A more diverse, diversified, and insecure workforce has emerged, with changing expectations around the nature of work and careers. In the fourth part of the chapter we explore the changing tools of work, in particular through looking at the rise of new technologies that have transformed and continue to change relationships, resources and processes. Then, in the fifth part, we focus on the changing nature of performance and implications for practice. In this section we sketch out a model for thinking about performance fundamentals and make the case that the current way we think about performance in the public sector is flawed. We go on to make some recommendations for practice, which account for the changing nature of work. Finally, we draw some conclusions from the preceding discussion.

The main argument developed in this chapter is that the changing nature of work is having a profound affect across many areas of government and, because performance management is often poorly done in the public sector, our current challenges will intensify. We make the case that to do performance measurement and management well, we need to, on the one hand go back to some of the fundamentals of performance, and on the other, embrace more holistic approaches. Together, mastering old and new practices will help us to devise performance management approaches that can fit to current and future needs.

MEASURING PERFORMANCE

Despite the growing obsession with performance measurement, what we mean by *performance* is not always clear. This is problematic, we argue, in an environment where government is increasingly reliant on the actions of many actors to deliver on its goals. The proliferation of attention to performance, including measurement and management, has resulted in a situation where:

there seems to be no consensus on the meaning of the term ‘performance’. In the name of measuring the ‘performance’ of an agency, there has been a proliferation of approaches, methods and methodologies. (Trivedi 2018, p. 15)

Performance, therefore, has become many things; observed, measured and managed at various levels across complex public sector systems. We argue, however, that this proliferation has created a major gap in the practice of performance, with a drift away from important performance fundamentals and little focus on developing more holistic approaches to account for these changes.

As various reforms have become embedded in public sector practice, attention to performance measurement has increased exponentially. But more performance measurement has not necessarily resulted in better management of performance, nor has it necessarily led to improved outcomes. All this effort on ‘performance’, then, may not have really delivered on its promise. Indeed, it has been argued that the movement towards more managerial approaches in government has created a range of negative effects:

In mortal fear of not meeting holy numbers, managers run around reorganizing constantly, engendering more confusion than clarification ... our obsession with [New Public] Management belies a good deal of reality out there. Consequently, it distorts serious activities. (Mintzberg 1996, p. 82)

As Mintzberg argued, the purpose of measurement is often not clear and can distract us from more important work. In many settings the connections between measurement and management, especially decision-making and resource allocation, have become fuzzy. It is important to note, as Trivedi (2018) reminds us, that performance *measurement* is not performance *management*, and that when we fail to make this connection the value of measurement is low.

As the saying goes, ‘What gets measured get managed.’ But this aphorism is not necessarily true. A performance measurement system with no (or random) consequences is not only a non-starter as a performance management system but also a waste of time and money. Unfortunately, governments continue to believe that *performance measurement* is the same as *performance management*. Consequently, they treat performance measurement as an end in and of itself and they are repeatedly

disappointed when performance measurement does not have the desired impact. Performance measurement is merely the starting point for performance management. (Trivedi 2018, p. 37, emphasis added)

As mentioned at the outset of this chapter, what is meant by ‘performance’ is rarely clear, so here we set out a range of terms that form part of the broader discussion of performance in the public sector. For the purposes of this chapter, we define *performance* as either a behavioural episode whereby an individual helps an organisation to pursue its goals, or the activity an organisation undertakes in pursuit of purpose (March and Sutton 1997; Motowidlo, Borman and Schmit 1997). In other words, the most basic characteristic of performance is that it is about actually *doing* something, not measuring something. *Performance measures* are tools for assessing these activities against stated goals or purpose. One of the main aims of measuring is to determine *results*, which are the states or conditions changed by the activity undertaken or the behavioural episode. These results can either contribute to, or detract from, goal accomplishment (Motowidlo et al. 1997). *Performance management* is the use of strategies and activities that seek to improve performance; performance measurement helps in this if the information collected is used to inform these strategies (Management Advisory Committee 2001). And finally, the notion of *high performance* which has received considerable attention in recent years, focuses on continually improving outcomes, usually in conjunction with lower costs or resources (Popovitch 1998; Price, Moros and Elliotte 2011).

Part of getting performance measurement right is understanding some fundamentals, including: why we are measuring; how to measure; what we are measuring; and whether we need to adapt as the nature of work changes. Effective measurement rests on recognising three fundamental principles: leaders can use performance measures to achieve very different purposes; purposes need to be carefully chosen and explicitly stated; and measures should only be chosen once the previous two conditions are fulfilled (Behn 2003). In practice, these principles are often broken; performance measurement, not management, becomes the end game, creating a range of problems. Effective performance management rests on fit-for-purpose performance measurement regimes, designed to capture information that can inform decision-making around distinct managerial questions. Keeping these fundamentals in mind is always important. However, as the nature of work changes, public managers will confront new questions, and thus may need to consider different measurement regimes. As more work is done by others, as we invest in new technologies, or as careers are fundamentally restructured, how we think about performance, and therefore, how to measure it, may need to be reconsidered. To help us develop these ideas we need some guidance about both the purpose of measurement, and the optimal approach. From our perspective this requires a renewed focus on the fundamentals first rather than assuming we need entirely new performance approaches. A return to performance fundamentals lets us examine current practice and can help us to better design future approaches to measuring and managing performance.

In his work on performance, Behn (2003) staked out eight basic purposes that public sector managers have for measuring performance. Each of these pushes us towards the use of different types of measures and standards. Together we might think of these three ingredients – purposes, measures and standards – as fundamentals in the design of performance measurement regimes. Table 10.1 sets out the different purposes of measures and the different managerial questions being addressed. It connects these purposes (e.g. evaluate, control etc.) to different

types of measures (e.g. outcomes, inputs etc.) and then to distinctive standards (e.g. desired result, behavioural input) to measure against.

As Table 10.1 demonstrates, the types of measures adopted need to be carefully chosen so they can provide the information needed to address important questions faced by public managers. For example, if we want to answer the question of how well the organisation is performing, then we need to look at different measures than if we want to know the answer to the question of how we ensure subordinates are doing the right thing. These fundamentals of performance regime design help us to take a step back from the current practice of performance measurement and ask important questions about our intentions. As Behn (2003) reminded us nearly two decades ago, the fundamental principles of good performance measurement are mostly broken in public sector practice. This tells us that, in practice, our performance regimes may not be delivering on their promise, making effective performance management more of an ideal. Thus, a return to fundamentals in an era when the nature of work is changing across so many dimensions is important. We also need to be conscious that as the nature of work changes our primary purpose of measuring may also shift.

In practice, governments tend to operate multiple performance systems and regimes without attention to how to integrate them. This is because they rely on a broad range of actors contributing to the various purposes and outcomes they care about (Alford and O'Flynn 2012). Focusing just on the performance of individuals within public sector organisations, or the performance of public sector organisations, misses a large array of others that are part of public sector performance. For instance, we measure and manage the performance of those organisations delivering services on behalf of government, but we rarely think of this when we focus on public sector performance.

Across the world, governments deal with common problems related to the performance puzzle and its associated challenges. Critical problems include (Trivedi 2018, pp. 37–38):

1. Fragmentation of institutional responsibility for performance management which creates a fuzziness of goals and objectives within government;
2. Fragmented responsibility for implementation which dilutes responsibility;
3. Selective coverage of activities with a time lag in reporting which are out-of-sync with what confronts managers and leaders on a day-to-day basis;
4. Conceptual flaws underpinning performance systems, including a lack of: (i) incentive systems, (ii) priorities related to objectives and performance indicators, (iii) agreement on how to measure deviation from targets, and (iv) comprehensive evaluation of organisational performance.

These challenges also result in common mistakes in practice (Trivedi 2018). For example, public sector performance systems, individual or organisational, focus excessively on what has gone before rather than looking forward. Such approaches tend to have negligible impact on behaviours and are viewed negatively by those subjected to them. They remain popular, however, because it is easier to get *ex post* agreement of evaluation rather than *ex ante* agreement on goals. It is also the case that most performance measurement is partial. Thus, the attention tends towards a focus narrowly on tasks or projects, not how these different activities together affect the performance on an organisation or system. It is also the case that most performance measurement exercises ignore performance *management*, with little regard to how to connect individuals and teams to organisational goals and with limited consequences, positive or negative, flowing through systems and organisations (see Blackman et al. 2013,

Table 10.1 Purposes, measures and standards – different performance regimes

	Purpose	Measure	Standard
<i>Managerial question being addressed</i>	<i>What is the manager's question that the performance measure can help to answer?</i>	<i>What does the performance measure need to do to help managers achieve the purpose?</i>	<i>What are the standards with which the performance can be compared?</i>
Purpose of the Measure			
Evaluate	How well is the organisation performing?	Outcomes, combined with inputs to capture effects of exogenous factors	A desired result with which to compare data and judge performance
Control	How can I ensure that subordinates are doing the right thing?	Inputs that can be regulated	A behavioural/input standard against which to gauge individual or collective deviance
Budget	On what should we spend money?	Efficiency measures	A notion of what is good, acceptable, or poor level of efficiency
Motivate	How can I motivate staff, managers, other organisations, citizens to do the necessary things to improve performance?	Almost real-time outputs to compare with production targets; useable feedback to modify behaviours	A sense of fair and reasonable targets
Promote	How do I convince political masters, legislators, stakeholders, media, citizens that our organisation is doing a good job?	Easily understood aspects of performance that citizens really care about	A sense of what citizens care about
Celebrate	What accomplishments are worthy of the ritual of celebrating success?	Periodic and significant targets that, when achieved, provide a sense of personal and collective accomplishment	A sense of what achievements employees and partners value
Learn	What is working or not working?	Disaggregated data that can reveal deviances from the expected	Need to be able to detect unexpected developments and anticipate a wide array of behaviours
Improve	What exactly should we do differently to improve performance?	Inside-the-black-box relationships that connect changes in operations to changes in outputs or outcomes	An understanding of how actions affect the inside-the-black-box behaviour of the people/partners who contribute to outputs and/or outcomes

Source: Developed from Behn (2003).

for an exception). We do not think holistically about performance in the public sector. A final challenge is that few systems prioritise specific criteria and too many systems rest on specific leaders to champion performance efforts, leaving them prone to decline over time.

The preceding discussion has made three key points. First, whilst performance measurement is important, it is not as important as management. Second, we need to return to fundamental principles of performance so we can better design performance regimes. Third, we should consider whether we need to adapt performance systems and regimes to account for the major changes that are taking place. In the following sections we point to the changing role of government, the changing nature of work, and the changing tools deployed by government.

CHANGING ROLE OF GOVERNMENT

In exploring the changing nature of work in government it is important we consider what it is that governments do and how they operate in achieving this. The public management literature has carefully documented some significant changes in relation to the changing nature of government over the last forty years. This typically comprises a rather simplified view, describing a movement through three phases (Dickinson and Carey 2016). These are set out here along with a warning that not all governments or parts of public services have necessarily progressed along this path in the same sort of trajectory.

Many advanced liberal democracies witnessed a significant expansion of formalised welfare state services in the years following the Second World War (Alford and O'Flynn 2012). This is typically described as the era of 'big government' as remits expanded and governments were largely responsible for the design and delivery of programs and services (Timmins 2001). These organisations typically operated as formalised hierarchies with clear delineations in terms of internal power and accountability structures. Such organisations are often described as managing through traditional systems of administration. Power typically resides at the top of these organisations and tasks are delegated downwards towards professionals. Such structures were often perceived to be dominated by tight-knit networks that were difficult to penetrate and served only the interests of a few (Dickinson 2014). Notions of performance were wedded to following rules and processes (O'Flynn 2007).

As governments grew, they came under some criticism from some for being too large and unwieldy, inefficient and inflexible. Influenced by the philosophy of New Public Management, the solution was to make government more 'business-like'. This involved harnessing market forces to drive improvements through the system. Rather than governments being responsible for designing and delivering services, we started to see a pattern of governments designing programs and services and third-party contractors (private or not-for-profit) being engaged to deliver these services. This process has been described by some as reducing the discretion and influence of public service professionals and having led to the 'hollowing out' of their role (Skelcher 2000). The focus of performance moved towards targets and results, away from rules and processes, driving an obsession with measurement (Mintzberg 1996; O'Flynn 2007).

One of the primary implications of the introduction of market forces was that this created an even more complex process of interactions between a range of partners and these often had a great deal of autonomy from the State. Rhodes (1996) described this as a process of governing 'without government'. Networks and network management started to gather increased attention as these were seen as a way of overcoming 'the limitations of anarchic market exchange and top-down planning in an increasingly complex and global world' (Jessop 2003, pp. 101–102). The final shift typically equates networked forms of governance with what Osborne (2006) refers to as New Public Governance. This approach to management and organisation of government has a strong focus on collaboration and particularly the horizontal ties between individuals and agencies. Notions of performance shifted alongside this, with more multi-dimensional approaches emerging such as satisfaction, trust and legitimacy (O'Flynn 2007). Table 10.2 summarises these broad shifts and associated implications for ways of working.

To precis the key points, the literature suggests we have seen a transformation of the state in terms of the ways in which it governs society; away from a strongly centralised executive and a controlling unified state to a fragmented and decentralised entity (Rhodes 2007). Today

Table 10.2 Paradigms of public administration and management and ways of working

Paradigm/key elements	Theoretical roots	Nature of the State	Focus	Emphasis	Relationship to external (non-public) organisational partners	Governance mechanism	Value base
<i>Traditional Public Administration</i>	Political Science and Public Policy	Unitary	How policy is made	Policy implementation	Potential elements of the policy system	Hierarchy	Public sector ethos
<i>New Public Management</i>	Economics (particularly rational/public choice theory) and management studies	Disaggregated	Intra-organisational management	Services inputs and outputs	Independent contractors in the marketplace	Market through traditional contracts	Competition in market context
<i>New Public Governance</i>	Organisational sociology and network theory	Plural and pluralist	Inter-organisational governance	Service processes and outcomes	Preferred suppliers and interdependent agents within ongoing relationships	Trust or relational contracts	Neo-corporatist

Source: After Osborne (2006, p. 383).

it is argued that governance largely operates through networks, rather than through markets or hierarchy. “The state, it is argued, can no longer assume a monopoly of expertise or resources necessary to govern, and must look to a plurality or interdependent institutions drawn from the public, private and voluntary sectors” (Newman 2004, p. 71).

However, real life is rarely as straightforward as this narrative might suggest. Jessop (2004: p. 66) explains “whilst the state may have become less hierarchical and less centralised, that trend does not necessarily exclude a continuing and central political role for nation states.” Indeed, Marinetto (2003, p. 606) argues “these characteristics of modern government should not be equated with the permanent paralysis of the state. Although government has been subject to restructuring, these reforms have tended to reinforce the ability of the central core to exert control.” It is not that governments today necessarily have less control, but the levers of control may be different. Pierre and Peters (2000), for example, make a case for the use of fewer ‘hard’ levers of power and an expanded use of ‘softer’ alternatives. These are more indirect instruments of control, but arguably they are just as effective in contemporary society (see, for example, debates over notions of the role of governments in ‘nudging’ citizens into action: Thaler and Sunstein 2008).

Dickinson (2016) describes this situation as being akin to a palimpsest of governance. Originating in ancient Roman times, a palimpsest is a page that has text scraped or washed off so that it can be used for another document. In employing such an approach, the majority of text might be removed, but it is often possible to still view aspects of the previous content. Within the discipline of geography, this analogy has been used to understand landscapes. In a region where the landforms that make up the landscape are not of the same age, each successive episode of landscape change is considered to be a different ‘layer’, which is laid like a blanket across the surface of the landscape (Bailey 2007). This analogy is used to show that successive landscape-changing episodes may have different manifestations in time and space and can also create unequal signatures – that is, some landscapes are very sensitive to external forces, while others have changed very little over significant periods. If we extend this analogy to governance reform and public services, we find similar patterns. In some policy areas the reforms associated with public administration have stuck more firmly, while others have been more significantly impacted by NPM or NPG-type reforms. The result of this are governance landscapes that bear the markers of these successive reform efforts, presenting as different forms of hybrid arrangements that involve “combinations of modes of governance that are temporally and contextually unique” (Skelcher, Sullivan and Jeffares 2013, p. 2). In line with Dickinson’s (2016) discussion of the palimpsest of governance, we think about performance in a similar way. It is fair to say that in current practice there exist multiple approaches operating simultaneously, often in conflict with the goals of one another. In terms of performance as discussed above, we have seen a drift away from fundamental principles, fragmentation, fuzziness and a failure to take a more holistic view of public sector performance.

CHANGING NATURE OF WORK

In the previous section we sought to provide an overview of the ways that we have seen a shift in terms of what governments do. In doing so we made the case that governments have moved from being predominantly in the business of designing and delivering services to one where they are increasingly involved in stewarding a variety of relationships with a range of different

partners. These movements of course have implications in terms of what public servants do, how they undertake these activities, and how performance is assessed. A range of authors have sought to consider the types of skills and competencies that are required of the ‘twenty-first century public servant’ (e.g. Van der Wal 2017; Dickinson, Needham, Mangan and Sullivan 2019). However, as we argued in the introduction, what makes this time so interesting is that not only are we seeing changes in what governments do, but significant changes are also being felt in terms of the nature of work more generally. In this section we outline the various forces that are individually and cumulatively changing the nature of work.

Those working in the public management space are keenly aware of the demographic challenges that many of our societies are currently facing. It is well established that most advanced liberal democracies face a situation where their populations are rapidly ageing and birth rates are declining. Japan is the country that exemplifies this trend most significantly at present with its low birth rate and high life expectancy. Arai et al. (2015) describe Japan as a ‘super-aged’ country where the percentage of those aged over 65 reached 25 percent in 2013, is expected to exceed 30 percent in 2025 and reach nearly 40 percent by 2060. Those over 75 accounted for 12 percent of the population in 2013 and is expected to reach 27 percent by 2060. Although Japan is experiencing these issues more extremely than other countries, many are moving along a similar trajectory. The challenge these demographics pose is that proportionally there are significantly fewer working age people to support both the young and the old.

In many countries we have seen changes to formal retirement ages made in order to extend the working lives of individuals (Vogel, Ludwig and Borsch-Supan 2017). Further, many individuals are making the decision to work beyond retirement age. For some this decision will be taken to keep engaged and give activities to stay involved in, while for others this will be out of financial necessity (Di Gessa, Corna, Price and Glaser 2018). Regardless of the driver for this decision it is a truism to say the majority of us will work longer over time. Longer careers have, to some extent, been facilitated for some given an economic shift away from manual work and towards service and knowledge-intensive roles (Carrillo 2015). As work becomes less physically and more mentally demanding it is possible for individuals in such roles to continue to work longer than it might have been possible in the past.

We have also seen shifts over the past few decades to more diverse and inclusive workforces. As populations, particularly in urban regions, become more international we have seen this translate into greater ethnic and racial diversity in contemporary workforces (Byrd and Scott 2018). Over a similar period, we have seen greater numbers of women enter the workforce as it has become more common for mothers to balance caring responsibilities and paid employment. Indeed, given Japan’s looming care crisis and strict immigration rules, their government is going to great strides to encourage more women into the workforce. Beyond ethnic and gender diversity we are seeing a number of organisations (public and private) attempting to engage with notions of diversity and inclusion in more thoughtful ways across dimensions such as (dis)ability, sexual orientation, caring responsibilities, age, gender and so on (Dewe and Cooper 2012).

Largely speaking, we have seen increasing workforce insecurity over the last few decades (Lee, Huang and Ashford 2018). Part-time working has proliferated alongside casualised and/or short term contracts (De Stefano 2016). In many countries we have seen the decline of union power and membership and arguably declining work conditions for a sub-section of the working population (Kelly 2015). Alongside this we have seen the rise of the so-called ‘gig economy’, initially touted as offering flexibility for individuals who could ‘work on demand’

although questions have been raised regarding the terms and conditions of these roles (Stewart and Stanford 2017).

Given the types of drivers outlined above, we find a situation where individuals now expect to have more than one career. Even in professions attained through intensive and sustained periods of training (e.g. medicine, academia) it is now more likely that individuals will have different ‘chapters’ in their working lives, taking on various roles over the span of their career (e.g. Dickinson, Ham, Snelling and Spurgeon 2013; Lewis 2013). Another important development is the increase in interest in portfolio careers where individuals bring together a variety of different jobs, some of which may be paid or voluntary, but all of which involve time for personal development. This sort of work is already often of interest to those in the early or latter parts of their careers, as individuals seek to transition into or out of work, but it appears that this is expanding to individuals at different points in their careers. Job design is also changing. Where once individuals were recruited to work in a particular professional area to do a defined task, it is increasingly common for organisations to instead recruit projects or teams on ‘umbrella contracts’ (Bridges 1995). In the future it is likely that individuals will find themselves less confined to the traditional boundaries of professional roles and more engaged in project-based activities that involve a range of different activities.

All of these factors mean the structure of careers and the sorts of jobs that future public servants will seek could be quite different to those we are used to. Although the public sector in many advanced liberal democracies has often been viewed as rather traditional in terms of jobs and career development, change is likely to permeate as these organisations are forced to compete for human capital in an ever more competitive environment. What this means for our understanding of ‘performance’ is not yet clear; neither is the impact on notions of measurement and management.

CHANGING TOOLS OF WORK

Just as the work that public servants do, and the environments in which they do this, is changing, so too are the tools that are being used to do this work with. Over the past few decades the rise of digital technologies has revolutionised some aspects of public services by moving different services online and digitally facilitating a range of processes (Carter, Weerakkody, Phillips and Dwivedi 2016). The most comprehensive program of e-government is arguably in Estonia where each citizen has a digital identity, digital signature and personal record, and virtually all government services are digital and online (Lember, Kattel and Tonurist 2018). Although these types of tools have been developed and trialled for some time, we are currently seeing something of a step-change in the power and range of applications of these kinds of technologies. We provide an overview of a selection of these here, setting out some of the types of implications in terms of how these change the nature of work for public service professionals, but also raising questions of what this means for performance.

Digital applications of technologies are capable of going beyond simply webpages and social media through the Internet of Things (IoT) where a whole host of physical objects with sensors can collect data and share this through the internet. Such a process allows for both real-time monitoring and control in the maintenance and management of infrastructure and service and potentially without human intervention (Engin and Treleaven 2018). The IoT is increasingly being deployed in public spheres through ‘Smart City’ initiatives, used to manage

transportation, waste management, power plants and so on (Meijer and Bolivar 2015). Such technologies create vast amounts of data and the concept of 'Big Data' analytics is becoming increasingly important within public services. Big data essentially provides an opportunity to examine large varied data sets to determine patterns that might assist with more effectively designing and managing public services (Rogge, Agasisti and De Witte 2017).

Big data offers the potential to examine existing and expanded data sets in new and exciting ways, although this may not necessarily be done by individual public servants. Artificial intelligence (AI) programs are becoming increasingly sophisticated and are capable of making decisions and learning without explicit programming. Applications of machine learning (a sub-field of AI) includes natural language processing (speech recognition and translation), handwriting recognition, computer vision, facial recognition and so on (Agarwal 2018). With the ability to undertake these types of roles, and the rise of robotic technologies, some have predicted that significant numbers of jobs will be replaced by these types of technologies (McClure 2017), although others highlight these technologies may create significant new jobs and shift patterns of employment overall (Borland and Coellia 2017).

Despite speculation and debate over which kinds of activities will remain delivered by humans and what will be taken over by robots, arguably the more interesting areas are those where humans and robots will work alongside one another (Pieterse, Ebbers and Madsen 2017). Robots may take on routine, repetitive and boring parts of different activities, while humans will be freed up to ensure that they use their skills to the fullest (Dickinson, Smith, Carey and Carey 2018). Already we see this in activities as diverse as online processing of queries, where robots handle the routine elements of processes and hand over to a human to make a final decision, or robot-assisted surgical procedures, where a human guides a robot in medical procedures.

Many of these advanced technological developments bring with them governance dilemmas. While they offer advances, many also have potential downsides or at least unanticipated consequences. For example, Dickinson (2018) argues that the field of additive manufacturing (also known as 3D printing) potentially changes the sites of regulation for a number of everyday controlled products. These dilemmas require the development of different types of regulatory processes and instruments. While blockchain technologies offer some helpful directions in terms of regulatory compliance, contract management, identity management and record keeping (Engin and Treleaven 2018), understanding and using these technologies in safe ways requires significant changes to processes and practices of public organisations.

Finally, we are starting to see the use of new technologies in the training and development of professionals. Virtual reality and augmented reality applications are being used by a number of professionals to assist processes of training and education (Bracq, Michinov and Pierre 2019). Such technologies allow individuals to engage with simulations of situations they might face as professionals and to make mistakes without consequences for real individuals.

Having provided a brief account of the ways that governments have changed in terms of their everyday practice, the ways that work is changing more broadly and some of the ways that tools of work are developing, the next section moves on to consider the implications of these shifts in terms of the practice of performance measurement and management in the public sector.

CHANGING NATURE OF PERFORMANCE AND IMPLICATIONS FOR PRACTICE

Thinking about the implications of the radical changes outlined above for the practice of performance seems, at first, daunting given the important fundamentals of performance that need to be considered. Many of the changes we have seen have created a fragmented approach to performance management, with a lack of integration between the various regimes. In other words, there is no holistic approach to how we do performance in the public sector. It is fair to say that these patterns of change have made the practice of governing much more complex – many more actors are involved, and we now rely on both human and technological actors in pursuing our purposes.

An obvious reaction to these changes is to suggest that we need radically new approaches to performance. Our argument, however, is quite different; we do not need to start again. Rather, we argue that many of the fundamental principles of good performance measurement and management should still hold. Many of the performance challenges we encounter and a key part of the performance puzzle, is that we disregard these principles in practice. A return to some of these will hold us in good stead; these principles can readily accommodate changes in the nature of work. In terms of implications for practice, a key part of developing appropriate performance approaches is to return to basics. However, this is not enough to address this changing nature of work. We argue that in addition to embracing these principles, the craft of public sector performance must become more fulsome, flexible and forward looking, rather than retrospective and narrow. In other words, we need much more holistic approaches to performance that can accommodate the more complex, fragmented and multi-actor systems we operate in.

Understanding performance and performance management also means thinking more about the underlying assumptions that guide our current practice. In our view, our assumptions are too simplistic and this means we have developed approaches to performance that do not account for the reality of modern public sector systems. In Figure 10.1, a stylised view of some of the most important performance assumptions are drawn together. If we look at Cycle A we can see the following process: goals are set; some performance is undertaken; and the performance is appraised in some way. Based on this appraisal or evaluation, adjustments may be made to goals – maybe they were too ambitious, or not ambitious enough. In Cycle B we see the following process: some performance takes place; an appraisal is undertaken; a reward and sanction is administered based on the assessment of the performance results; these rewards and sanctions motivate performance as we cycle through again.

This very simple and stylised representation does not capture some of the important nuances of motivations and motivators (see Alford and O'Flynn 2012 on this topic), but is a fairly accurate depiction of assumptions of *how* the notion of performance is considered in modern public sector systems. However, the practice of this is challenging at every stage. For example, who sets goals? Are they reflective of what is trying to be achieved? Can organisational goals be broken down into individual ones? What enables and constrains performance of activities and tasks? How do we appraise performance? What measures are used? How do different measures drive behaviours? What data can be collected? Is it objective or subjective? How will it be used? What rewards and sanctions do we apply? Why? How does the application of them motivate (or not)?

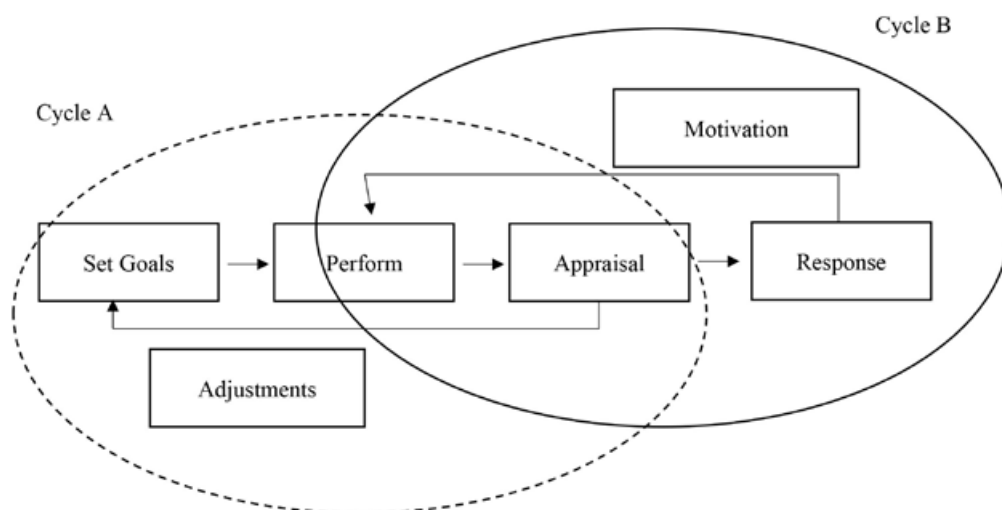


Figure 10.1 *A stylised representation of performance relationships*

When we consider public sector performance practice there is a tendency to think about performance as a series of rational steps in some technocratic process. This belies the complex nature of public sector systems and does not take account of the changing nature of work. Such simplistic assumptions of these performance relationships also means we are more likely to adopt approaches to performance that are not fit-for-purpose and break the principles we set out above. As we have argued, this complexity requires us to do two things: first, get back to the fundamentals; and second, think more holistically about performance in the public sector. This will help us to address some aspects of the performance puzzle in practice, and account for the changing nature of work which urges us to think differently.

To address the performance puzzle, we need to overcome common mistakes that governments tend to make and focus more on developing holistic approaches that can capture all the aspects of activity that we care about. Not just individual and organisational performance, but that of the actors and parties that work on behalf of government in complex networks of service providers. A more holistic approach means being able to cover all aspects of performance – static, dynamic, quantitative and qualitative, for example (Trivedi 2018).

One such approach is demonstrated by Blackman et al. (2013) through the development of a model of high performance government that considered how to design more effective approaches to performance management and overcome limitations of current performance practice. Their model has aspects of a return to fundamentals and also an aspiration to be more comprehensive or holistic. It explicitly focuses on performance at the individual, group, organisational and system level, although it does not explicitly incorporate the role of external parties. That said, the foundations and principles they develop could readily be applied to those relationships and extend the model to be much more comprehensive. The model is built around seven aspects that are required for high performance: three of these are foundational elements (necessary conditions; support structures), and four are principles (design elements for approaches).

In terms of *foundational* elements, Blackman et al. (2013) point to capabilities, evidence and data, and pragmatism as important. The foundational element of *capabilities* focuses on identifying the important assets, routines, processes and competencies that drive high performance. The foundational element of *evidence and data* focuses on collecting data that is relevant to goal attainment and communicating performance trends and targets clearly to inform decision-making. The foundational element of *pragmatism* focuses on being realistic about what is possible and ensuring that actions are fit for purpose in the current context. Blackman et al. (2013) argue all these foundations need to be in place to create support structures for the design of performance approaches. The study did not look at performance of external parties, but these foundational ideas are equally powerful in thinking about the practice of performance management with other parties outside of government. These foundations have some links to Behn's (2003) fundamentals of performance, in particular the idea of evidence and data. The focus on capabilities also connects well with his work, which is focused on managerial decision-making and driving performance improvement.

In terms of the *principles* used to guide the design of performance approaches that adapt to the specifics of the situation, Blackman et al. (2013) focus on four main areas. First is *clarity* of what represents high performance and stating a *clear purpose*. Second is the *alignment* between high level strategies and individual goals, and *integration* between practices and systems. Third, is *mutuality* of engagement between parties and an awareness of what *motivates* actors towards high performance. The fourth principle focuses on *adaptability* of performance in changing environment and *progress* towards outcomes. These principles have some links to Behn's (2003) work on performance, in particular the notion of ensuring there is a clear purpose, thinking about alignment between purpose and measurement, and thinking about how our approach to performance (measuring and managing) impact motivation. The notion of progress here also relates to his more general focus on performance improvement.

Blackman et al. (2013) help us to think more holistically about performance in the public sector. It also provides guidance for performance practice, helping us to avoid common mistakes, often made due to the simplistic assumptions set out in Figure 10.1. The work is a good example of a return to fundamentals combined with flexibility to adapt to change. It also takes us beyond a single paradigmatic view of how to think about the public sector, allowing for a combination of old and new through its foundations and principles.

The implications of the changing nature of work for the performance practice in the public sector are widespread. Many of the performance challenges we face however, are not necessarily caused by these changes; instead they emanate from the drift away from the types of performance fundamentals that Behn (2003) reminds us of. These challenges are also created by adherence to simplistic assumptions about performance that we depicted in Figure 10.1, and which sit neatly with the NPM paradigm. As we discussed previously, and has been explained by Dickinson (2016), in a public sector reality that is much more of a palimpsest than a clear and distinct paradigm, public managers confront the complexities and tensions of performance. Blackman et al. (2013) helps us to work with these tensions and design approaches that draw together new and old and to think more holistically about notions of performance. Returning to performance fundamentals and thinking more comprehensively can provide practitioners with a much more fulsome perspective on performance. And, with some easy adaptations, their model can be used in relation to external providers who are also an important, and often overlooked, part of the performance story treated as separate to government.

CONCLUSION

In this chapter we have considered the changing nature of work and what it means for how we think about performance in the public sector. To do this we provided an overview of what this has meant for the role of government and public services, changes to what governments do, changes to the very nature of work, and the tools of work. The argument we developed through the chapter is that there remain a range of performance challenges in the public sector and that, despite all the attention to performance over the last few decades in particular, there remains a performance puzzle at the core of public sector practice. In addressing the fundamental puzzle and thinking about these challenges, we argued that the changing nature of work has, and continues to have, the potential to amplify these challenges. We argue that there is a two-pronged approach needed here. First, we need to return to some performance fundamentals – thinking about our purpose and using that to calibrate our choice of performance regime (e.g. Table 10.1). And we developed this point by arguing that we need to think beyond the obsession with measurement, which has been a perverse outcome of the NPM-style approach to governing. Second, we need to look more holistically at performance, drawing together the various aspects and actors that contribute to government purpose and outcomes, and think about these in a much more integrated way (e.g. Blackman et al. 2013).

In the end, the changing nature of work is both disrupting and cementing performance challenges in the public sector. Our challenge in practice is to return to the fundamentals of performance and combine this with much more comprehensive and holistic approaches. Together this can provide a powerful approach to assisting governments in responding to the needs and aspirations of their citizens.

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11. Assessing organization performance in public sector systems: lessons from Canada's MAF and New Zealand's PIF

Barbara Allen, Evert Lindquist and Elizabeth Eppel

INTRODUCTION

Public sectors at the national and sub-national levels are complex, multi-faceted organizational systems, comprised of a host of departments, a mix of variously more independent agencies, and central agencies to help governments coordinate, control, and monitor them. Not surprisingly, since the dramatic growth of government since the 1960s, there has been considerable interest in instituting performance management systems (e.g. see Bouckaert and Halligan 2008; Minassians and Roy 2018; Mizrahi 2017; Moynihan 2008; Pollitt and Bouckaert 2017; Talbot 2010; van Dooren and van de Walle 2008). While the overlapping domains of performance management, performance measurement, performance improvement, and performance information are relevant to political and public service leaders at the system, organization, group and individual levels, we are particularly interested in performance frameworks instituted by central agencies for monitoring organizational performance. However, surprisingly few governments have instituted performance frameworks focused on organizational systems and capacity – most corporate attention has been focused on introducing performance frameworks and tools to monitor specific policies, programs, or employees (Allen, Lindquist and Eppel 2019). This chapter focuses on rare and relatively recent, efforts to introduce organization-performance systems, and explores the implications for practice, theory, and research.

The empirical literature focuses largely on policy and program performance systems in government whereas comprehending organizational performance and capacity issues has received much less attention. This is largely because there have been few efforts to monitor organizational performance in the public sector, but also because monitoring policy and program performance have been conflated with organizational performance, since organizations are seen as delivering policies, programs and services. However, as we argue in this chapter, performance monitoring at the organizational level is a distinctive level of analysis and vantage point. Ascertaining whether public organizations have good management practices, meet corporate administrative expectations, have appropriate staff capacity and talent for dealing with current and emerging challenges is surely critical to good government. At the same time, having quality strategic plans to situate these roles would seem important in what are, essentially, distributed governance and administrative systems. Increasingly, the capacity of middle and senior level leadership to connect the managerial performance of the organization in multiple policy and program domains with the high-level strategy, and, conversely to communicate and drive the strategy throughout all aspects of an organization, is becoming a crucial top leadership expectation. On the other hand, in governmental complex systems, there is great

potential for performance systems working at different levels to simultaneously overlap and collide, but also to support one another and offer necessary redundancy in a system always concerned with various forms of internal and external accountability.

This chapter will reflect on a central question: what have we learned about organizational-level performance improvement and performance management systems initiated by central governments thus far? And what should future research start to explore? What are the implications for practice? To answer this question, we draw on studies of the NZ Performance Improvement Framework (PIF) and the Canadian Management Accountability Framework (MAF), and also consider related approaches such as the capability reviews in the UK, Australia and South Africa. The Canadian and New Zealand models are important because no other jurisdictions, to our knowledge, systematically and regularly assess organizational capacity. Ongoing comparative study of these frameworks (Allen et al. 2017; Allen et al. 2019; Allen and Eppel 2020) surfaces intriguingly diverging approaches of Canada and New Zealand, interesting lessons, and new questions. By adding the organizational level of analysis to a broader medley of public sector performance systems focused on policies, programs, staff, and even ministers (e.g. mandate letters and election-promise checklists), we can contribute to the debate on the usefulness of these systems (Lewis 2015; Lowe and Wilson 2017), whether and how these systems can be combined successfully, and whether they are worth the investment.

This chapter is organized as follows. The first section introduces and compares Canada's MAF and New Zealand's PIF. With these insights in hand, the second section explores the extent to which such organizational performance review systems constitute a form of control by governments, or if the latter rely on other instruments. Building on this, the third section considers how organizational performance systems fit into the larger mix of performance tools and processes in complex public sector systems. The final section considers the implications for other jurisdictions, the renewal of the MAF and PIF, and future research.

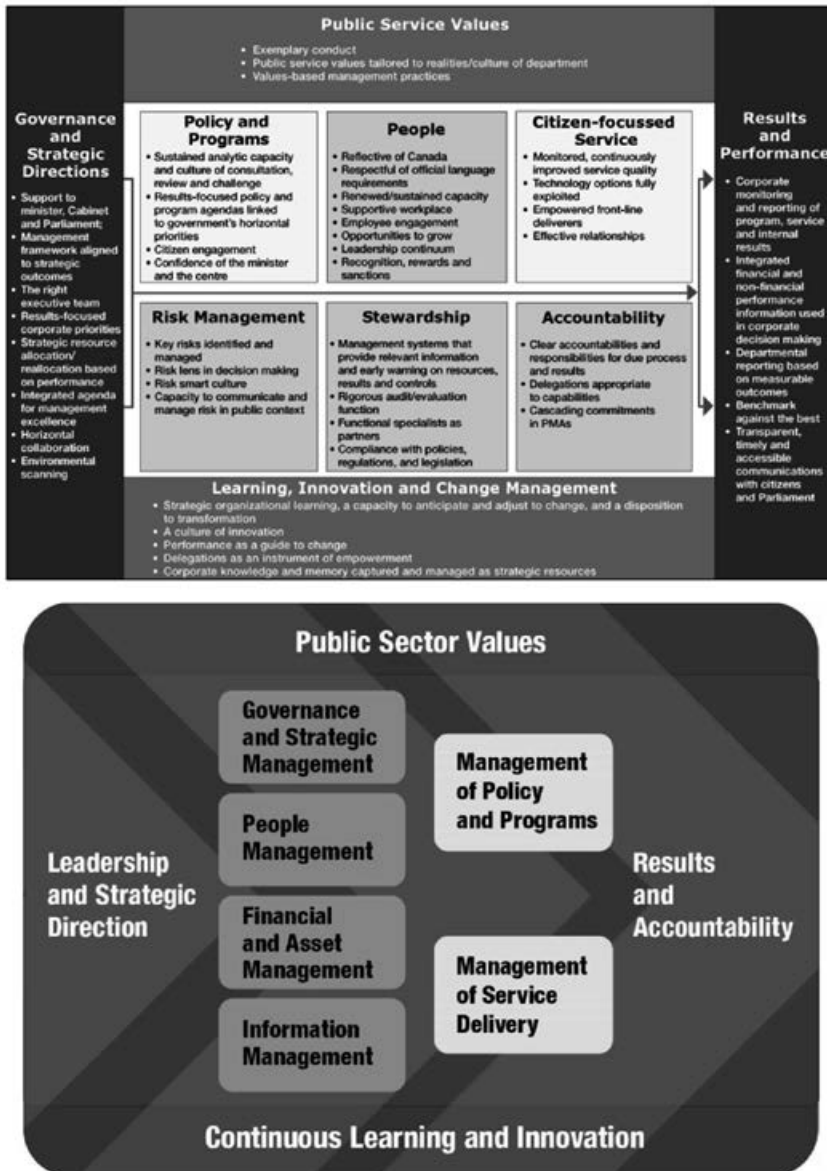
COMPARING TWO SYSTEMS: CANADA'S MANAGEMENT ACCOUNTABILITY FRAMEWORK AND NEW ZEALAND'S PERFORMANCE IMPROVEMENT FRAMEWORK

The experiences of Canada and New Zealand stand out, even among the few governments which have undertaken regular assessments of the performance of policies and programs. These approaches evolved as a response to government priorities in response to shifts in public management and public administrative practices, with the understanding that closer, more systematic oversight and reporting would lead to the possibility of identifying where change could be targeted.

The Canadian Government's Management Accountability Framework

The Management Accountability Framework (MAF) has its origins in the Government of Canada's Modern Comptrollership Initiative that aimed during the late 1990s to increase the comprehensiveness of financial and non-financial reporting by departments and agencies. This initiative was expanded in the 2000s with an effort from the Treasury Board Secretary to encourage deputy ministers and agency heads to engage their executive teams about ongoing organizational challenges and to report to the Treasury Board about 'what keeps them up at

night' about their organizations. The MAF was initially piloted in 2003 with selected departments and agencies, then expanded to include all departments and agencies and formalized with annual reporting on indicators seeking to capture aspects of larger management domains of 'well-performing' public organizations (McDavid and Marson 1991). Key attributes



Source: Lindquist (2009; 2017).

Figure 11.1 2003 and 2018 Management Accountability Frameworks

included governance and strategic direction; values and ethics, risk management, accountability; and change management. Two iterations of the broad categories from 2003 and 2018 can be found in Figure 11.1, each of which was a basket in which numerous indicators were grouped. Early on the number easily exceeded a hundred.

The diverse indicators or lines of evidence have evolved over time, with departments and agencies submitting to an online MAF portal. Then, Treasury Board Secretariat program analysts and policy centres assess the submissions, and seek feedback from departments and agencies, and finalize reports for use by Deputy Ministers and the Privy Council Office, with the MAF reports contributing to the latter's reviews of Deputy Minister performance. The final MAF reports from TBS are made public and put on the websites of each department and agency, along with responses from the department or agency. The Treasury Board Secretariat can compare the indicators and progress of departments and agencies, reviewing detailed information about indicators and lines of data for each management area (see Government of Canada 2018). The public government-wide report provides only high-level comparisons across organizations; more detailed comparisons are only shared internally.

The MAF process has been reviewed and evaluated several times (Lindquist 2009, 2016a, 2017). Issues that have arisen include the cost of the resources supporting the MAF process (a dedicated MAF directorate in the TBS; staff and data-gathering time of departments and agencies to supply information for upstream reporting and to respond to assessments); a 'getting better at taking the test' approach; the changing indicators and lines of evidence, often in response to feedback from departments and agencies; and self-reporting on the quality of adherence to policies as opposed to more independent data. Perhaps the most significant complaint from department and agency heads about MAF reporting concerns the lack of strategic focus on future directions and the long-term role of their organizations.

The New Zealand Government's Performance Improvement Framework

Introduced by the New Zealand government in 2009, the Performance Improvement Framework (PIF) is now described as a 'a joint central agency initiative to help senior leaders improve the performance of the agencies they lead' (State Services Commission 2018). Intended as an organizational performance improvement tool and a 'uniform, yet flexible, framework to support continuous performance improvement across the State Services' (State Services Commission 2015a), it built on the earlier reforms of the 1990s and 2000s in New Zealand inspired by New Public Management and associated accountability regimes. It had a succession of upgrades and changes (in 2011, 2013, 2014 and 2015), each seeking to encourage more future-thinking and focus on delivery of value to citizens (Allen et al. 2019).

The PIF is a self-study and external review process focused on assessing a department or Crown entity's organizational capacity, performance, and readiness to deal with future challenges. The review process has three key elements: (1) SSC signals to the head of an organization that a PIF will be undertaken, lead reviewers to conduct the review are negotiated with and assigned, and the organization undertakes a self-review; (2) a visit to the organization by (usually) two lead reviewers who use information collated beforehand by the organization itself and SSC to focus in depth on particular areas of performance and hold interviews with people in the organization and also external organizational stakeholders; (3) receipt of the PIF report, consultation with central agencies, and follow-up. Table 11.1 shows that every ministry and most major Crown entities have had PIF reviews since 2011 and many have had

Table 11.1 Total PIF reviews to date

Agency	Reviews in	Follow-up Reviews
New Zealand Intelligence Community	2014	2018
Land Information New Zealand	2010, 2013, 2018	2014
Ministry for the Environment	2012, 2018	2014
New Zealand Transport Agency	2011, 2018	2012
Ministry of Transport	2013, 2018	2014
Ministry of Health	2012, 2017	
Statistics New Zealand	2011, 2014	2017
Ministry of Foreign Affairs and Trade	2010, 2017	2013
Crown Law Office	2011, 2017	2013
Accident Compensation Corporation	2014	2017
Ministry for Pacific Peoples	2011, 2017	2012
Ministry of Business, Innovation and Emp	2014	2017
Callaghan Innovation	2016	
Ministry for Culture and Heritage	2014	2016
Department of Conservation	2010, 2014	2016
Education New Zealand	2016	
Ministry for Primary Industries	2013, 2016	
New Zealand Defence Force	2015	
State Services Commission	2013	2015
New Zealand Trade and Enterprise	2011, 2015	2013
Department of the Prime Minister and Cabinet	2013	2015
Parliamentary Counsel Office	2014	
Parliamentary Service	2014	
Office of the Clerk of the House of Representatives	2014	
The Treasury	2011, 2014	2012
Canterbury Earthquake Recovery Authority	2014 (memo)	
Serious Fraud Office	2014, 2020	
Careers New Zealand	2013	
Department of Internal Affairs	2012	2014
Department of Corrections	2012	2014
New Zealand Customs Service	2012	2014
New Zealand Police	2012	2014
Ministry of Defence	2012	2014
Ministry of Justice	2012	2014
Education Review Office	2012	
Ministry of Economic Development	2012	
Ministry of Women's Affairs	2011	2013
Ministry of Education	2011	2013
Inland Revenue Department	2011	2013
Ministry of Social Development	2011	2013
Te Puni Kokiri	2010	

follow-up reviews. SSC has also undertaken two cross-cutting efforts which combine several organizational PIF reviews to provide a meta-analysis of public sector organizational strengths and weaknesses (State Services Commission 2016).

PIF reviews have been a significant part of the performance landscape, requiring a large resource commitment by the reviewed organization and SSC. Each organization undergoing a PIF is required to prepare a self-review intended to inform the key question ‘what is the contribution New Zealand needs from this agency (or sector or system) in the medium

term?’ (State Services Commission 2015b). The agency uses the PIF framework (Figure 11.2) to identify the critical gaps and opportunities between current and desirable future capability and performance. Precisely how the self-review is conducted is left to each agency with guidance from SSC. There is no doubt that the quality and orientation of the lead reviewers recruited and selected for each organization by SSC is fundamental to the PIF approach, and little is known about the relationship between reviewers and PIF outcomes. Finally, since PIF reports are made public, Chief Executives must take them seriously for the sake of the organization and their own professional reputations, so gaming affects various facets of the process (Allen and Eppel 2020).

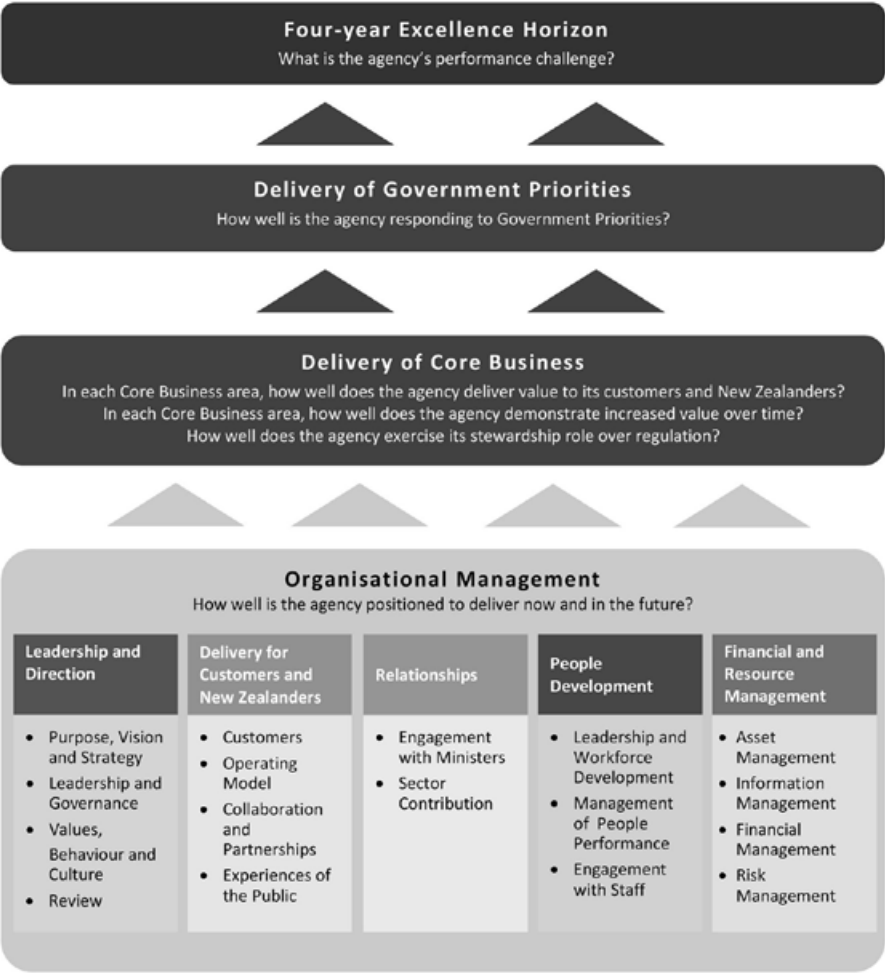


Figure 11.2 *The Performance Improvement Framework*

Comparing MAF and PIF: How Do They Differ?

MAF and PIF were top-down initiatives launched by central agencies responsible for management improvement, intended to develop comprehensive assessments and overviews of organizational performance to inform the decision-making of top leaders of the reviewed public organizations, and to increase understanding the state and readiness of organizational capacities (Allen, Lindquist and Eppel 2019). MAF and PIF inform central agencies of assessments of Chief Executives and Deputy Ministers and Agency heads, and require careful attention since they stand to affect the reputation of the leadership team and the organization, although there has been no research to assess exactly how the reports are used internally and externally. While there are limitations to both approaches, they have evolved and persisted in governance systems with multiple performance appraisals, but they differ in critical ways, which we outline below.

Both systems, despite seeking to be comprehensive in analyzing organizational performance, have different temporal orientations. Although the founder of MAF, Treasury Board of Canada's Secretary, sought to stimulate dialogue among executive teams on key strategic organizational issues, it quickly came to focus on the comprehensive collection of financial data and multi-faceted assessments of organization performance in the 'recent-past'. In contrast, PIF looks to establish the current situation and interpret recent data in order to think about the future. It developed a strong narrative-based reporting style seeking to leave room for organizational leaders to interpret findings and be used flexibly going forward. In short, MAF is more data-informed, essentially looks backward with a comprehensive 'systems-check' approach, whereas PIF has a more 'over-the-horizon' orientation, informed by organization-wide reviews incorporating past and present assessments as well as forward-looking strategies.

The nature of data-gathering efforts, while considerable in both systems, differs in important ways. MAF essentially looks backward and gathers data by questions asked a year in advance by TBS staff and relying on established streams of data, re-interpreted for the manifold administrative domains it encompasses. There is no independent review, and the analysis is not well connected to policy and delivery challenges, and multiple demands on the organization. PIF is a more intense process, in terms of staff time, reviewer and interviewing time and reporting processes, and likely costs more, but arguably is more valuable in preparing the organization for future challenges. Moreover, PIF has a substantive policy and environmental change focus – asking organizations to look at shifts over time – especially if they are having a second review as a follow-up to a poor review.

Given this, both reporting systems have different functions and possibilities. MAF seems focused on having departments and agencies meet reporting requirements and functions less as an opportunity for forward-looking strategic dialogue on how ready these organizations are to shoulder future policy and service-delivery challenges. Nevertheless, the reports – functioning as an 'administrative systems check' – can induce leaders in central agencies, departments, and other agencies to discuss the overall state of an organization. For these reasons, growing more in the direction of PIF reviews may be advisable. In New Zealand, there is little doubt about the strategic and future orientation of reports, but there remains an underlying question about how to compare the health and performance of departments and agencies with each other. This suggests moving partially towards MAF practices with respect to eliciting some common data and indicators for comparison and a system-wide perspective.

ORGANIZATIONAL PERFORMANCE SYSTEMS FOR LEARNING OR CONTROL?

This section explores the question of whether organizational performance systems – ostensibly designed to foster good managerial practices, productivity, and innovation – are more about control. While improvement may be the main aim, and indeed change arising from management actions, linked to measurement, and leading to improvement is an assumption that could be made about the whole process (Allen and Eppel 2020), there is also the possibility that performance management is really about control – in other words, the question is: who is the performance management for and what exactly is it for? (Radin 2006). Here we consider how organizational performance systems in the public sector might serve as instruments of control for governments.

In New Zealand, the PIF is the best known, long-lasting approach that appraises organizations but also considers system-level issues. However, PIF was not providing a mechanism by which to lever program outcomes. In 2011 under the conservative National government, another intervention was devised, one more politically oriented and related to program success. Under the Better Public Services (BPS) initiative, Ministers chose ten cross-cutting problems and set up a five-year target in each area (Table 11.2).

Through the Better Public Services (BPS) Board, the heads of agencies would be held collectively responsible for achieving these targets (Scott and Boyd 2017). While partially about improving the performance of agencies, BPS nevertheless reflected a ‘policy’ and ‘program’ performance approach, often underpinned by quite specific targets, that would allow the government to show accountability in areas notoriously difficult to measure. After the new Coalition government formed in October 2017, BPS was cancelled a month later, but, interestingly, ‘dramatic improvements in all 10 areas’ were reported. Despite its demise, BPS apparently had fostered learning. Design features and management innovations and adaptations by the public servants responsible for achieving the targets were movements forward in terms of understanding the link between targets and outcomes (Scott and Bardach 2019). However, huge resources had been assigned across the New Zealand government to the BPS and it disappeared as an approach with the different policy program of the Coalition.

The demise of BPS coincided with the roll-out of the new Labour Coalition government’s repurposed Social Investment strategy which built on the National government’s controversial effort to use data and predictive analytics to map the life-course of individuals deemed the ‘most costly’ to the social system, and in turn justify making investments at crucial points in such individual’s lives to set them on different trajectories (see Boston and Gill 2018; Baker and Cooper 2018). Officials designed targets that theoretically would reduce incidences or increase uptake (i.e. increasing infant immunization to reduce numbers of rheumatic fever cases) buttressed by public reporting every six months. This went beyond monitoring to building in multi-centric accountabilities (Talbot 2010) for specific outcomes. Social Investment used concepts drawn from the insurance industry by categorizing and applying data modelling, future forecasts could be designed that would show the cost profile (to the government) of individuals over time, into the future. The new Coalition government retained the Social Investment Agency, tempered aspects of the approach, such as its focus on fiscal savings, and involved social sector organizations (Manch 2018; Treasury Department 2017). These experiments in public management, namely BPS and Social Investment, showed that specific targets focused the relevant ministries and agencies in ways that PIF was not able to. They captured

Table 11.2 The better public service targets

Target
Reduce number of people continuously receiving Jobseeker Support benefits for more than 12 months
Increase participation in early childhood education
Increase infant immunization rates and reduce the incidence of rheumatic fever
Reduce number of assaults on children
Increase proportion of 18-year-olds with high school diploma or equivalent qualification
Increase proportion of 25–34-year-olds with advanced trade qualifications, diplomas and degrees
Reduce rates of total crime, violent crime, and youth crime
Reduce criminal reoffending rate
New Zealand businesses have a one-stop shop for all government advice and support they need
New Zealanders can complete their transactions with government easily in a digital environment

ever greater packages of data revealing links to outcomes through pressure on organizations to work together and share information, garnering some measure of control over the activities of service delivering organizations. The PIF, along with BPS and Social Investment, were providing systemic-level lessons about short, medium and longer term performance, some of which are being embedded in the Public Sector Reform Act under review in New Zealand.

In Canada, while MAF has persisted, governments introduced other initiatives designed to encourage organizational performance with respect to government priorities. Here we briefly consider how, most recently, this was introduced under the Trudeau government elected in 2015. First, though not an innovation in and of themselves, the Prime Minister's Office posted the mandate letters the Prime Minister sent to each of his ministers and deputy ministers (Privy Council Office 2020). This sent strong internal and external signals about the priorities for department and agencies in ministerial portfolios. The wider knowledge of these letters encouraged internal and external stakeholders to recognize the departmental priorities, factor them into their strategies, and manage to them. Presumably, the mandate-letter priorities would provide criteria against which the Prime Minister would assess the performance of ministers and affect their prospect for promotion and demotion. Likewise, the mandate letters would be part of the information tabled for the annual appraisals of heads of departments and agencies by the Clerk of the Privy Council and the Committee of Senior Officials (which would include assessments from their respective ministers and Treasury Board MAF assessments), which in turn would be approved by the Prime Minister.

Second, Prime Minister Trudeau introduced a version of the UK's Prime Minister's Delivery Unit (PMDU) by creating a Cabinet Committee focused on Results and Delivery,¹ a small accompanying secretariat, retaining Michael Barber as a consultant, and announcing a new Results policy, which levered and adapted existing performance reporting frameworks associated with the estimates and vote system (Tweadie 2018). Trudeau's approach was not remotely similar to how Barber's PMDU operated under the second Blair government (Barber 2008; Lindquist 2016a), because it did not manage to a score of priorities, nor build a large central capacity to drive and monitor progress on delivery priorities, which included aggressive monitoring, challenge and problem-solving capability to challenge departments and work with providers inside or outside government (Lindquist 2016b). Since the initial fanfare associated with its announcement and the visits of Barber to Ottawa during the first half of the Trudeau government's mandate, this initiative has not received much attention other than the 'open government' tracking on the government website noted above.

These examples from Canada and New Zealand show that the two organizational performance frameworks at the heart of this chapter are not the sole instruments for assessing departments and agencies. Governments and central agencies seek to monitor and attempt to focus on how departments and agencies work on government priorities from the corporate level. However, it is important to distinguish between an intrinsic interest in the state and readiness of these organizations to take on new and emerging challenges, as opposed to sending signals, incentivizing, and challenging them to deliver specific policies and programs. One can also see why executive teams, even if concerned about the state and readiness of their organizations, wonder about the value-added of a MAF-like ‘systems check’ and even a more future-oriented PIF, given the priority-driven environments fostered by governments to guide or yank departments and agencies in certain directions.

ORGANIZATIONAL PERFORMANCE REPORTING AND COMPLEX GOVERNANCE SYSTEMS

The previous section considered how governments might seek to direct departments and agencies at the organization-level with respect to policy and program priorities, performance systems layered over systems designed to assess organizational health, capacity, and readiness. However, these are not the only performance repertoires at play in public-sector systems. In this section, we take a synoptic view of the myriad of monitoring, review and appraisal systems in which MAF and PIF are enmeshed at the organization and system levels. First, though, it is useful to get some analytic frameworks and distinctions from the literature as guideposts.

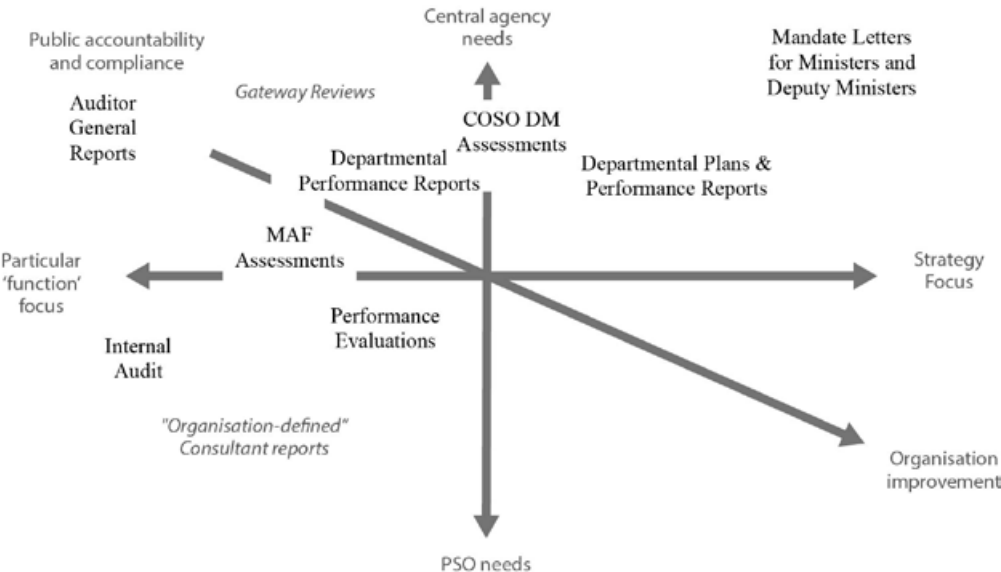
Several scholars have attempted to capture the complexity of public-sector institutional contexts in different ways (Lindquist, 2016a). Talbot (2010) identified ‘performance regimes’ or the network or community of actors and forces within government systems that influence how various performance systems work, what they focus on, who ultimately serves as client, and whether they are bottom-up, horizontal or diagonal systems. In work for the Australian Public Service Commission on ‘high performance government’, Blackman et al. (2012) identified three levels at which performance monitoring can proceed: high-performance governance system (macro level), high-performance organizations (meso level), and high-performance groups and individuals (micro or workplace level). Blackman et al.’s (2012) extensive literature review analysis led to the development of their framework to assist practitioners to identify gaps and essentially called for well-articulated performance systems given the positive linkages they envision working across the levels of analysis. Looking at all of this from the system level, Bouckaert and Halligan (2008) would refer to this as ‘performance government’ as opposed to the ‘managements of performances’ and ‘performance management’ ideal types. Panchamia and Thomas (2014) see linking and coordinating performance repertoires working at different levels and areas of public-sector systems as *reforms* and, like Talbot (2010), suggest success depends on context, the ambition and degree of integration of performance repertoires, the extent and sustainability of leadership, and the quality of the designs of the reforms or integrating repertoires. However, de Bruijn (2007) argues that too much integration of performance repertoires across levels (what he sees as top-down ‘system logic’), especially to inform political performance as well as assessments of bureaucratic performance (the latter, he argues, has its own ‘professional logic’), along with adopting uniform approaches across

organizations, undermine the effectiveness of diverse performance repertoires animated by different logics.

Though fostered on a system-wide basis, MAF and PIF assessments proceed at the organizational or meso level, except for a few PIF sector assessments. But there are many other performance repertoires associated with both systems of government which include but are not limited to: performance and results reporting systems; policy and program evaluation systems; benchmarking; major project oversight and management, such as Gateway Reviews; internal and external audit systems; reviews of ministers, deputy heads and chief executives; and organization-focused systems like MAF and PIF. An important question, then, is how aligned and complementary are MAF and PIF with other forms of assessment and reporting in Canada and New Zealand government systems? To succinctly facilitate this assessment, we have identified three dimensions for mapping performance repertoires in the respective governance systems, which vary with respect to the extent to which they focus on: (1) the needs of central agencies versus public service organizations; (2) administrative functions vs. broader strategic directions; and (3) public accountability/compliance vs. organization improvement.

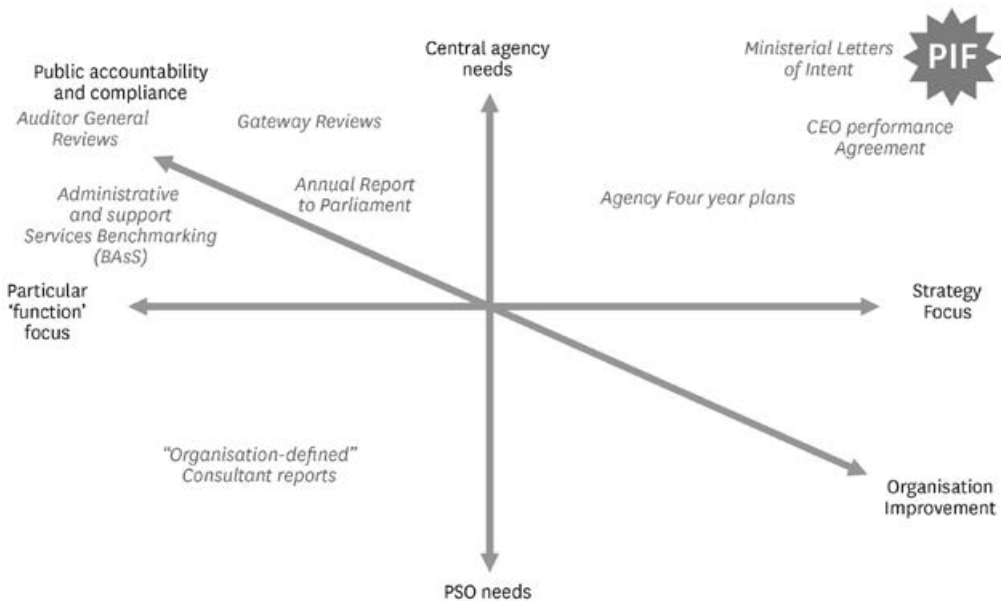
Figures 11.3 and 11.4 provide our conclusions about the number and characteristics of the primary performance repertoires in the Canadian and New Zealand government systems. While there are many similarities in performance repertoires across the two systems, because PIF is far more strategic and forward-looking (rated highly on all three dimensions), it is located in the upper-right of Figure 11.4, whereas MAF would likely be placed in Figure 11.3 in the second quadrant higher on public accountability, lower on strategic focus, and higher on function focus and lower on public service organization needs because it meets the needs of central agencies. Our sense is that MAF and PIF assessments fit with other policy, program and leadership reviews. The MAF reporting process does take advantage of reporting for specific areas of management, its portal serves as a repository for many such documents for Treasury Board analysts, and MAF findings feed into other assessments of deputy heads in Committee of Senior Officials (COSO) reviews of deputy heads. Likewise, PIF reviews lever available and recent diverse performance and other background documents, and feed into future strategic reviews of a department or agency and the performance of the chief executive.

In both jurisdictions public-service leaders and administrative staff wonder about the value-added of MAF and PIF, regardless of the differences between the repertoires, compared to other kinds of reporting. We think this holds more for MAF because it is not explicitly a strategic document and because ministers and deputy heads pay close attention to their forward-looking mandate letters and departmental plans. In Canada MAF reports occasion almost no public comment or media reporting, whereas internal audits and external evaluations undoubtedly generate more attention because of the public reporting of the Auditors General and their conclusions about the performance of policies and program management. Indeed, perhaps a key tension in Ottawa – where a great deal of resources over the years have been invested in the evaluation function and performance repertoire – is a palpable sense that traditional evaluations have steadily been supplanted by pure performance and results reporting and, to a lesser extent, internal audit (Shepherd 2011).



Source: Adapted from Allen et al. (2017).

Figure 11.3 *The Canadian government ecosystem of public sector performance repertoires*



Source: Drawn from Allen et al. (2017).

Figure 11.4 *The New Zealand government ecosystem of public sector performance tools*

CONCLUSION AND RESEARCH GOING FORWARD

This chapter has reviewed the systems of two governments dedicated to reviewing the performance of the full range of departments and agencies as organizations in their respective public sectors: Canada's Management Accountability Framework and New Zealand's Performance Improvement Framework. These two systems are surprisingly and intriguingly different from each other: MAF has been stronger with respect to more systematically collecting data and assessing the extent to which departments and agencies are meeting central administrative policies and expectations; PIF is more strategic, involves expert reviewers taking a close look at the state of the organization, and providing commentary on its readiness to handle immediate and future challenges. There are limitations to each system, each requiring non-trivial amounts of resources, with the former factored into annual routines while the latter, through ongoing rounds of assessments across the New Zealand public service every year, is more episodic for particular departments and agencies.

We also looked at how these two organizational-performance systems fit into the large array of 'performance systems' (Bouckaert and Halligan 2008) found in the Canadian and New Zealand governments. We reviewed efforts by the elected leadership of two governments to pull departments and agencies towards their top priorities, focusing on certain policies or programs. Despite these concerted pulls, we were surprised that the respective governments nevertheless allowed MAF and PIF to persist, perhaps variously believing them to be 'administrative' and not worthy of concern as well as useful for monitoring the performance of ministers and top officials. Given that PIF has a more forward-looking orientation at its inception, it was well positioned to be adapted and become more so; MAF continues to focus more on how well departments and agencies are following the administrative policies of central agencies, perhaps meeting more internal accountability and monitoring needs. We considered how MAF and PIF feed into the mix of performance-monitoring repertoires in each jurisdiction, concluding that at the very least they are not mis-aligned with the other performance repertoires but, on the other hand, perhaps not as closely linked as they could be. Where MAF is concerned, because of its early connection to deputy-minister appraisals, its retrospective orientation, and lack of an explicit focus on future challenges, it lost some of its value as a tool for executive and organizational learning, and is not well connected with reviews of specific policies and programs. There is little external evidence of central agencies and heads of departments and agencies drawing conclusions of insights from all reviews, evaluations, and audits, but this might happen in department and agency 'audit committees' (Shepherd and Bourgeois 2019) and, in the case of MAF, the portal does draw together all of this information to inform the ever-rotating Treasury Board analysts.

Our cases and preliminary findings suggest possibilities for practice and future research. The first line of proposed research would involve reviewing the performance systems of several other governments to see if there are any functional equivalents to the organization-focused systems reviewed in this chapter. Second, and related, research could be conducted on the extent to which performance-related information from diverse performance repertoires (policy and program monitoring, evaluations, audit, among others) get drawn together to appraise the management and overall health of departments and agencies. Finally, more encompassing analytic frameworks should be developed which (1) more richly draw together multi-level and multi-actors' frameworks in the public-performance literature that would not only identify possibilities and gaps in the elaboration of multiple performance systems

with multi-organizational public sectors, but also (2) point to predictable tensions, frictions, and potential for counter-productive dynamics, as well as (3) explore how boundaries can be drawn to improve use for particular purposes and strategic moments when they can be drawn together from across those performance spheres. This latter agenda, which may seem theoretical, has considerable significance for practitioners.

NOTE

1. Later renamed as the Committee on Agenda, Results, and Communications.

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12. Making performance management work in developing countries through system integration: the perspective from Ghana

Frank Louis Kwaku Ohemeng

The emergence of the New Public Management (NPM) philosophy in the developed world in the early 1980s led to the introduction of performance management (PM) in the public sectors of both developed and developing countries (Bouckaert and Halligan 2008; Fryer, Antony and Ogden 2009; Giovannoni and Maraghini 2013; Johanson, Almqvist and Skoog 2019; Kroll 2015; Mizrahi and Minchuk 2020; Ohemeng 2009; Pollitt 2018; Pratt 1991; Rhodes et al. 2012; Williams 2003). This has occurred despite lingering questions about its efficacy and ability to produce change in the public sector (Fryer, Antony and Ogden 2009; Lee 2019; Modell 2004; Speklé and Verbeeten 2014). It has been said that PM continues to be one of the most researched activities in academia, especially those concerned with public management, public policy, and public governance (Mizrahi 2017; Schleicher, Baumann, Sullivan and Yim 2019). This continued interest in PM may be due to the recognition that the idea is considered fundamental to improving the efficiency and effectiveness of public services, accountability for the use of public resources and the achievement of desired results (Greener 2019; Fryer, Antony and Ogden 2009; Moynihan, Nielsen and Kroll 2017; Ohemeng 2009; Schleicher et al. 2018).

Over the last three decades, studies of PM in many developing and transitional economies have explored how it has been adopted, institutionalized, and implemented in these countries (Ohemeng, Amoako-Asiedu and Obuobisa-Darko 2018a, 2018b; Randma-Liiv 2005; Said 2020; Suthewasinnon, Hoque and Nyamori 2016; Vu, Plimmer, Berman and Sabharwal 2019; de Waal 2007). Unfortunately, there are numerous challenges with PM implementation in these countries, including: the focus being dominantly on employee performance management (EPM) and not organizational performance management (OPM); an excessive focus on performance appraisal (rather than the whole spectrum of PM); and the lack of integration/alignment between EPM and OPM, making it less successful.

Part of the overall problems of PM has been the difficulty of distinguishing between individual employee and OPM systems, and of integrating them into one coherent system. This has led to emphasis on measurement, rather than a system approach to overall organizational performance. As a result, significant attention “has mainly focused on the effects of performance measurement” (Kroll 2015, p. 8). This obsession to measurement led to issues such as “gaming” in order to meet target for example (Bevan and Hood 2006; Hood 2006; Radnor 2008), leading to some undesirable behaviours of employees (Ohemeng and McCall-Thomas 2013). The fixation on measures, according to Sørensen and Torfing (2011), has tended to prevent public sector innovation, especially when these organizations are focusing on input and output measures (p. 848). Other scholars have also found that performance information,

which is supposed to help both policy makers and citizens to hold public officials accountable does not actually do so (Kroll 2015; Mizrahi and Minchuk 2020).

West and Blackman (2015 p. 77) have identified three problems affecting the implementation of PM. These are: (a) the disconnection in a number of these countries “between the espoused use of PM as a tool to achieve strategic outcomes and its actual implementation within [public] organizations”; (b) the strategic focus, which has led to the perception that PM manages the underperformance of individual employees, leading to a compliance approach to its implementation, thus undermining PM systems’ usefulness; and (c) the inability to fully integrate organizational with individual PM, with organizational leaders more obsessed with the former.

In view of the above identified problems, and focusing on systems theory, the essence of this chapter is to examine why PM has not worked effectively in the context of the public sector in developing countries and what can be done to change it, with particular reference to Ghana, a star pupil of the International Financial Institutions, and an ardent public sector reformer. The central problem is the poor integration of the different aspects of PM into a coherent system. In short, the failure to link different elements of PM together has resulted in performance paradox.

The chapter makes the case that scholars and practitioners should pay significant attention to the development of the overall OPM system and its ability to develop measurement and other strategic management techniques to enhance the performance of PSOs. Moving away from EPM to focus on OPM is thus necessary since organizations are expected to meet or surpass their goals. We thus agree with Boland and Fowler (2000, p. 424) who have argued that:

Public sector management occurs within a complex, dynamic system involving several nominally independent stakeholders, coupled with informational and resource material flows and behaviour that is characterised by inertia and multiple feedback loops. It is therefore apparent that the generic principles of systems thinking, and system dynamics potentially provide a useful framework within which the issues of performance measurement, performance indicators and improvement initiatives should be considered.

Such PMS may depend on the entire public sector system, including the general societal environment (Thompson 1967; Turner and Hume 1997). Designing OPM in the sector must take into account all aspects of organizations, including the subsystems, and the general environment in the country (Mwita 2000). Furthermore, focusing on an integrated OPM is particularly relevant since, according to Andrews, Boyne and Walker (2011), OPM helps to explain why some organizations perform better than others in the same public sector, with some organizations or teams losing out on organization-based incentives and finding themselves in an uncomfortable position in areas with performance league tables, for example.

To address this issue, the chapter looks at five main areas that, if properly integrated into an OPM system, will enhance its success. These are: (1) how performance appraisal is understood and executed; (2) breaking down bureaucratic or organizational silos to enhance effective vertical and horizontal coordination among organizational units and external organizations; (3) an effective motivation or incentive system; (4) understanding the impact of societal culture on organizational performance; (5) and effectively developing mechanisms that will enhance effective collaboration between public organizations and their external stakeholders, including citizens.

The chapter proceeds this way. In the first part, we will examine PM and why it has become so pervasive in the public sector in developing countries. We will also look at the differences between organizational and employee PMSs, and proceed to look at PM in the context of developing countries. In the next section we will discuss the Ghanaian case. Following that, we will discuss why we need to pay more attention to the above five identified areas and how they impede effective implementation of OPM, and suggest a way forward.

EXAMINING ORGANIZATIONAL AND EMPLOYEE PERFORMANCE MANAGEMENT

In this section we will define PM, and distinguish between OPM and EPM, bearing in mind that they are not mutually exclusive, do not work in isolation and often work together. Notwithstanding the expansive literature on PM, defining the concept remains elusive (Pollitt 2018). Descriptions, unlike definitions, abound (Bouckaert and Halligan 2008), not least because PM is used interchangeably with performance appraisal (PA) (Schleicher et al. 2018). The scholars who portray PM this way see PM and PA as two sides of the same coin. For instance, Schrage, Kiron, Hancock and Breschi (2019) argue that PM performs two functions: appraisal and professional development. Through appraisal, they say, managers and employees are able to define performance objectives at the start of the year and assess performance outcomes at the end of the year. Their perception of PM is thus limited by their ideas about PA.

Other scholars have separated PM and PA, asserting that they are distinct concepts (DeNisi and Murphy 2017; DeNisi and Pritchard 2006). To these scholars, PA is a subset or an element of PM (Carroll and Dewar 2002; Levy, Cavanaugh, Frantz and Borden 2015); therefore, they define PM in broader terms. In this chapter we will adhere to the latter view, and define PM broadly, and as comprising all the elements concerned with compelling the organization to achieve its set goals. These include the organization's developmental needs, especially that of capacity, collecting performance data, communications between management and employees about the data and other aspects of work, as well as PA (Carroll and Dewar 2002; Pulakos and O'Leary 2011), and performance evaluation and feedback with a view to changing the likelihood and intensity of various organizational actions and to improve performance (Kotiloglu, Chen and Lechler 2019; Thielen et al. 2018). In this sense PM is a "continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization" (Aguinis 2013, p. 2); or, as Kinicki, Jacobson, Peterson and Prussia (2013) put it, "a process consisting of managerial behaviours aimed at defining, measuring, motivating, and developing the desired performance of employees" (p. 4). We will employ the definition of Aguinis (2013) because we feel it is more comprehensive and covers all the nuances of PM.

Now that we have defined PM in general, it is appropriate to explain what EPM and OPM are, and how they are different. There is no single definition of EPM; as noted by Thielen et al. (2018), it "is a narrowed form of the broader concept of PM as it solely applies to employees. The EPM implies a human resources management system that serves to continuously monitor the performance of employees. As such, it ensures that employees' efforts are aligned with the overall organizational objective" (p. 91). According to Waeyenberg, Decramer, Desmidt and Audenaert "EPM aims at identifying, measuring and developing employees' performance through a cycle of performance planning, monitoring and evaluation and are thus much

broader than merely performance appraisal.” (2017, p. 748), On the other hand, Fletcher and Williams (1996) see it as the creation of “a shared vision of the purpose and aims of the organization, helping each individual employee to understand and recognize their part in contributing to them, and in so doing to manage and enhance the employee performance of both individuals and the organization” (p. 169), while Heathfield (2007) defines it as “the process of creating a work environment or setting in which people are enabled to perform to the best of their ability” (p. 8).

The problem with these definitions is that they neglect to place the organization as a central feature of PM. This is particularly problematic for the public sector, as there are many variables, such as societal culture, administrative incapacity, citizen apathy, politics, the wider societal environment, and so on that affect the performance of public organization as compared to employee performance (Minogue 2001; Turner and Hulme 1997). Hence, making PSOs function effectively does not depend solely on the individual employees, but also on the general environment (Tapia-Videla 1976; Thompson 1967).

Furthermore, OPM involves recurring activities to establish organizational goals, monitor progress against these goals, and make adjustments to ensure that goals and results are achieved (Sahoo and Jena 2012), or what Pollitt (2018) refers to as “the measured achievements of departments, agencies, units and so on” (p. 168). From a systems perspective, the overall goal of OPM is to ensure that the organization and its subsystems (recurring processes, teams, departments, and employees) are optimally integrated and aligned (Mwita 2000). OPM is much more than the end-of-the-year PA, employee training and development (Aguinis and Pierce 2008). It is concerned with translating organizational goals into results and focuses simultaneously on individual employees, teams or groups, programs, processes, and the whole organization (Boland and Fowler 2000), as well as the external environment. Hence, it is focused on defining goals, controlling and managing the achievement of organizational outcomes and the means used to achieve them (Broadbent and Laughlin 2009; Varma, Budhwar and DeNisi 2008).

A number of processes integrated at the organizational level are thus found in OPM. These are the development of organizational strategic goals, performance planning, appraisal, and improvement, and societal environment (Aguinis, Joo and Gottfredson 2012). According to Srimai, Wright and Radford (2013), OPM functions to: assist strategy formulation (development) and implementation processes; support strategic decision making; influence organizational behaviours; facilitate strategic learning; and create strategic alignment. It also deploys a range of managerial activities designed to monitor, measure, and adjust aspects of individual and organizational performance through management controls, processes, and procedures of various types (Nutti, Seghieri and Vainieri 2013). In the next section, we will examine how OPM operates as a system.

ORGANIZATIONAL PERFORMANCE MANAGEMENT AS A SYSTEM

A number of scholars have described PM as a system (Boland and Fowler 2000; Bouckaert and Halligan 2008; Ferreira and Otley 2009; Gimbert, Bisbe and Mendoza 2010). Yet they do not discuss how it is a system nor how it should work as a system. In this section, we will

briefly discuss what a system is, establish that PM is a system, and examine how it can yield benefits at both the organizational and individual employee levels.

What is a system? The literature is replete with scholarly definitions. The simplest definition of a system is that it is a “set of differentiated and interdependent components” (Fillieule 2001, p. 15418): in short, a system is a whole entity with different parts. These parts are not, however, independent, but rather are interdependent to make the whole entity function appropriately. Building on this idea, Zafirovski (2015, p. 741) says that “a system is defined by constitutive, structural properties, thus as a set of constituents, *i.e.*, parts, units, components, or structures. By virtue of these properties, the social system represents and operates as a structured and differentiated complex.” A system is thus “an organized or complex whole; an assemblage or combination of things or parts forming a complex or unitary whole” (Johnson, Kast and Rosenzweig 1956, p. 367).

A system can be either open or closed (Katz and Kahn 1966; Scott 2003; Scott and Davis 2016; Thompson 1967). It is considered ‘open’ when it is able to interact with the general environment (Katz and Kahn 1966; Scott 2003). According to Boulding (1956), open systems are thus “systems capable of self-maintenance based on a throughput of resources from their environment ...” (cited in Scott and Davis 2016, p. 89). A public organization, as an open system, is therefore a system with “... a set of interdependent parts which together make up a whole because each contributes something and receives something from the whole which in turn is interdependent with some larger environment” (Thompson 1967, pp. 6–7).

Public organizations consist of many different units, with many members. These units and members are interdependent; thus, each unit depends on the others for the organization to achieve its overall objectives. This interdependence has been described as ‘sequential coupling’ in terms of leadership, work schedule, and work performance (Denis, Lamothe and Langley 2001; Mintzberg 1979). Hence, “changes in one part of the larger system will have reverberating effects on other parts of the system” (Schneider and Klein 1994, p. 88) – which will, in turn, affect both individual and organizational performances. Recognizing the open-system nature of government thus leads to concentrating on an organization's unique environment and its dependence on it (Kioko et al. 2011, p. i120).

PM as a system has been conceived of as comprising many different elements, including performance appraisal, indicators, and improvement initiatives (Boland and Fowler 2000), strategies of the organization, leadership commitment, organizational culture, stakeholder involvement, and continuous monitoring, feedback, dissemination, and learning from results (Fryer, Antony and Ogden 2009). In addition, setting objectives, measuring performance, feedback of performance results, a reward system based on performance outcomes, and amendments to objectives and activities, and the various control systems in the organization have all been identified as part of PM (Carroll and Dewar 2002; Verbeeten 2008). Furthermore, some have included issues relating to human resources management, such as planning, which focuses on job responsibilities, goals and expectations, coaching, performance review based on appraisal, and training as elements of PM (Frechette Jr. and Wertheim 1995).

Identifying the variables that constitute the system of PM is even more difficult when one adds the complex nature of the organization, including its units, stakeholders, and so on, to PM. In spite of this, we believe that the structure of the organization, as well as other elements of human resources management must be examined as part of the system. This is because these elements do affect the overall performance of individual employees and the organization. For example, some scholars have identified how bureaucratic systems impact on organizational

performance through red taping, which causes delays in how things are done (Holzer et al. 2019; Kaufmann, Borry and Dehart-Davis 2019; Kaufmann, Taggart and Bozeman 2019). As noted by Holzer et al. (2019), “public organizations with strong bureaucratic systems often excessively define roles and constrain individuals, thus inhibiting a proper context for sustaining performance systems” (p. 133). Thus, any discussion of OPM must take into account both the external and internal environments of the organization elements of PMS.

PERFORMANCE MANAGEMENT IN GHANA’S PUBLIC SECTOR¹

In this section I review the public sector PM in Ghana to illustrate the fundamental problems underpinning the development, institutionalization, and implementation of PM. A brief background dealing with how far Ghana has come in institutionalizing and implementing PM in the public sector will first be presented. It is brief because a number of studies have already analysed in depth the PM in the public sector in Ghana.

As in many developing countries, PM was never part of the ethos of the public service in Ghana.² The semblance of PM was only found in the Civil Service, which had an Annual Confidential Report System, where employees were appraised annually. PSOs’ performance was evaluated through their annual reports and financial statements of accounts, audited by the Auditor-General, while service delivery standards were not part of this evaluation system, and individual employee performance was not critically assessed.

Unfortunately, these systems for assessing both organizational and individual performance had numerous shortcomings. For instance, there were no provisions for agreeing on objectives and tasks, and no formal, objective basis for assessing the performance of workers, or way of identifying workers’ weaknesses, determining their training needs, or supporting promotion decisions. Commenting on the ACRS in the Civil Service, for example, Nkrumah (1991, p. 30) notes that the system “lacked confidence, no one being certain of its uses and benefits. It is this general lack of confidence in the ACR that has led to renewed interest in a different performance appraisal system in the Civil Service.” Similarly, with respect to other agencies, there was a performance assessment based on the annual financial management that focused on variables such as sales targets, production levels, time of delivery, profit projections and so on. Unfortunately, the assessment did not stipulate a set of policy directives that could be found in contracts or agreements of chief directors. It did, however, spell out the obligations and limitations of government and these agencies by defining what management could and could not do (Ohemeng 2009).

To rectify this situation, in 1994 the government decided to introduce a PMS in the Civil Service as part of its overall reform strategy, under the title *Civil Service Performance Improvement Programme* (CSPIP) (Dodoo 1997; Domfeh 2004). In 1997 it added the Performance Agreement System, an interactive process between chief directors and members of staff. In all, the PMS was introduced to change the organizational culture, but the focus was solely on measurement, making it a PA rather than a system-wide OPM. This narrow focus caused a number of problems: for instance, it was implemented in an ad hoc manner. The PMS was missing a clear feedback system on performance information and learning, which is an important aspect of PMS (Deschamps and Mattijs 2018; Van Dooren 2011). Overall, the PMS introduced was very prescriptive and top-down and without any meaningful measurement.

A significant part of what constitutes PM was therefore neglected (Ohemeng 2009, 2011). Furthermore, appraisal information was used to promote employees rather than improve organizational performance. It was not implemented objectively, calling into question both the information's reliability and whether goals were being achieved (Bawole et al. 2013; Ohemeng, Zakaria and Adusah-Karikari 2015). Some scholars have unsurprisingly described this system as "praise singing" (Bawole et al. 2013) or "simply much ado about nothing" (Ohemeng, Zakaria and Adusah-Karikari 2015). By the early 2000s there had been little improvement in the functioning of the Civil Service, and the expected cultural change had not materialized (Ohemeng 2009).

In spite of this, no attempt was made to institute an effective OPMS until 2007, when the government again tasked the Office of the Head of the Civil Service (OHCS) to develop a new one: again, for the Civil Service rather than the larger public service (Ohemeng 2011). This new PMS was to be in the form of a government legislated policy. However, a critical analysis of what the government proposed revealed that it was 1994 all over again, with the same preoccupation with measurement (appraisal) and failure to incorporate the other elements that constitute PMS (Ohemeng 2011).

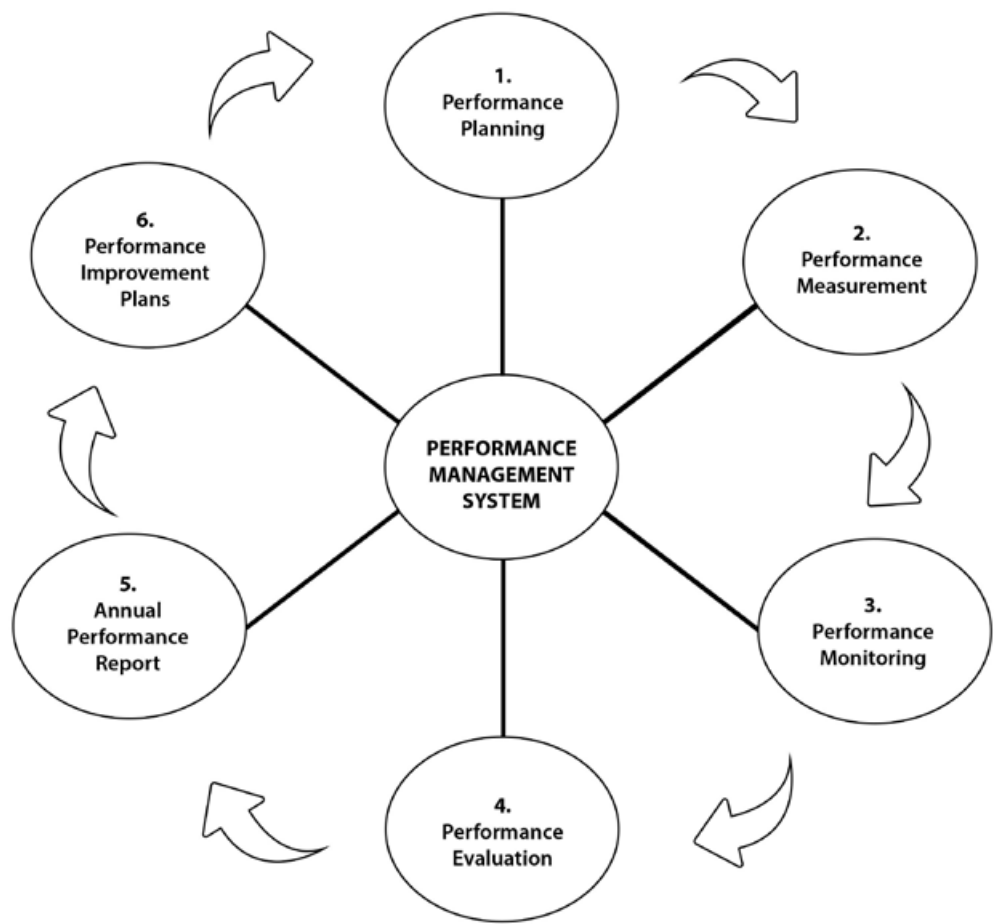
The administration that assumed power in 2009 made PM a fundamental issue of public governance, first developing what administrators termed PM for ministers, which focused on a performance contract between them and the President. The government switched to this system believing that it would lead to mutually agreed targets and programs, generating opportunities for the private sector and improved standards of living for the citizens (Ohemeng and Ayee 2016). It was also thought that the ministerial performance contract would enable ministers to sign performance contracts with their chief directors in order to achieve the [*political*] objectives of the government (Kpessa 2013). This new PM was narrowly focused on a performance contract between politicians and senior bureaucrats, with agreed [*political*] targets, which were expected to cascade down to the lower levels of the bureaucracy (Ohemeng and Ayee 2016). Once again, other elements of PM, such as individual and organizational motivation mechanisms, training, and even the use of performance information for the organization, were omitted, as was systematic assessment of employee performance and capacity needs, and organizational capacity.

The government's love of enhancing the image of the public service, rather than of the civil service at large, led it to portray PM a way of changing the organizational culture of public service organizations.³ This idea had begun in the early 2010s, when a White Paper on standard pay structure, commonly known as the Single Spine, tasked the Fair Wages and Salary Commission (FWSC) with developing a PMS for the public sector (Ohemeng, Amoako-Asiedu and Obuobisa-Darko 2018a). A turf war, however, between the Public Service Commission (PSC), the OHCS, and the FWSC resulted over which of them should develop a PM for the public service.

The government, realizing the Constitutional mandate of the PSC, stepped in, and instructed it to take the lead in developing a new PMS for the public service. With this development the government advised the FWSC and the OHCS to work with the PSC on a new PSM, especially in the area of linking pay to productivity and human resources management in the OHCS in general. The government's action helped to resolve what Ohemeng (2009) has described as institutional fragmentation and turf wars which limited the potential for coordination between these institutions in the development of PM.

With this intervention, the PSC, in collaboration with the FWSC and the OHCS, developed a new PMS in 2013, which public service agencies are now using. This system follows a logical succession of stages that facilitate explicit links between each phase of the PM process, including probation, appraisal, career development, promotion, rewards, and discipline (see Figure 12.1).

The new PM process has three key phases. These are: the planning stage; the mid-year review; and annual assessment. Each has a timeline; the planning phase is to be completed in January, the mid-year review in July, and the assessment in December. The organizations are encouraged to follow the timelines to allow the monitoring process to be effective. The OHCS, for example, is mandated to conduct performance monitoring. Major issues, affecting the implementation of the system were to be referred to the PSC for resolution and advice. The PSC periodically conducts audits of OPM practices to ascertain compliance by the PSOs (PSC 2013).



Source: PSC (2013).

Figure 12.1 *Performance management framework of public services in Ghana*

A careful look at the framework, though, uncovers a lack of rigour, in relation to the PSO. For example, there is no link to the external environment and no reference to the internal environment of PSOs. There is no mention about how to incorporate or address the impact of societal culture and motivation is not mentioned as a factor in the systems. It is therefore not surprising that the overall performance of the public service continues to be a cause for concern. Politicians and citizens, and even bureaucrats, continue to lament the quality of public sector performance. From the perspective of the politician, managing performance has become extremely difficult, leading to distrust between politicians and public servants. As observed by the President in 2018, PM has not led to any significant improvement in bureaucratic performance (Government of Ghana 2018; World Bank 2018).

From the perspective of the PSOs, the performance problem can be attributed to the inability of the PMS to effectively manage performance by integrating all of its aspects such as training and capacity issues. In fact, it has been noted that PM deals with the utilization of the outcomes of the review process to reinforce desired behaviour through deferential rewards and to identify training and development needs (Armstrong and Baron 1998, p. 87). Without such training, it will be difficult to make employees aware of the PM, help change the mindset of employees, and build their capacity for their work (Ohemeng, Amoako-Asiedu and Obuobisa-Darko 2018a).

In the case of Ghana, studies by Ohemeng, Amoako-Asiedu and Obuobisa-Darko (2018a, 2018b), found that training and capacity needs, for instance, do not flow from what is stated in the PMS, or even from a system of appraisal. Rather, such training and capacity needs are determined at the whim of some authority and may not include the developmental needs expressed by employees. The authors also discussed the lack of goal setting, something expected at the beginning of each year from managers. How has all this come about? The answer, as already indicated, is that the system does not properly integrate each component and other important elements of society that affect the service. Below we discuss five issues affecting system integration and the impact on organizational performance.

APPRAISAL AS A “STANDALONE” ELEMENT OF PERFORMANCE MANAGEMENT

One of the major problems affecting PMS is that many see PA as synonymous with PM. This is contrary to what open system theorists have argued. To these theorists, any system to improve such performance looks at the influence of these components and the environment (Boland and Fowler 2000). Unfortunately, when it comes to PM development and implementation, emphasis continues to be on appraising employees, beginning with setting targets, all the way to evaluating their achievement at the end of an appraisal cycle. Thus, PA, though an essential element of PM, has subsumed it, and made PM all about targets and metrics. The imbalance has led many to call for abolishing PA in favour of a holistic PM; these calls are evident in both the public and private sectors. Performance appraisal is concerned with managers and their subordinates setting performance goals. The aspiration is that if these goals are achieved, this will contribute to the overall effectiveness of the organization. Unfortunately, in many developing countries, PA has become a standalone practice and is detached from the PMS in place. In countries where PA has been incorporated into PM, it has become “much ado about nothing”, and this is also true in the Ghanaian case.

In Ghana, PA has been prioritized over all other areas of PM, and the external environment is not seen at all as part of the system. Public servants are obsessed with annual performance assessment, and not the overall performance of the organization and what citizens and other stakeholders think about PSOs. While some recent studies suggest that a significant number of public servants believe in the efficacy of PM for the sector (Ohemeng, Amoako-Asiedu, and Obuobisa-Darko 2018a, 2018b), attention has continuously focused on setting performance targets and assessing employee performance through PA. It is also well known that neither managers nor their subordinates take PA seriously. For example, managers hardly ever sit down with subordinates to develop goals and metrics for the fiscal year, as they are expected to. In cases where it does happen, managers actually allow their subordinates to set their own goals, without their input. Things only get serious when people are due for promotion and need their performance evaluations requiring them to scramble to fill previous years' evaluation forms (Bawole et al. 2013; Ohemeng, Zakaria and Adusah-Karikari 2015).

The few metrics generated from such appraisals are not linked to either individual or organizational needs. Information generated from such assessments, for instance, has no impact on issues like capacity building, at either the individual or organizational levels, and service delivery in general. Thus, for most employees PA has become just a normal routine rather than a serious aspect of PM (Ohemeng, Zakaria and Adusah-Karikari 2015). The PA is not even linked with other aspects of a PMS such as incentives and the overall goals of the organization. The need to see PA as an element of PM and effectively integrate it with all other elements of the PM, as well as link it to the general environment is therefore paramount if there is to be any chance of such appraisals improving organizational performance. The same applies to socio-cultural elements, which will be discussed next.

INTEGRATING SOCIO-CULTURAL ELEMENTS INTO PERFORMANCE MANAGEMENT SYSTEM

Open system theorists argue that organizations are highly influenced by the external environment. According to Scott (2003), in an open system the “environments shape, support, and infiltrate organizations” (p. 29). In such a system, external conditions impinge upon the choices made by the organization and the environment presents decision-makers with both opportunities and constraints. A strong part of the environment is societal culture, which influences how both employees and the organization behave at any given moment. This is because “culture is deeply embedded, transcends the workplace, and relatively immutable. As such, societal culture is central to employees' perception and understanding of work, and the treatment they expect, with implications for attitudes, behaviors, and job performance” (Dastmalchian et al. 2020, p. 356).

Performance management, as part of the broader human resources management system, is profoundly affected by both existing organizational and societal cultures (Mendonca and Kanungo 1996; Said 2020; Seddon 1987; Turner and Hulme 1997). This is because PMSs “are [*part of*] cultural artifacts that carry messages to organization members about the appropriate relationships between parties” (Jones and Culbertson 2011, p. 179). Societal culture are the ideas, values, norms, and meanings shared by members of a society and perpetuated through families and communities. These values and norms shape the way employees behave

in organizations, and these behaviours must be noted in any PMS (Debrah 2001; Merrill and Reid 1985).

In public organizations, culture influences the processes by which organizational knowledge and changes are undertaken, legitimized and distributed. Culture thus confers legitimacy on organizational structures and on the social controls and sanctions that values exert on behaviour at the organizational and individual levels (Lachman, Need and Hinings 1994). Indeed, societal culture has a great influence on organizational cultural values and beliefs, as well as the administrative structures adopted in organizations. For instance, societies in developing countries are hierarchically structured, with strong power distance, masculinity, uncertainty avoidance (Hofstede 1983; Said 2020; Seddon 1987), and respect for age (Gardiner 1996). It is therefore not surprising that Gardiner (1996) says that “age, to all intents and purposes, is synonymous with organizational status” (p. 500).

In developing countries, societal culture continues to affect not only PM (de Waal 2007; Mendonca and Kanungo 1996; Said 2020; Seddon 1987), but management in general in public organizations (Leonard 1987). Ghana is therefore not an exception (Price 1975). In fact, in Ghana, as noted by Debrah (2001), “society, traditional practices, and culture permeate management of modern organizations. Hence, a complex situation has emerged whereby traditional Ghanaian behaviour, beliefs, practices, and attitudes, which often militate against Western modern management systems and practices, seriously undermine organizational performance” (p. 196). Respect for age, for instance, is more important than job performance in the public sector (Ohemeng 2009). Because officials in the public sector come from an environment where it is believed that one should not reprimand an elderly person, or talk to or look at them in a certain manner, it is difficult for a younger official to question and appraise an elderly official. The concept of respect for elders is therefore eating into the system. If a manager is younger, it is difficult for him or her to look at an elderly person, who is a junior, and then reprimand him or her. It is therefore difficult for a young manager to discipline older subordinates (Ohemeng 2009).

An essential socio-cultural factor, which continues to affect PM is power distance (Aguinis, Joo and Gottfredson 2012; Mendonca and Kanungo 1996; Said 2020; Seddon 1987). Power distance “concerns how less powerful organizational members accept and expect that power is distributed unequally” (Fletcher and Perry 2001, p. 132). In a nutshell, it is the “degree of inequality existing between a less powerful and a more powerful person, which in industry would be represented by the superior–subordinate relationship” (Bochner and Hesketh 1994, p. 235). According to Fletcher and Perry (2001), “when power distance is large, supervisors and subordinates consider themselves unequal and subordinates are more dependent on their supervisors. In addition, employees are afraid to express disagreements with their supervisors and supervisors tend to have (and it is preferred that they have) an autocratic or paternalistic management style” (p. 132). Power distance, as a cultural element on developing countries, thus affects the relationship between bosses and subordinates, which in turn affects PM, especially the development of an employee–supervisor partnership in PM (Mendonca and Kanungo 1996; Seddon 1987).

Ghana, according to Aryee (2003), “is a high power distance country, a value orientation that finds structural expression in authoritarian leadership and an emphasis on status differences” (p. 126). Thus, based on this power distance, subordinates are not allowed to initiate or come out with innovative ideas on how to deliver service. There are thus low levels of interaction between management and ordinary staff in the formulation of organizational strat-

egy (World Bank 2018). In this power distance cultural environment, people, even managers, simply cannot also be critical of someone in their presence. People cannot look at others' faces and tell them they are not performing well (see also Seddon 1987). The society expects people to keep certain things in mind rather than to speak out. Hence, one can see many things going wrong in the organization, and yet feel that he or she does not have the duty to challenge them, because the person responsible for those wrongs is an older person, or is a boss. In view of this, public officials do not have the courage to challenge policies and practices in the workplace. Therefore, objectively appraising people continues to be greatly compromised. Officials are not objective enough in appraising their subordinates, and vice versa (see Marrelli 2011). As a result, everybody gets above the pass marks of the appraisal system, despite persistent problems in the very areas that people are being appraised in. Appraisal information is, therefore, not reliable, and it is difficult to ascertain whether people are performing or not. Furthermore, high uncertainty avoidance makes public servants abhor risk taking and organizational changes, which culminates in the reluctance of individuals to take personal initiatives outside prescribed roles.

The cultural element of individualism/collectivism (i.e. interdependence) is seen as important element affecting PM implementation (Aguinis, Joo and Gottfredson 2012; Bochner and Hesketh 1994; Fletcher and Perry 2001; Hofstede 1980). The social welfare system, unlike that in the developed world, involves a high degree of collectivism, with strong extended families, where members, both nuclear and extended, are expected to take care of each other. Consequently, sanctioning personnel, especially sanctions that may lead to the loss of jobs, becomes extremely difficult for managers, knowing it may impact not only the individual but the entire family. Sanctions for poor performance are hard to apply in such a context in the sense that sanctioning poor performers, who may be the sole breadwinners, and as such may be responsible, even, for their elderly parents, becomes difficult, especially when such sanctions may lead to the loss of wages or, even, outright dismissal. Thus, these traditional practices have "compromise[d] the integrity and efficiency of the formal bureaucratic system by introducing an element of subjectivity in management practices, such as recruitment, performance appraisal, and compensation" (Debrah 2001, pp. 196–197).

For PM to be effective, ways must be found of overcoming such societal rules as they impact on organizational performance. One way is to examine, from a behavioural perspective, how such cultures affect PM and to develop factors that may help reduce culturally induced behaviours. An OPM should be found that incorporates parts of such behaviours into the system.

INTEGRATING EFFECTIVE MOTIVATION STRATEGIES IN THE SYSTEM

Scholarly interest in motivation and performance has grown exponentially in recent years (see Boyd 2020; Vandenabeele and Walle 2008). To these scholars, an effective motivation system as part of the PM is a *sine qua non* (Collins 1985; Greener 2019; Heinrich and Marschke 2010), if PM is to be successful. Motivation is a vital requirement for improving individual and organizational performances. Hence, motivation through different forms of incentive plans and involving different stakeholders should be a prerequisite that must be integrated into the development of PMS so as to serve as a powerful stimulus for employees, the organization,

and society in general (Collins 1985; Greener 2019). This is because effective motivation sustains and maintains human behaviour, which in turn affects performance.

Motivation is a complex issue to understand due to the fact that different people are motivated differently (Perry and Wise 1990; Perry, Hondegheem and Wise 2010). Consequently, it has been difficult for scholars to exactly define the concept and at the same time point out the exact factors that may motivate people. We conceive as “the inner force that drives individuals to accomplish personal and organizational goals” (Lindner 1998). Motivation thus deals with the psychological process that gives behaviour purpose and direction or, simply, a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford, Bedeian and Lindner 1995; Kreitner 1995).

Motivating employees in the organization may take two forms: motivation to be in a job, and motivation to perform (Dieleman, Toonen, Touré and Martineau 2006; Perry and Wise 1990). For motivation to be effective, managers need to understand what motivates employees within the context of the roles they perform (Greener 2019). In a study of what motivates employees, for example, Smith (1994) identified issues such as interesting work, appreciation, the feeling of being in on things, job security, good wages, promotion and growth, good working conditions, personal loyalty, tactful discipline, and sympathetic help with personal issues as most important for employees.

Unfortunately, policy makers and managers tend to misunderstand motivation when it comes to PM (Paarlberg and Lavigna 2010). As Smith (1994) pointed out, policy makers and managers only see money as the major motivator of employees, for example. This perception has led to the development of misguided incentive structures in PM, not only in developing countries, but developed ones as well (Moynihan 2008; Perry and Wise 1990). Such plans have mostly focused on EPM rather than OPM.

It has been established that the essence of motivation is to promote desirable behaviours that will lead to increased individual performance, which may lead to improved organizational performance (DeNisi and Pritchard 2006). In the attempt to improve motivation in the organization, then, a good starting point is developing a system that achieves the objectives of the organization. Maximization of individual performance will follow, with employees exerting maximum effort. This has been described as the “focus, will, capability” performance model (Smith 1997), enabling employees to focus on the right objectives, aligned with the organization’s strategies, and to increase their ability to perform (Waeyenberg, Decramer, Desmidt and Audenaert 2017).

However, this focus on individuals must be moved towards the entire organization, as well as to external stakeholders when it comes to PM, as open systems tells us (Albanese and Van Fleet 1985; Ladley, Wilkinson and Young 2015; Smither 2012). Organization-based PM with organizational incentives that takes stakeholders into account has a number of advantages, including encouraging employee cooperation among themselves, across organizations and external stakeholders. Furthermore, a good OPM is critical for building workforce capacity, which is a big problem in developing countries. A well-developed OPM system with equally better developed organizational objectives can thus lead to improved individual, agency, service performance, and effective collaboration with citizens, which will positively impact the community’s perception of the sector as a whole (Andrews, Boyne and Walker 2011; Hamilton, Nickerson and Owan 2003).

For OPM to work effectively, therefore, a good incentive structure that combines both extrinsic and intrinsic types of motivation (Georgellis, Iossa and Tabvuma 2010; Greener

2019) that focuses on the needs of employees, especially the ability to build their capacity, sympathetic understanding of both their organizational and personal needs, and a good organizational working environment, a collaborative approach across different organizations, and involving stakeholders and citizens should be developed and incorporated in the PMS (Dieleman, Toonen, Touré and Martineau 2006; Heikkila and Isett 2007).

In developing such a plan, there is the need to look at the organization and its environment in totality, especially non-tangible issues that affect human behaviour. Such a plan must also be perceived as fair and equitable by stakeholders. Monetary motivation must therefore be shed, or looked at as a last resort, if necessary. In short, developing a good incentive plan that combines both extrinsic and intrinsic rewards must be well instituted. This is because human behaviours that drive performance are “driven by other-regarding motives, not only by self-concern and self-interest” (Perry, Hondeghem and Wise 2010, p. 687), with the latter being the main focus of PM incentive plans.

Unfortunately, the lack of an incentive structure that focuses on both extrinsic and intrinsic rewards, and the inability to implement even extrinsic systems, such as pay-for-performance, have contributed to the lack of performance of officials in public institutions, which continues to affect the overall performance of such institutions in the country. For example, performance contracts signed by institutions stipulate some form of rewards (bonuses) for officials who dutifully perform their assigned functions that raise the image of the organization in terms of the service provisions, and sanctions on those who fail to achieve set targets. Such stipulations are often ignored. At the same time, the PMS has no incentive system to motivate citizens to participate in OP evaluations in any form. The failure of government to establish and institutionalize a better incentive system thus continues to be a contributory factor in the poor performance of the PMS.

For any incentive structure to work better, organizational leaders must develop “various counterforces” (Albanese and Van Fleet 1985) to deal with selfish goals that may work against the larger interests of the organization and the society. Albanese and Van Fleet (1985) have suggested three ways to do this. They are: inducements to give the rational individual a special incentive for contributing to the public good; some form of coercion to elicit public good behaviour; and making the output of each group member identifiable or visible (pp. 127–128).

BREAKING DOWN ORGANIZATIONAL (BUREAUCRATIC) SILOLIZATION

PSOs exist in ecologies that show a relationship with the general environment (Scott 2003). As a result, PSOs cannot live in isolation as closed system theory indicates. In an open system, therefore, PSOs form coalitions and alliances with other organizations and actors from the general environment to gain inputs or resources (Scott 2003). Consequently, organizations do not only rely on exchange relationships within organizations (and their subunits), but other organizations and stakeholders in the environment (Scott 2003) for their effective performance. Unfortunately, this relationship is not perceived in the development and implementation of PM.

One issue, which thus continues to affect PM in developing countries, is what has been described in the literature as organizational silolization, or the “bureaucratic silo” (Duffy and Cook 2018; Stone 2004). Organizational silolization refers to the notion of inwardly focused

organizational units, where external relationships with other units in the organization, as well as with other organizations in the same environment, are given insufficient attention (Vatanpour, Khorramnia and Forutan 2013). A number of scholars have discussed the problems associated with silos, including that it impedes both horizontal and vertical coordination, contributes to communication breakdowns internally within organizations and across organizations, and thus can lead to the duplication of projects and programs (Peters 2015). The breakdown in communication also impedes cooperation and coordination between unit participants and other stakeholders, leading to the development of unacceptable behaviours and, to some extent, ‘turf wars’ both within and outside the organization (Ohemeng 2009). The result is that the organization falls short of making its best contribution to the needs of immediate and wider groups, which then affects its performance.

Unfortunately, in the public sector in many developing countries there are strong bureaucratic silos, which affect coordination and facilitate collaboration among the various subunits and between the organization and other, external ones (Brillantes and Perante-Calina 2018). This is one of the major problems affecting the implementation of OPM in Ghana. For instance, as recently as 2018, in his annual report the OHCS lamented that this silolization continues to affect the overall performance of the service (OHCS 2017; see Mayne, de Jong and Fernandez-Monge 2020).

In Ghana, three main issues involving organizational silolization continue to affect PM. The first is institutional fragmentation, leading to turf wars among the major players in PM (Ohemeng 2009) and, to some extent, among units or directorates within the same organizations. Until 2013 the question of which institution should develop a PM devolved into an overt tug-of-war between the OHCS, the Fair Wages and Salaries Commission (FWSC), and the PSC. Each of these institutions claimed to be independent, and to have the mandate. Although that question was answered when the PSC gained the support of the presidency, the FWSC and the OHCS continue to feel shortchanged, and their cooperation is now half-hearted at best (Ohemeng and Ayee 2016).

To overcome this problem, reformers must draw on heads of organizations, as well as units, in system-wide PM efforts, rather than continuing to limit themselves to HR managers at the unit level. Support from all unit heads, for example, should help overcome any resistance from other units, particularly those fearful of the impact on their work. Such an approach can also help minimize turf issues, as the PSC sought to do when it engaged the OHCS and the FWSC as equal partners in the development of the system. Similarly, at the organizational level, unit or directorate heads can act as champions of the system and help with training staff, rather than the current state of affairs, with HR managers doing such training. They can also help to promote an organizational culture that values performance improvement through teamwork.

The second issue pertaining to silolization and its impact on PM relates to the relationship between units within the same organizations. Under the current PMS the HR departments are supposed to spearhead its implementation at the organizational level. Unfortunately, it is precisely this unit that does not get “respect” from the four- or five-line units or directorates in the Civil Service, for example, and the other organizations. HR units are the least staffed and are considered the “Siberia” to which unwanted – in other words, poorly performing – employees are sent. They cannot share information with or extract it from other units because they are the least resourced organizational units.

Third, breaking silos can also shift the focus of PM development and implementation from individuals to teams. Breaking or dismantling bureaucratic silos will improve communication

both vertically and horizontally, and across organizational boundaries. Communication is key in the implementation of PM in the public sector (Holzer et al. 2019; Paarlberg and Lavigna 2010; Pulakos and O'Leary 2011). Effective communication influences employee behaviour, as well as enhances the interaction between public institutions and their stakeholders (Holzer et al. 2019; Paarlberg and Lavigna 2010). As explained by Pulakos and O'Leary (2011), "done effectively, PM communicates what's important to the organization, drives employees to achieve results, and implements the organization's strategy. Done poorly, PM not only fails to achieve these benefits but can also undermine employee confidence and damage relationships" (p. 147).

ENGAGING EXTERNAL STAKEHOLDERS AS PART OF THE PROCESS

Open systems theorists continue to tell us about the permeability of organizational boundaries that allow information from the environment to infiltrate into the organization (Scott 2003). Such scholars have increasingly shown the recognition of external stakeholders' inputs as essential elements for organizational performance (Ancona and Caldwell 1992; Curnin 2016; Thompson 1967). Stakeholders can therefore be actively engaged in assessing and influencing the overall performance of the organization, whether informally or formally (Bamberger, Biron and Meshoulam 2014). It is therefore not surprising that the literature on PM has consistently advocated that for PM to work effectively in the public sector, there is the need to involve external stakeholders, particularly citizens, in the development and implementation of PM in the public sector organization (Heikkila and Isett 2007; Woolum 2011; Yang 2008). According to Heikkila and Isett (2007), successful implementation of PM systems is associated with external support, not only from top management and elected officials, but from citizens as well (p. 239). Woolum (2011) has similarly argued that incorporating the views of citizens can provide information about issues and specific programs important to them and other external stakeholders. Citizens must not be seen as passive stakeholders, but as integral to the entire process in a more collaborative manner. This idea is in line with what Andrews and Beynon (2017) argue:

Since organizations are open systems comprised of external as well as internal coalitions, social exchanges are at the heart of the processes through which intra and interorganizational structures of order are negotiated. Thus, patterns of external managerial networking with key stakeholders are likely to play a large part in determining the relative success with which an organization interacts with its environment. The need to manage environmental dependencies is becoming ever more important as the boundaries between organizations and their stakeholders become increasingly fuzzy, perhaps nowhere more so than in the public sector where the recent 'turn' towards networked forms of governance and service delivery has been an especially profound. (p. 238)

Unfortunately, in Ghana, stakeholder (in particular citizens) involvement in development, implementation, and indeed overall knowledge of PMS is completely non-existent (Adei and Boachie-Danquah 2003; Ohemeng 2009). Citizen demand for performance improvement is therefore alarmingly weak; there is no pressure on public officials to perform. Public involvement in and awareness of PM is indispensable for the system to be effective. Extensive public demands, it is believed, will put more pressure on public organizations to deliver. The need

to consider and incorporate citizens from the general environment is paramount if PM is to work effectively. The public's attitude to state organizations, which evolved out of the colonial period, has unfortunately led to indifference and passivity.

CONCLUSION

PM continues to be adopted and implemented in public organizations universally. Unfortunately, according to a number of scholars and practitioners, it continues to be a broken system. In fact, this idea has led many to call for an end to PM. The question then is, how can a PMS be developed and implemented to achieve efficiency, effectiveness, and accountability in the public sector? The objective of this chapter was to discuss some of the reasons why PM continues to fail in improving the performance of PSOs in the context of developing countries with particular reference to Ghana.

To address this fundamental problem, the chapter called for an effective, integrated system of PM, where all the elements that constitute it must be looked at as one holistic system that should be able to interact with an organization's internal and external environments. This notion stemmed from the fact that in most developing countries, and in Ghana in particular, a number of PM elements have become standalones, while at the same time the relationship between PM and the organization's external environment continues to be ignored in its development, institutionalization, and implementation.

The chapter, therefore, calls for the effective integration of a system that respects all elements of a PMS, as well as the internal and external environments of the organization. This call has been necessitated by the argument that formal organizations are collectives of groups and individuals that pursue varied and independent goals and interests, as well as rely on the general environment. Hence, it is our view that to improve organizational performance it is necessary to have a system that takes care of all the elements that might affect the system's performance (see for example, World Bank 2018). Such a system should include the organization and its subsystems, issues that impact not just individual behaviours and attitudes, not just group norms and interactions, not just organizational structures and strategies— but all of these (Nankervis and Compton 2006, p. 83). This calls for the creation and building of synergy among organizational subsystems, processes, strategy, structure, culture, and capacity through the breaking down of organizational silos, taking into consideration societal culture, developing effective motivational strategies and effective and dynamic citizen engagement, and seeing performance appraisal as an element of the system. Doing so will enhance the effective implementation of PMS, which will benefit not only individual organizational members, but the organization at large.

NOTES

1. This section draws significantly from the author's previous works on the subject.
2. The 1992 Constitution of Ghana defines the public service as including all public sector agencies and organizations. Article 190 section 1, defines the public service as consisting of (a) the Civil Service, the Judicial Service, the Audit Service, the Education Service, the Prisons Service, the Parliamentary Service, the Health Service, the Statistical Service, the National Fire Service, the Customs, Excise and Preventive Service, the Internal Revenue Service, the Police Service, the

- Immigration Service; and the Legal Service; (b) public corporations other than those set up as commercial ventures; (c) public services established by this Constitution; and (d) such other public services as Parliament may by law prescribe.
3. Until 2013, what we understand as PM was only being implemented in the Civil Service. Other PSOs implemented their own assessment systems. For example, State Owned Enterprises only looked at financial performance.

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13. The high performance government organization: a different approach to effective improvement¹

André de Waal and Paul Jan Linker

Many of us live in countries where life is very good in many respects. The country's government is making a major contribution to this by doing good work in countless ways. The list of executive government services is long and there is some form of government support for every aspect of life. And a lot goes well. But many civil servants still have the feeling that they can and must do better. Because there is hardly any time to think back, to take some distance, to have a good conversation, to strengthen relationships, the issues of the day dominate. Words such as connection and dialogue are spoken regularly, yet management does not take the time to listen with attention to civil servants. In the meantime, the next organizational change, process change, or introduction of a new system is already taking place. The organization asks its people to spend a lot of time creating reports, notes and accounting documents without being clear who or what benefits from that. New improvement actions are started regularly, but they are hardly ever completed properly, let alone that they stick. It is always said that "more focus" is needed, and that people should address each other when things are not going well, but root causes prevent these intentions from being transformed into actual improvements. Our research into high-performing government organizations shows that government organizations perform between 6+ and 7- (on a 10-point scale). That may be sufficient but not outstanding. After all, if government organizations increase their ability to perform better, civilians would obtain more public value for their tax money. To help government organizations increase their performance, we developed a high performance government organization (HPGO) framework in a scientific way. In this chapter we discuss the development of the HPGO framework, taking into account the various pressures governmental agencies and civil servants are under, and illustrate its application at several governmental organizations. In addition, we discuss the role of performance management in the HPGO.

LIMITED CHANGE ABILITY DUE TO HIGH PRESSURES

Our society is developing at an increasingly fast pace in the economic, ecological and social fields (Accenture 2005; Karyotakis and Moustakis 2014; Prakash and Potoski 2016; Public Sector Performance Commission 2011; Rodríguez-Pose and Di Cataldo 2015). This concerns developments such as the aging population, ever-increasing population growth, more complex social relationships in society, concerns about the environment and quality of life, the increasing role of technology, declining trust in government and increasing demands from the public for receiving more results for their tax money. A government agency has to achieve an almost

impossible balance between efficiency, flexibility and quality, because everything has to be cheaper, faster, better and more public value oriented.

Unfortunately, from 2008 onwards, the global financial and economic crisis led to large changes in governments of many countries (Karyotakis and Moustakis 2014; Prakash and Potoski 2016; Rodríguez-Pose and Di Cataldo 2015). For instance, in the Dutch government budgets were cut even further, and with a forced optimism the slogan “more with less” was introduced. The government saw the “cleansing” crisis as an opportunity to implement far-reaching reforms and reorganizations within government. Major cutbacks were (prematurely) recorded as a result of digitization projects, which were regularly accompanied by streamlining processes or making them more “lean.” For example, processes were first set up per product or service and were now organized in customer or client chains. With mergers and reorganizations it was hoped to realize economies of scale. However, in many organizations good employees left and it therefore became a challenge to retain current talent and to recruit new talent. But then there was little formative space for that. In combination with the aging population it became increasingly important to support the remaining employees and managers in their personal development. In addition, the walls between the various policy areas, and with that between government departments, were being torn down and support processes were scaled into Shared Service Centers, thus achieving more efficiency. Also, major tasks in the field of care, youth and work were decentralized to the municipalities, which was also accompanied by spending cuts. These changes were not always resounding successes, as well-known examples of problems at Dutch institutions such as the Tax Office and the Social Insurance Bank (SVB) have shown (Grotenbreg 2019; Kickert 2012; Rekenkamer Rotterdam 2006; ter Bogt 2008).

In the aftermath of the crisis, the global economy has been doing quite well, but many government organizations, both central and local, are still busy with the implementation and aftercare of the aforementioned measures. Since a large part of the costs of government consists of personnel, the impact on the workforce was large: sometimes organizations had to let go of up to 30 percent of their personnel. Nonetheless, if large internal projects do not go well there is still great pressure to realize the agreements, despite budget cuts. This is not that easy because many (good) people were cut back, while the new ways of working are not yet in place or functioning properly. At the same time, the number of changes to existing tasks and assignments increased. Moreover, various stakeholder groups are becoming increasingly active, using social media to increase pressure on governmental performance. Government organizations thus have to do much more to build and maintain relationships and to conduct a good dialogue with the various stakeholders, while there is less time and budget (Doh 2014). Finally, as a result of increasing polarization in politics in many countries, there is a strong call from politicians for quick and visible results, because voters are proving to be less loyal than in the past and can easily go elsewhere when promises made are not kept. No wonder that government organizations in the past decade have experienced tough times with the associated pressures, as depicted in Figure 13.1.

In this context, governmental organizations try to improve by introducing methods such as lean management, to put in more effort, calling for agreements to be better met by all involved parties, or partaking in excellence awards to stimulate internal improvement (Ahrens 2013). Sometimes responsibility is shifted to the professional in the hope that more self-management or self-organization is the solution. But this all has not led to substantial improvements. So

which ineffective patterns lie under the current ways of working and how can governmental organizations break free of these patterns?

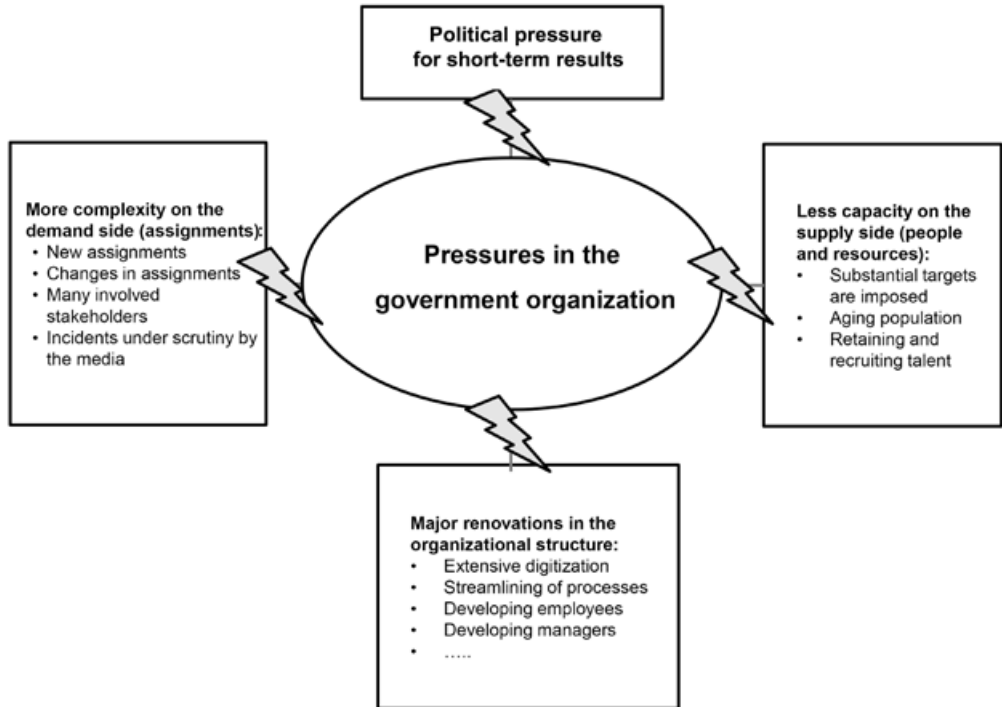


Figure 13.1 Pressures in government organizations

WHAT DOES IT MEAN FOR GOVERNMENT TO BE HIGH-PERFORMING IN THIS CONTEXT?

Reading the foregoing section, could say that it is difficult, perhaps impossible, for a government organization to become and stay high performing in such a context. In this respect, we first need to clarify what we actually mean by a high-performance government organization. We use the following definition (derived from the definition of a high-performing organization):

The high-performance government organization creates more public value than comparable government organizations over a period of at least five years, by focusing in a disciplined way on what really matters to the organization. Public value is created by achieving high-quality results for society, with the resources made available for this.

Looking more closely at the definition, it becomes clear that high performance is relative. HPGOs are government organizations that perform better than similar government organizations in both good and bad times. There are government organizations that, despite differences

in context, are similar in terms of their work package. Examples are municipalities and provinces. Governmental officials could state that they work for an organization that is unique as it is the only organization with this particular legal task, but all government organizations are comparable at a higher level of abstraction. For example, government organizations all have to deal with translating political wishes into the development and implementation of policies, and monitoring the effects of those policies. In addition, they all have “clients” in the form of civilians and enterprises. Executive organizations perform government tasks on behalf of one or more (policy-making) ministries or within a legal framework. These organizations are often comparable in terms of size or type of tasks. For example, there are several large executive organizations that collect or provide large flows of money.

But what does “high performance” actually look like in the context of the government? We asked this question during a series of interviews with government officials.² In these interviews, the service and support aspects of government work were the main topics. For example, the interviewees were of the opinion that the HPGO always puts the interests of the civilians at the center and contributes to a meaningful life and well-being of those civilians. The HPGO offers a consistently high level of service, helping civilians quickly and well with good products and services that they are very satisfied with. The HPGO does not hide behind the rules and regulations and does more than is (legally) expected from it. The wishes of civilians can be at odds with the current or longer-term public interest, and the HPGO will carefully consider these sometimes conflicting interests and will mainly let the longer-term public interests prevail over short-term “successes.” With the HPGO, customer orientation is not the same as doing everything that every civilian demands; it primarily supports the self-reliance of civilians. It does this by involving them in finding solutions to problems or in seizing opportunities, and by staying in good contact with them. The administrative organization of the HPGO supports administrators and politicians well, but does not hide behind the political primacy and provides counterforce if necessary. When it comes to taking important, perhaps even unpopular, measures it is quite easy to indicate that “politics” requires these to be taken, both in terms of explaining the measures to employees and civilians. After all, politics will always take precedence. However, the management of the HPGO does not hide behind political decisions. Also, civil servants of the HPGO do not make it easy for themselves in their contact with civilians by uttering comments such as “Sorry, I cannot help this, it has been decided by the politicians” or “That is the law or the policy.” In the HPGO, civil servants will not only act according to the letter of the law but they will also explain the spirit and meaning behind the policy. They also ensure that they, in their preparatory and advisory role, exert influence on good decision-making. And ultimately they will show joint responsibility for the decisions taken.

During our interviews, government officials also shared their views on how the HPGO achieves the aforementioned high performance: the HPGO always has the basics of operations in order and can quickly adapt to changes in society, makes choices about what matters most, adheres to those choices and accepts the consequences, knows how to find a balance between randomness and customization, and is proactive by always looking for opportunities to deliver more public value.

WHAT IS A HIGH PERFORMANCE GOVERNMENT ORGANIZATION: THE RESEARCH

But what constitutes a HPGO, what does it look like, what does it do? A scan of the academic, and especially the management, literature shows that many publications on excellence and high performance have appeared in the last two to three decades.³ Unfortunately, many of these publications concern the private sector, while few have appeared that are specifically about high performance in the government. There are, however, many publications about increasing the efficiency and effectiveness of the public sector through the New Public Management (NPM) approach and later the Public Value Management approach (ter Bogt, van Helden and van der Kolk 2015). However, the results of these approaches are nowadays, at best, qualified as varied, but more often as disappointing. They have not (yet) achieved their goal of making the government better (Atreya and Armstrong 2002; Baclija 2012; Larbi 1999; Mongkol 2011; Rosta 2011). This means that there is a need for new ways that can actually transform government organizations into high-performing organizations. One method that has become available in the past decade and can offer opportunities for government organizations is the HPO framework (de Waal 2012). This framework has been scientifically developed based on globally collected data from the private, non-profit and government sectors. The framework is a conceptual structure that managers can use when deciding what to do to improve the performance of their organization in a sustainable way. As the framework is also based on data gathered at governmental organizations and the statistics on this data revealed the same structure of five factors and 35 accompanying characteristics, we propose to use this framework to create HPGOs.

DEVELOPING THE HPO FRAMEWORK (ON WHICH THE HPGO IS BASED)

The HPO Framework was developed in two phases: a descriptive literature review and an empirical study in the form of a worldwide questionnaire (de Waal 2006, rev. 2010, 2012). The first phase consisted of examining 290 studies on high performance and excellence. To identify HPO characteristics, elements were extracted from each of the publications that the researchers regarded as essential for high performance. These elements were then entered in a matrix, which listed all the factors included in the framework. Because different authors used different terminologies in their publications, similar elements were placed in groups under a factor and each group – later to be named “characteristic” – was given an appropriate description. A matrix was constructed for each factor listing a number of characteristics, and 189 characteristics subsequently were identified. Next, the weighted importance of each characteristic – that is, the number of times it occurred in the individual study categories – was calculated. Finally, the characteristics with a weighted importance of at least 6 percent were chosen as the characteristics that potentially make up a HPO, resulting in 54 characteristics.

In the second phase, the 54 potential HPO characteristics were used to compose a questionnaire that was administered during lectures and workshops to managers all over the world. The respondents were asked to indicate how well their organization performed on the various HPO characteristics on a scale of 1 (very poor) to 10 (excellent) and also how its

organizational results compared with its peer group. Two types of competitive performance were established (Matear, Gray and Garrett 2004): relative performance versus competitors, and historic performance of the past five years (possible answers: worse, the same, or better). These subjective measures of organizational performance are accepted indicators of real performance (Dawes 1999; Heap and Bolton 2004; Jing and Avery 2008). The average RP and HP scores for each organization were calculated and related to the HPO scores as given by the respondents. The questionnaire yielded 2,015 responses from 1,470 organizations. Factor analysis yielded 35 characteristics with both a significant and a strong correlation with organizational performance. These were divided into five categories. The factor scales showed acceptable reliability (Hair et al. 1998) with Cronbach alpha values close to or above 0.7. The five HPO factors are (in Appendix 13.1 the accompanying 35 HPO characteristics are given):

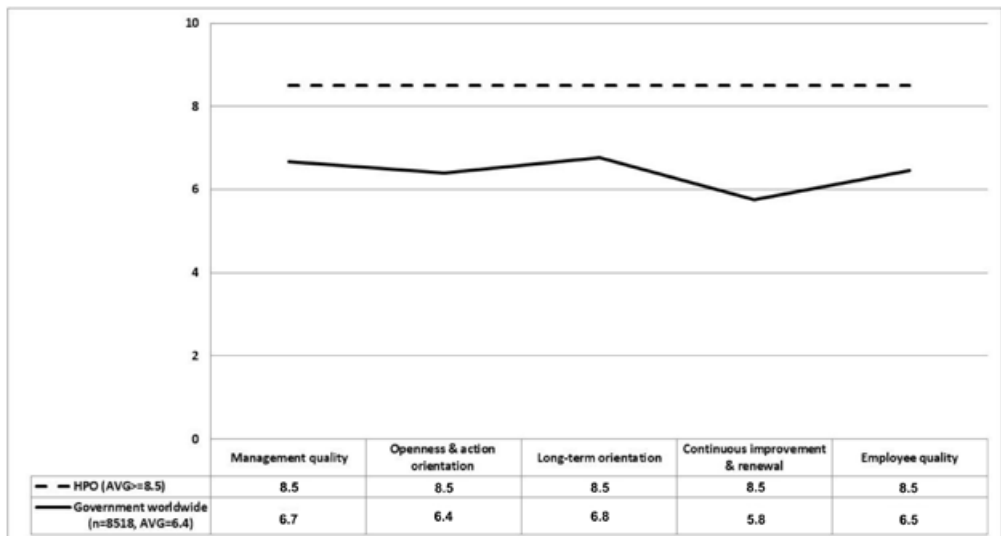
1. *Management Quality.* Belief and trust in others and fair treatment are encouraged in a HPO. Managers are trustworthy, live with integrity, show commitment, enthusiasm, and respect, and have a decisive, action-focused decision-making style. Management holds people accountable for their results by maintaining clear accountability for performance. Values and strategy are communicated throughout the organization, so everyone knows and embraces these.
2. *Openness and Action Orientation.* A HPO has an open culture, which means that management values the opinions of employees and involves them in important organizational processes. Making mistakes is allowed and is regarded as an opportunity to learn. Employees spend a lot of time on dialogue, knowledge exchange, and learning to develop new ideas aimed at increasing their performance and making the organization performance-driven. Managers are personally involved in experimenting, thereby fostering an environment of change in the organization.
3. *Long-Term Orientation.* A HPO grows through partnerships with suppliers and customers/civilians, so long-term commitment is extended to all stakeholders. Vacancies are filled by high-potential internal candidates first, and people are encouraged to become leaders. A HPO creates a safe and secure workplace (both physically and mentally), and dismisses employees only as a last resort.
4. *Continuous Improvement and Renewal.* A HPO compensates for dying strategies by renewing them and making them unique. The organization continuously improves, simplifies, and aligns its processes, updates policies and innovates its public products and services, creating new sources of public value to respond to developments in society. Furthermore, the HPO manages its core competences efficiently, and sources out noncore competencies.
5. *Employee Quality.* A HPO assembles and recruits a diverse and complementary management team and workforce with maximum work flexibility. Workers are trained to be resilient and flexible. They are encouraged to develop their skills to accomplish extraordinary results and are held responsible for their performance. As a result, creativity increases, leading to better results.

HPO research shows that there is a direct and positive relationship between the five HPO factors and organizational performance: The higher the scores on the HPO factors, the better the results of the organization; the lower the HPO scores, the lower the organization's competitive performance (de Waal and Goedegebuure 2017). Research also shows that all

HPO factors need to have equal scores. An organization can evaluate its HPO status by having its managers and employees fill in the HPO questionnaire, which consists of questions based on the 35 HPO characteristics, and then calculating the average scores on the HPO factors (possible answers range from 1 for very poor to 10 for excellent). The average scores will reveal the areas in which the organization has to take action to improve in order to become a HPO. And although there are obviously differences between the private and governmental sectors (Boyne 2002), the HPO Framework is also suitable as the basis for creating the HPGO as it is partly based on data collected in the governmental sector and the framework has been applied and evaluated in the governmental sector (de Waal 2012; de Waal and Wang 2017; de Waal and Mulimbika 2017).

HOW HIGH PERFORMING ARE GOVERNMENT ORGANIZATIONS WORLDWIDE?

In the past ten years we have conducted many HPO diagnoses and, therefore, collected a lot of data from government organizations worldwide. Based on these data, we constructed the average HPO profile of a government organization, see Figure 13.2 (in Appendix 13.1 the detailed scores for the 35 HPO characteristics are given).



Note: These scores are influenced by the relatively large number of respondents from the Netherlands, the second largest group of respondents originates from African countries.

Source: Linker and de Waal (2019).

Figure 13.2 Average HPO scores for government organizations worldwide

Figure 13.2 shows that government organizations worldwide score an average of 6.4, and that they thus can be referred to as average performance organizations (APOs). Figure 13.2 also shows that government organizations first need to strengthen the HPO factors *Continuous Improvement and Renewal* and *Openness and Action Orientation* in order to be able to perform on a higher level. Looking closer at HPO factor *Continuous Improvement and Renewal* indicates that government organizations score particularly low on continuous improvement (6.0), simplification (5.2) and alignment (5.3) of work processes. Apparently, despite all sorts of initiatives and methods such as Lean Six Sigma, government organizations only have moderate success with their improvement initiatives. An explanation for this may be that government organizations launch too many new improvement initiatives at the same time (often originating from politicians), initiatives which they then do not complete properly, as time often runs out before the next political idea is launched or crisis to be solved. They are better at coming up with new initiatives to realize those ideas than implementing them and making the results stick. Clearly, government organizations currently have a limited ability for improvement. On top of this, government organizations do not have the right management information at their disposal (5.6) so often managers and employees do not know how their unit is doing and where the problems might occur, let alone that they have the right information to guide them in their improvement efforts.

WHY IS PERFORMANCE MANAGEMENT SO IMPORTANT FOR A HPGO FRAMEWORK?

In order to create a sustainable HPGO, managers and employees alike have to behave in such a way that the objectives and goals of the government organization are achieved on a high level. In practice, this implies that the government organization's performance management system has to be designed in such a way that it provides constructive information and feedback so that organization members can behave in a performance-driven manner. This is very important as there are quite a few obvious links between performance management and the HPO characteristics (de Waal and van der Heijden 2015). The first obvious link is in the HPO factor *Continuous Improvement and Renewal* which contains two characteristics that directly have to do with performance measurement: "In the organization everything that matters to performance is explicitly reported," and "In the organization both financial and non-financial information is reported to organization members." Further, other HPO factors also show several links with performance management. According to the HPO factor *Management Quality*, in organizations that score high on this, managers are results-oriented, and they deal decisively with non-performers, which requires appropriate performance information. Regarding the HPO factor *Employee Quality*, in organizations that score high on this, employees feel responsible for their results, which means that the performance management system of those organizations is clearly able to provide them with regular information on their responsibility areas. Regarding the HPO factor *Openness and Action-Orientedness*, in organizations scoring high on this, employees spend a lot of time on dialogue, knowledge exchange, and learning in order to make the organization more performance-driven. This matches with the behavior good performance management fosters, such as communication and dialogue around relevant performance information. Finally, for the HPO factor *Long-Term Orientation*, the argument could be made that an

effective performance management system helps maintain and safeguard the sustainability of the organization and thereby its long-term survival.

Figure 13.2 also indicates that, in regard to HPO factor *Openness and Action Orientation*, both the dialogue with employees and the improvement of collaboration with external relations receive too little attention. That makes sense: when employees are under pressure they will not take the time to start a conversation with colleagues and other stakeholders or, when they do so they are not really listening or offering sincere attention. Government managers are insufficiently aware of this: “We communicate a lot and our door is always open” is still a common response from them. Apparently managers have the feeling that, through dialogue, they do involve their employees in important changes in the organization, while employees themselves do not experience it that way. In addition, employees feel insufficiently supported by management in increasing their flexibility and resilience. In other words: employees are worried about what all the changes mean for them, whether they can keep up and cope with all these changes, they regularly feel abandoned in this matter, and they feel insufficiently supported by management. Their managers call for “personal leadership” and taking personal responsibility, but the world of rules and procedures in government organizations still discourages employees from taking the initiative. Moreover, calling for “personal leadership” may also be an easy way for managers to do nothing: the employees are responsible for their own development and they can report if they need something. And until they do, a manager does not have to do anything. It also makes it possible for managers to be less interested in the activities, issues and development of the employees, and instead focus, for example, on reporting or making new plans. Employees regularly blame the leaders of government organizations for not being strong enough, that they do not sufficiently protect their organization from the excess of expectations with which politicians, clients and customers overwhelm it. Leaders need to say “NO” more often, most employees say.

Fortunately, our HPO research results are not only negative. We can also say that, despite all the limitations and challenges of recent years, government organizations do achieve a sufficient HPO score and sometimes manage to improve it in an upward direction (see, for instance, HPO factor *Long-Term Orientation*). Service to civilians and companies is of paramount importance to these organizations and it motivates the majority of civil servants to go to work with a good mood and enthusiasm every day to make a contribution to social issues.

The Other Approach to Effective Improvement in Government Organizations

Due to the pressure on “perform now” and “solve this crisis first,” continuous improvement often seems to be the final resort for a government organization. Improvements are started but there is no time to complete them fully and well, let alone working on letting them stick within the organization. In the beginning of such trajectories employees are involved, but as normal work demands more time and attention, involvement diminishes. As a result, energy slowly leaks away from employees, good intentions fade into the background, and only the project team members and their external advisors continue to work on the planned actions. These people often “pester” employees with cries such as “you promised to help us” but there is hardly any time for employees to fine-tune and practice changes in the new way of working, because the normal work has to be finished and crises have to be dealt with. The reasons given by managers and employees for their performance lagging behind expectations are predicta-

ble, such as “We have too few good staff,” “The boss should dare to say no once in a while” and “Our workload is too high.” And managers tell each other that politicians want too much in too little time to score on time for the next election. So it is always somebody else’s fault. This “system” continues to confirm the message that everybody in the government organization has above all to adhere to the standard: work hard, do your best and be law-abiding. But that clearly does not work any longer.

Better improvement starts with a dialogue between managers, employees and cooperation with partners about the intentions of each party and their desired improved performance levels. They need to extensively talk through how everybody would like to get things done together, and what this joint effort would look like from the perspective of their citizens and other stakeholder groups. This dialogue should be conducted sincerely, with pleasure and patience while listening to each other and coming up with ideas, without being thwarted by egos. Then something nice and usable will emerge as everybody is motivated to realize their mutual intentions. If this feeling of mutual cooperation can be sustained during the improvement effort, by regularly discussing progress, motivation and behaviors, the capacity for improvement among all parties will be increased and everybody will perform better. This continuous dialogue is the main theme of the approach that we advocate based on the HPGO philosophy, and that is illustrated in Figure 13.3.

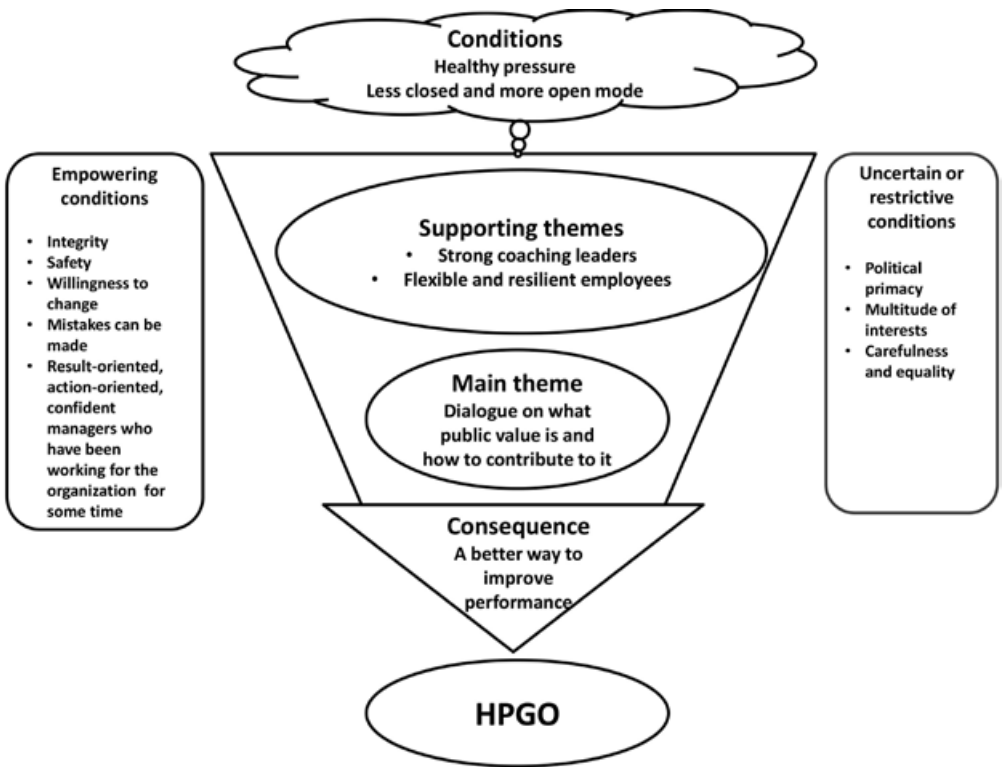


Figure 13.3 *A different approach to effective improvement*

The approach depicted in Figure 13.3 can only be successful if the people in the organization develop themselves and create the appropriate capability. Leaders have to become stronger and better at coaching. Employees have to become more flexible and resilient. These are the two supporting themes in the approach. There are two important conditions for being able to work effectively in the manner described above: “healthy pressure” and a state of mind that we describe as “less closed and more open.” The Dutch government also has some uncertain or restrictive conditions. This means that some circumstances make it more difficult for a government organization to perform well. Civil service organizations, for example, are legally bound to follow up decisions made by politicians. Government organizations must be able to respond quickly and flexibly to crisis situations and political decisions. There are also regular trade-offs between different interests, and finally, civilians must be able to count on an equal and careful treatment. To be able to make the transformation to a HPGO, the organization has to consciously create a “healthy pressure” in order to generate sufficient positive energy among employees and to create more room for improvement on a structural basis. That sounds easier said than done, because often this is not possible without making difficult choices which not everyone will be happy with. That requires courage. Healthy pressure creates more room but to achieve effective improvement, employees should also be able to regularly relax and reflect on matters. In practice, we have seen that this approach to improvement increases the performance capacity of government organizations. But that is not a goal in itself. The goal is to ensure that government organizations and their employees can deliver increasingly more public value, and moreover that they do this in the HPGO way that brings much more pleasure to employees in their work!

EXAMPLES OF THE IMPROVEMENT APPROACH IN PRACTICE

In the first practical example, we describe how we performed the HPGO diagnosis in such a way that important HPGO characteristics that often lag behind in scores, such as creating engagement and dialogue, were immediately given a positive boost at the case organization. In the second practical example, we show how a government organization, using our approach, was transformed into a HPGO.

Case Study 1: HPGO Diagnosis at an Executive Organization, the Netherlands

The organization in this example has undergone major changes in the recent past and has had to face many challenges, in particular the introduction of a new financing method in which the transition had to be made from a cost to a revenue model. This meant that the government organization was no longer fully funded from the government budget, but that from now on the organization had to generate a substantial part of its income itself. These changes required many adjustments, including internal processes and systems which put a lot of pressure on the organization and its employees. The organization succeeded in realizing the basic performance level required by government. However, this was done with “blood, sweat and tears” which put great pressure on the organization, and it was only a matter of time before things would go wrong. This gave a reason for the management to want to become a HPGO: employees no longer should have to work with blood, sweat and tears and constantly walk on their toes.

Instead, they should be able to work in a successful organization with a pleasant working environment (Linker and de Waal 2019).

As a first step in the transformation, the HPO questionnaire was completed by all employees. They could indicate how high-performing they found their organization by rating the 35 characteristics of the HPGO. This yielded a score of 5.9 on a scale of 1 to 10 (with 8.5 indicating the high performance level). This score supported the previously described reasons for becoming a HPGO. Since all HPGO factors were more or less at the same level, there were many opportunities for improvement. This meant that well-considered choices had to be made in order to prioritize the improvement actions. These choices had to be made in consultation with the employees so management organized a dialogue day where all employees were present. During this day, employees and managers were given the opportunity to discuss the results of the HPO diagnosis with each other. To facilitate the dialogue, the following questions were asked to employees, in three consecutive discussion rounds:

- *Round 1: Do you recognize and acknowledge the HPO diagnosis results?* The participants were invited, in groups, to describe the story behind the results, to indicate causes for the scores, and to get examples from their own practice. The aim of this round was to create a common basis for recognition and to reach consensus on root causes. This would increase the willingness of the participants to work together to improve the organization. A meeting of short rotating presentations was organized in which the groups briefly visited each other. From each group, one participant was left behind at a flipchart with the results of the group discussion, to explain these to the visiting groups. These in turn asked explanatory questions in order to create a good understanding and also recognition among the participants.
- *Round 2: What would your organization look like if it scored two points higher on the HPO scale?* The participants were invited to describe their organization and how it would function at a higher level. It was expressly requested that the examples from round 1 be redirected to “ideal situations.” The aim of this round was – given that people generally find it easier to say what they do not like and who is to blame for this – to let them experience the magnet effect of “the beckoning perspective.” In other words, if people could get a good idea of what working in a HPGO would look and feel like, they would be enthusiastic about that and consequently be very willing to participate in the creation of that HPGO (positive pressure).
- *Round 3: What did you do to score two points higher?* The participants were asked, still imagining the ideal situation, which interventions had led to that ideal situation (and with which activities they had stopped). The purpose of this round was to identify concrete development activities for the organization.

The results of the three rounds were combined into a development plan for the government organization. The development plan is currently being discussed by management and employees and is being further refined. Subsequently, the definitive development plan will be given the green light and then will serve as a guideline for the further development of the organization toward the HPGO in the coming years.

Case Study 2: HPGO Transformation at CCPC, Zambia

The Consumer and Competition Protection Commission (CCPC) is part of the Ministry of Commerce, Trade and Industry (MCTI). It regulates the Zambian economy with the aim

of avoiding restrictive business practices, preventing abuse of dominant market power, and combating anti-competitive mergers, takeovers and cartels so that the interests of Zambian consumers are protected. The main objective of CCPC is to ensure healthy competition in the Zambian market and to protect consumers. CCPC has succeeded in becoming a HPGO organization in a number of years with a HPO score above 8.5. The performance and image of CCPC are highly regarded in the country (de Waal and Mulimbika 2017; de Waal 2018).

Using Figure 13.3, the way CCPC has tackled the HPGO transformation can be described as follows:

- *Pressure*: the senior executive of CCPC was incredibly motivated to build an excellent organization in the service of the Zambian society and managed to convey that motivation to the organization. Both management and all employees made personal “vows” to turn CCPC into a HPGO. Management continued to support the HPGO transition.
- *Open attitude*: a lot of space, time and attention was freed up to regularly reflect on the intentions of CCPC and how these could be served better. During the HPO diagnosis, which all employees took part in, the issues became clear and possibilities for improvements were generated. The interventions to do this consisted of, among other things, installing communication platforms, developing the HPGO vision in which all employees participated and were undersigned by everyone, organizing the HPGO Friday where specific HPGO activities were discussed by everyone, and conducting team-building events.
- *Strong coaching leaders*: the senior executive and the internal HR manager lived the desired behavior and thus acted as “HPGO Champions.” Furthermore, HPGO Coaches were installed from among the employees. These had a coaching role for their colleagues during the HPGO transformation, and showed great leadership in their role.
- *Flexible and resilient employees*: employees were encouraged to speak up and take ownership. To this end, a safe working culture was created with, for example, meetings in which all participants were equal. Employees had a very positive attitude toward the HPGO process.
- *Dialogue and performance*: the dialogue platforms created made it possible to regularly and constructively talk to each other in the various meetings (and the normal work) about the intentions of CCPC and how to best serve these, and to plan and execute specific improvements that most of the time were finished on time and within budget and with the desired results.
- *Results*: The result was an organization in which employees continued to improve their work with passion and pride. This was also visible to the Zambian population who approached CCPC for all kinds of problems, because they saw CCPC as the only government organization that could actually do something for them. CCPC thus became a “point of contact” for issues that other governments could take further. In addition, many high-potential government officials now applied for a job at CCPC.

OBSTACLES ON THE WAY TO THE HPGO

In practice we regularly hear that a government organization is not yet ready to start using the proposed approach to become a HPGO because all kinds of preconditions have not yet been met: “There are no good IT systems, we don’t have the right people, we don’t get any time for

improvement” This led us to the idea of identifying the biggest obstacles to a transformation to a HPGO, so we needed to answer the question: What needs to be in order, or at least be taken into account simultaneously, when starting a transformation to the HPGO in order for that transformation to become a success? These are not things that you create a HPGO with, but if you do not have these affairs in order they will hamper the transformation to a HPGO. Unfortunately, in the scientific literature hardly anything can be found on these obstacles on the way to a HPGO. That is why we identified the biggest obstacles that need to be addressed so that government organizations can make the transformation to HPGO while taking these obstacles into account. In addition, we have looked at the solutions that are the most effective to clear away these obstacles.

The Delphi Research

We used the Delphi research method to identify the most common and important obstacles. The Delphi method is particularly suitable as a research tool when there is insufficient knowledge about the problem being investigated (Laick 2012). The method structures and facilitates group communication that focuses on a complex problem, whereby a consensus of the group can be reached on a future direction or solution during a series of iterations (Loo 2002). The Delphi method has five characteristics (Loo 2002): (1) there is a panel of carefully selected experts who, in principle, represent a broad spectrum of opinions on the subject of research; (2) the panel experts generally remain anonymous so that they cannot influence each other; (3) the researchers prepare a series of structured questionnaires and feedback reports to which the experts respond; (4) the reactions of the experts are collected in a number of iterations; and (5) the result is a report or article containing the results of the Delphi study. In our Delphi study, we have followed the steps prescribed by Loo (2002) and Okoli and Pawlowski (2004): defining the research problem, selecting the panel and panel size, and performing the Delphi rounds.

We started by sending a list of obstacles, that we compiled mainly from the professional and managerial literature and our own experiences with conducting change projects in government, to an expert panel consisting of fifteen government managers. These managers had an average of 25 years’ experience in the government sector, of which on average they had 19 years in managerial positions. Our question to them was to sort the obstacles according to how big they could be as a roadblock in the transformation process to a better government organization. A big obstacle entailed an obstacle that absolutely needed to be addressed because, if left alone, it would prevent the government organization from transforming into a HPGO. The experts could also add obstacles that they had experienced themselves to the list. Based on the feedback from the experts we made an initial ranking, which we then sent to the Delphi experts for review. In round 2, the experts already reached a consensus on the top eight of the biggest obstacles. Delphi studies have shown that in general a maximum of three rounds are needed to reach consensus (Linstone and Turoff 1975). In round 3 of the Delphi study, we asked our experts how they thought each obstacle from the top eight could best be tackled and removed so that it would no longer be a barrier to the transformation to a HPGO. This question resulted in a multitude of solutions. After a final Delphi round, we came up with the top solutions for every obstacle that the experts believe are the most effective.

Table 13.1 Top eight of the biggest HPGO obstacles and associated solutions

TRANSFORMATION OBSTACLES AND SUGGESTIONS FOR REMOVAL
<p>Obstacle 1: Employees are not convinced that improvement of the organization is necessary and/or have no faith in the transformation</p> <p>Let employees feel the urgency of the need for improvement, for example by bringing them into contact with customers and civilians who are affected by, and unsatisfied with, the current working methods of the organization.</p> <p>Explicitly involve employees in the improvement process by giving them a say in it. Share with them the considerations that led to the proposed improvement. Then talk to them about what the improvement could mean for their own work and for the organization. Start the conversation with employees, understand the causes of their lack of trust, and take the time to identify their biggest problems, in order to also address these during the improvement process.</p> <p>Obstacle 2: There are other, more urgent matters that need to be addressed first</p> <p>Create a good overview of the issues to be addressed, determine whether these are really more urgent issues, limit the number of (organization-wide) changes, and adjust priorities regularly.</p> <p>Give employees time, space and budget to come up with solutions for these urgent matters, thereby increasing their willingness to contribute to the intended improvement.</p> <p>Choose the issues and improvements to be implemented based on employees' willingness to contribute to achieving the goals and priorities of the organization.</p> <p>Obstacle 3: Lack of belief that the intended results of the improvement can be achieved</p> <p>Quickly highlight good examples and results, for example by obtaining quick first results through pilots and experiments conducted with groups of employees who are already prepared to change and improve.</p> <p>Stick to small steps that lead to the larger improvements (do not try to do everything at once), so you can quickly get results (even if these are initially small).</p> <p>With the employees, develop a good "improvement story" that describes what the HPGO transformation can look like in practice for them and what realistic improvements and results can be expected.</p> <p>Obstacle 4: Insufficiently clear organizational mission / vision from which to act and improve</p> <p>In addition to employees, involve customers and partners in establishing a clear mission and vision for the organization, and give the HPGO transformation a clear place in there.</p> <p>Use a limited set of core values based on the HPO characteristics and keep repeating these in conversations with employees.</p> <p>Do not use the words "mission" and "vision," but together with employees determine in common language a common basis from which to operate, paying attention along the way to the major desires and issues that live in the organization; with this build a mutually shared image of the organization as a HPGO.</p> <p>Obstacle 5: Not the right and/or not enough management involvement in the improvement</p> <p>Find out why there is insufficient management involvement in the improvement and determine the actions to be taken based on the causes.</p> <p>Name the positive results of the improvement in such a way that managers want to be part of it.</p> <p>Involve management from the start in the improvement, so they can shape and own it together.</p> <p>Obstacle 6: Insufficient information and communication on the why and the intention of the improvement</p> <p>Keep the communication on a small scale and intimate, so do not just communicate via mail and the intranet page.</p> <p>Let the frontrunners/pioneers in the improvement tell their improvement story.</p> <p>Have a minister or senior executive with a personal story convey the why and intent of the HPGO transformation to employees.</p> <p>Obstacle 7: Not enough skills and experience with improvement in the organization</p> <p>Build up skills by conducting pilots and by providing a lot of guidance.</p> <p>Get people with the required skills. These will often be different types of people than those who are already present in the organization.</p> <p>If this cannot be done quickly enough, hire outside expertise, let them transfer their knowledge to employees, and gradually phase these experts out.</p> <p>During the preparation as well as during the implementation of the improvement, continuously ask what skills are needed to realize the improvement, and who should have those skills as part of their role/responsibility. Then invest in developing these skills (further) among the employees.</p>

TRANSFORMATION OBSTACLES AND SUGGESTIONS FOR REMOVAL

Obstacle 8: Not enough resources and time available for improvement

View the financial options for the coming year and evaluate whether there is sufficient time and resources for improvement. Then start small and take the time, so that only a small amount of time and resources are used each time.

Approach the Ministry to see if there is a fund which could be used for the improvement.

Investigate whether the objection of lack of resources is actually a disguised expression of distrust of the improvement itself, or an excuse for not participating in the HPGO transformation.

The Eight Biggest Obstacles with Associated Solutions

Table 13.1 shows the eight biggest obstacles that emerged from our research, and the three most effective solutions according to experts for each obstacle. We do not claim that a government organization has to apply all three solutions when encountering a specific obstacle. These are ideas that an organization can think about and can possibly use, when tailored to its circumstances. It is clear from Table 13.1 that almost all obstacles can be related to the lack of positive pressure and open attitude among employees toward the HPGO transformation. This means that the organization must ensure that the solution(s) chosen for its specific obstacles promote healthy pressure and more open, less closed attitudes among employees.

Looking at Table 13.1 it becomes apparent that quite a few of the described solutions for the obstacles will be made possible and/or will be supported by a proper performance management system. For example, for the solution for Obstacle 1 a good way to let employees feel the urgency of the need for improvement, and for the solution for Obstacle 2 to create a good overview of the issues to be addressed, is by providing them performance information (probably in the form of critical success factors and key performance indicators) that shows the organization is in dire states and which issues are most important. In the same vein, for the solution of Obstacle 3 a performance management system can measure the results of the pilots and experiments, thus highlighting good results. This will also help the solution for Obstacle 5, naming the positive results of improvements.

NOTES

1. This chapter is based on the book *De high performance overheidsorganisatie* [The high performance government organization] (Linker and de Waal 2019).
2. We conducted interviews with four agency executives and three municipal executives (CEO level). Together with them we explored the concept of 'high-performance government organization' and also collected examples of practices that fit a HPGO.
3. An overview of many of these literature sources is given in de Waal (2006 rev. 2010).

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APPENDIX 13.1

This appendix gives the five HPO factors and the scores for the accompanying 35 HPO characteristics, for governmental organizations worldwide.

Item no.	HPO Factors	HPO Characteristics	Score
1	Continuous Improvement and Renewal	Our organization has adopted a strategy that sets it clearly apart from other organizations.	6.2
2	Continuous Improvement and Renewal	In our organization processes are continuously improved.	6.0
3	Continuous Improvement and Renewal	In our organization processes are continuously simplified.	5.2
4	Continuous Improvement and Renewal	In our organization processes are continuously aligned.	5.3
5	Continuous Improvement and Renewal	In our organization everything that matters to the organization's performance is explicitly reported.	5.6
6	Continuous Improvement and Renewal	In our organization both financial and non-financial information is reported to organizational members.	5.7
7	Continuous Improvement and Renewal	Our organization continuously innovates its core competencies.	5.9
8	Continuous Improvement and Renewal	Our organization continuously innovates its products, processes and services.	6.2
9	Openness and Action Orientation	The management of our organization frequently engages in a dialogue with employees.	6.2
10	Openness and Action Orientation	Organizational members spend much time on communication, knowledge exchange and learning.	6.3
11	Openness and Action Orientation	Organizational members are always involved in important processes.	5.6
12	Openness and Action Orientation	The management of our organization allows making mistakes.	6.6
13	Openness and Action Orientation	The management of our organization welcomes change.	7.1
14	Openness and Action Orientation	Our organization is performance driven.	6.6
15	Management Quality	The management of our organization is trusted by organizational members.	6.7
16	Management Quality	The management of our organization has integrity.	7.4
17	Management Quality	The management of our organization is a role model for organizational members.	6.7
18	Management Quality	The management of our organization applies fast decision-making.	6.7
19	Management Quality	The management of our organization applies fast action taking.	6.8
20	Management Quality	The management of our organization coaches organizational members to achieve better results.	6.4
21	Management Quality	The management of our organization focuses on achieving results.	7.2
22	Management Quality	The management of our organization is very effective.	6.5
23	Management Quality	The management of our organization applies strong leadership.	5.9
24	Management Quality	The management of our organization is confident.	6.9
25	Management Quality	The management of our organization is decisive with regard to non-performers.	6.0
26	Employee Quality	The management of our organization always holds organizational members responsible for their results.	6.7

Item no.	HPO Factors	HPO Characteristics	Score
27	Employee Quality	The management of our organization inspires organizational members to accomplish extraordinary results.	6.7
28	Employee Quality	Organizational members are trained to be resilient and flexible.	6.1
29	Employee Quality	Our organization has a diverse and complementary workforce.	6.9
30	Long-Term Orientation	Our organization grows through partnerships with suppliers and/or customers.	6.2
31	Long-Term Orientation	Our organization maintains good and long-term relationships with all stakeholders.	6.7
32	Long-Term Orientation	Our organization is aimed at servicing the customers as best as possible.	7.0
33	Long-Term Orientation	The management of our organization has been with the company for a long time.	7.0
34	Long-Term Orientation	New management is promoted from within the organization.	6.1
35	Long-Term Orientation	Our organization is a secure workplace for organizational members.	7.0

14. Performance management and common purpose: rethinking solutions to inter-organizational working

Fiona Buick

Many challenges faced by governments are complex and multifaceted, and require public sector organizations to undertake inter-organizational working to develop more effective solutions (Bakvis and Juillet 2004; Huxham 2000; McGuire 2006) and achieve high performance (see Advisory Group for the Reform of Australian Government Administration [AGRAGA] 2010). Nevertheless, the actual practice of inter-organizational working is challenging (Lægreid et al. 2015; McGuire 2006; O’Leary and Bingham 2007; Sullivan, Williams and Jeffares 2012; Wilkins, Phillimore and Gilchrist 2015); this is particularly attributed to the functional structure of the public sector (O’Flynn et al. 2011). The literature suggests that a way of minimizing these challenges is through establishing a common purpose which helps parties to focus on an agreed endpoint or goal (e.g. Bardach 2001; Hopkins, Couture and Moore 2001; Huxham 2000) and achieve desired performance. However, to date practice examples indicate an emphasis on structural and cultural solutions to the inter-organizational challenge, despite them proving to be problematic: structural changes are highly disruptive (Andrews and Boyne 2012); developing shared values can be difficult due to the specialization and functional tendencies of public sector organizations (Perri 1997; Christensen and Lægreid 2007); and planned cultural change is inherently challenging, if not impossible (e.g. Alvesson and Sveningsson 2008; Ogbonna and Wilkinson 2003; Schein 2017). Therefore, solely focusing on either the ‘structural solution’ or ‘culture solution’ as the precursor to successful inter-organizational working could be risky, which leads to two questions: Would an enhanced focus on common purpose help achieve desired goals and performance?; and How could the achievement of common purpose be supported?

In this chapter, differences between the theory and practice of inter-organizational working are presented, leading to arguments regarding the centrality of common purpose for its effective implementation. Key issues are identified, with the findings from an exploratory comparative case study used to challenge both structural and cultural solutions, showing that successful outcomes can be achieved through the establishment of a common purpose. First, key concepts related to the inter-organizational structural and cultural solutions are explained. Second, the potential role of common purpose as a more effective process is presented. The third section sets out the research design and methods and is followed by the presentation of key findings from an exploration of a large study into inter-organizational working in Australia. A typology is developed for supporting inter-organizational working which implies that a greater focus on common purpose has the potential to increase the likelihood of success. In the final section, the different derivations of common purpose are identified and the role of performance management in supporting their attainment is explored, with practical implications identified.

INTER-ORGANIZATIONAL WORKING AND STRUCTURE

Resulting from the desire to achieve connectivity across boundaries (e.g. AGRAGA 2010; Better Public Services Advisory Group 2011; GAO 2014a, 2014b; Her Majesty's Government [HMG] 2012; National Academy of Public Administration [NAPA] 2009; Obama 2009), the emphasis on inter-organizational working has been ongoing since the late 1990s and early-2000s (Christensen and Lægreid 2007; Pollitt 2003). Incorporating concepts including cooperation, coordination and collaboration across boundaries (see Buick 2014b), inter-organizational working is focused on facilitating and operating in multi-organizational arrangements to remedy problems that cannot be solved easily by single organizations (McGuire 2006).

Inter-organizational working is challenging as it requires working across silo mentalities. Silo mentalities evolve from the differentiated structure of public sector organizations (Perri 6 1997; Christensen and Lægreid 2007; Howes et al. 2015; O'Flynn et al. 2011) and reflects the tendency towards defining and dealing with policy problems within the confines of organizational or subunit boundaries (Page 2005). Other impediments to inter-organizational working include vertically oriented accountability frameworks (Bouckaert, Peters and Verhoest 2010; Pollitt 2003); differing and conflicting goals, priorities and worldviews of organizations (O'Leary and Bingham 2007); the mixture of both common and conflicting missions and aims (Huxham and Vangen 2004; O'Leary and Bingham 2007); inter-organizational rivalry and turf protection (Bakvis and Juillet 2004); different organizational cultures (Bakvis and Juillet 2004; Bouckaert, Peters and Verhoest 2010; Hopkins, Couture and Moore 2001; Huxham 2000; Huxham and Vangen 2004) and risk aversion (Jones and Hooper 2017). There can also be reluctance to work together due to the perception it threatens the interests of individual organizations (Thomson, Perry and Miller 2008).

Recognition of the challenges inherent in inter-organizational working has led to practitioners adopting a range of structural mechanisms to try and overcome these challenges and enable success (O'Flynn et al. 2011). However, evidence for the effectiveness of structural change is lacking, with "structural reorganisation [taking] on a mythological level of legitimacy that is not supported by either the experiences of those being restructured nor the international literature" (Carey, Buick and Malbon 2017, p. 1170). This is because structural change is highly disruptive (Andrews and Boyne 2012), with high transition costs associated with staff being distracted from daily operational business as they change jobs, re-locate and develop new standard operating procedures (Pollitt 2007). It is also recognized that structure is insufficient on its own to achieve inter-organizational working goals (Christensen and Lægreid 2007), as structural changes alone cannot elicit behavioral change (see Peters 1998). This highlights that effective inter-organizational working requires other enabling mechanisms that might facilitate behavioral change.

UNPACKING THE CULTURE SOLUTION

Public service practitioners have positioned 'culture' as a solution to the challenges associated with inter-organizational working, as evident in key policy documents (e.g. MAC 2004; MAG 2001). In this chapter, culture is defined as a layered phenomenon consisting of interrelated levels of meanings (Lundberg 1990) that are underpinned by an unobserv-

able, interconnected and stable system of values, beliefs and assumptions that are socially constructed, learned and transmitted by members of a group (Lundberg 1990; Schein 2017). Interest in organizational culture stems from research that suggests it can be both facilitative and inhibiting to inter-organizational activities (e.g. Cartwright and Cooper 1993; Currie, Waring and Finn 2008; Devine, Boyle and Boyd 2011). This research suggests that the success of inter-organizational activity is influenced by the degree of cultural compatibility between organizations. In particular, studies have shown that high cultural compatibility (high degree of cultural fit between organizations), facilitates organizational success, while low cultural compatibility (high levels of cultural difference) not only impedes success but can lead to outright organizational or outcome failure. It has been argued that low compatibility can reduce effectiveness through producing cultural shock, misunderstandings, conflict, hostility, stress, and a failure to coordinate (Cartwright and Cooper 1995; Lodorfo and Boateng 2006; Nahavandi and Malekzadeh 1988). To minimize the cultural issues in inter-organizational working, emphasis has been placed on cultural change.

To achieve cultural change, considerable attention has been focused on the desire for shared values across public sector organizations, particularly around collaboration, cooperation, information sharing, teamwork, trust and relationships, innovation and flexibility (see Appendix 14.1). Practitioners' focus on shared values reflects the tendency to depict culture as a set of values senior managers are trying to inculcate in their organizations in order to optimize effectiveness, or what culture ought to be, rather than what the culture actually is (Schein 2017). Through depicting culture in this way, it seems that cultural change was not only desirable, but also achievable, because all it would require is a change in values and norms, rather than the deeper level of assumptions. However, the requirement for cultural change to enable inter-organizational working is problematic because it is inherently challenging. It has been argued that culture provides cognitive stability to groups because it provides meaning and predictability. This means that cultural change is anxiety inducing (Schein 2017), leading to many scholars arguing that planned cultural change is difficult, and others arguing that it is impossible (e.g. Alvesson and Sveningsson 2008; Ogbonna and Wilkinson 2003; Schein 2017). This highlights the need for other factors that bind representatives from different organizations together, such as common purpose.

WHY COMMON PURPOSE

In the literature, a central enabling mechanism for inter-organizational working is shared clarity regarding the aims of the initiative. This means that enabling mechanisms, or success factors, include precision about shared goals, roles and responsibilities (Curnin and O'Hara 2019; Hopkins, Couture and Moore 2001). The importance of a shared vision, mission and purpose is often highlighted in the literature (Adler, Hecksher and Prusak 2011; Devine, Boyle and Boyd 2011; Huxham 2000; Huxham and Vangen 2004), with recommendations made that partners develop an agreed, mutually beneficial and common purpose, which is considered to be an essential precursor to inter-organizational working (see Bardach 2001; Hopkins, Couture and Moore 2001; Huxham 2000). A common purpose describes what the initiative is trying to achieve and guides effort at all levels, priorities in goal setting and allocation of resources (Adler, Hecksher and Prusak 2011), and acts as a higher order goal that establishes a clear focal point for action (Hopkins, Couture and Moore 2001). It enables representatives from dif-

ferent organizations to establish a shared view on major policy issues (Calanni et al. 2015). In doing so, it serves a uniting function that ensures everyone is working towards the same goals (Hopkins, Couture and Moore 2001). However, Huxham and colleagues argue that establishing a common purpose is not easy to achieve in practice, largely due to diversity of individual and organizational agendas and goals, motivations for engaging in inter-organizational working, different organizational cultures, language used and the associated misunderstandings (Huxham 2000; Huxham and Vangen 2004). In addition, it has also been argued that the establishment of a common purpose can take at least two years to establish (Huxham 2000), which may be unrealistic due to the short-term nature of many inter-organizational coordination initiatives. Interestingly, despite its apparent centrality to effective inter-organizational working, practitioner publications do not portray common purpose as being an essential precursor to effective inter-organizational working; instead, as outlined above, more emphasis is placed on structure and culture as the ‘make or break’ (MAC 2004) factors. Additionally, there is no clarity in either the scholarly literature or practitioner publications regarding *how* to achieve a common purpose.

The apparent disconnect between practitioner aspirations for structural and cultural solutions and scholarly arguments for common purpose led to five research questions: (1) What role does structure play in inter-organizational working?; (2) Is cultural change essential to the success of inter-organizational working?; (3) To what extent is cultural compatibility important in enabling inter-organizational working?; (4) What is the role of common purpose in inter-organizational working?; (5) How could employee performance management help the achievement of a common purpose?

RESEARCH DESIGN AND METHODS

This chapter presents findings from an exploratory comparative case study (Yin 2014) project which examined Australian experiments with ‘whole-of-government’ to address policy and implementation challenges. In this chapter, specific details regarding the four case studies are not central, rather, the key focus will be on the interplay between structure, culture and common purpose. An overview of the inter-organizational working practices being adopted in each case is given below when explaining the findings, but for detailed information regarding the research design and specific case studies used, please see Buick (2012).

Multiple qualitative data collection methods were adopted to ensure construct validity (Yin 2014). This included analysis of publicly available (e.g. annual reports, audit reports, government publications) and internal documentation (e.g. meeting minutes, strategy documents). We compared these formal accounts to our data generated through semi-structured interviews and focus group discussions. Interview participants were asked a series of questions regarding the factors that enabled or detracted from the successful implementation of joined-up working, including organizational culture. In total, interviews were conducted with 78 participants, including 12 operational-level staff, 37 middle managers, 17 senior managers and 12 people external to the Australian Public Service. Following the interviews, focus group discussions explored the impact of organizational culture on inter-organizational working in-depth (Bryman 2004). In this study, four focus group discussions involving 28 participants from two partner organizations transpired. Participants included 16 operational level staff, 11 middle managers and 1 senior manager.

Deidentified data was coded in NVIVO for emergent themes and ideas, starting with open coding and progressively moving to axial and selective coding (Strauss and Corbin 2008). Open coding involved undertaking a line-by-line analysis of the data, breaking the data down into discrete parts, comparing the data for similarities and differences, and then grouping the data into categories based on this comparison (Strauss and Corbin 2008). Axial and selective coding involved the establishment of subcategories to explore potential relationships to understand *how*, *where* and *why* structure, culture and common purpose had an impact, or not, on inter-organizational working in each of the cases. The case comparisons then enabled explanations of the patterns that were established in the data. In the next section the findings are presented in detail.

FINDINGS

The first finding of note was that effective inter-organizational coordination and collaboration could be supported by structural solutions; however, in some cases, structural solutions created more challenges than they solved. The second finding was that, whilst cultural compatibility

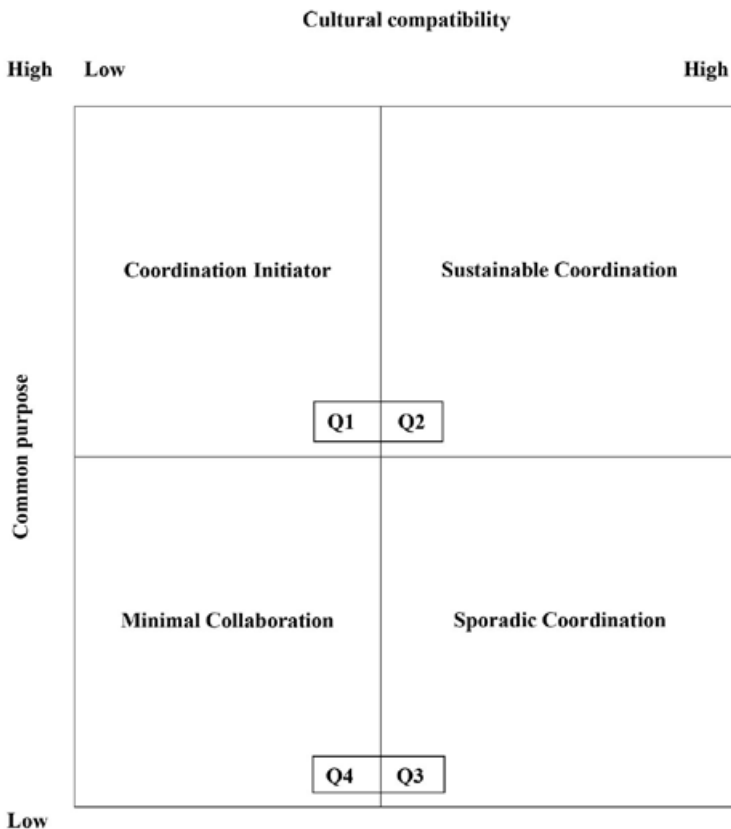


Figure 14.1 A typology of inter-organizational working

did have an impact on inter-organizational working, it was not the only factor at play as successful outcomes were achieved despite low cultural compatibility (in the first case study) and high cultural compatibility is not sufficient on its own to create effective outcomes. The third, and most important, finding was that common purpose interacts with cultural compatibility in ways that either enable or impede the potential for inter-organizational working and, therefore, the likelihood of achieving long-term goals. These findings lead to the establishment of an inter-organizational working typology which reflects different ways in which common purpose and cultural compatibility support (or not) inter-organizational working (see Figure 14.1). The establishment of each quadrant from the data will be explained below.

Quadrant 1: Coordination Initiator

In the first case study, common purpose was an important initiator for coordination across organizational and governmental boundaries. To achieve its objectives, this case study was established as a coordination structure, specifically a *temporary taskforce* or *ad hoc activity* which was set up for a specific and limited purpose, where resources are shared to achieve a limited set of goals and are mostly limited to contributing the expertise of staff and information (see Mandell and Steelman 2003). In this case study, resources were shared, and coordination was facilitated via inter-departmental committees (IDCs) and working groups comprising representatives from multiple organizations. A common purpose was established that was externally derived; that is, it stemmed from a strong government mandate and central agency intervention.

The government mandate derived from two primary sources. First, the government committed a substantial amount of resources over five years to achieve the desired objectives; and second, the Commonwealth, state/territories and local governments all committed to work together to achieve these objectives. These factors communicated the high priority attached to the objectives and the government's commitment to ensuring it was achieved. A strong political mandate is important for finding acceptable solutions and funding strategies arising from joint efforts (Head 2008); it also sharpens attention and stimulates effort (Wear 2012). The government exercised leadership, which is important for enabling inter-organizational working (Sullivan, Williams and Jeffares 2012), through providing clear impetus to coordinate and sufficient political clout to encourage organizations to work together.

The strong impetus, and willingness, to cooperate, also stemmed from the involvement of the Department of the Prime Minister and Cabinet (PM&C) as the key driver for coordination. PM&C facilitated coordination through bringing together key stakeholders and convening an IDC comprising senior managers from across multiple organizations and numerous other working groups. The authority of central agencies is crucial for encouraging coordination due to forcing organizations to align their activities (Bakvis and Juillet 2004; Bouckaert, Peters and Verhoest 2010); in this case, the involvement of the prime minister's department provided additional power to elicit action.

Together, the government mandate and central agency intervention elicited the commitment necessary to give the case study a high profile across government. They achieved this through exercising 'episodic power', described as "relatively discrete strategic acts of mobilization initiated by self-interested actors" (Lawrence, Winn and Jennings 2001, p. 629; see also Lawrence, Malhotra and Morris 2012). In this case, senior public officials and government ministers established a clear government position on the issue, elevating the priority allocated

to the case study across organizations. It also established a clear and compelling externally derived common purpose.

Through providing clear objectives, the externally derived common purpose led to a shared understanding of what was required. It was clear that representatives from across multiple organizations had to work together to achieve these objectives; it was also clear that it was in their best interest to do so, as not achieving the objectives would have broad-reaching negative effects. As such, it elicited a willingness to contribute specialist knowledge and expertise to activities.

The presence of an externally derived common purpose was critical in this case study because of the cultural differences across organizations. The case study involved multiple organizations working together; these organizations were diverse and had disparate vertical objectives. The sheer scale, and diversity, of organizations involved in the activities meant that organizations held different assumptions, values and norms, reflecting low cultural compatibility. Despite propositions in the literature regarding the detrimental effects of low cultural compatibility (e.g. Cartwright and Cooper 1995), it was almost irrelevant in this case study. Participants demonstrated the attitudes and behaviors necessary to engage in inter-organizational working; they were prepared to work across boundaries in a cooperative manner to achieve the desired objectives.

The exercise of episodic power is inherently an unstable and unsustainable mechanism for the success of inter-organizational working, however, with Lawrence, Winn and Jennings (2001) arguing that episodic power must be exercised continuously in order to support change implementation. They proposed that once the provision of rewards or threats of sanctions are withdrawn, organizational actors will rationally stop complying with the intended behaviors and practices. This was evident in this case study because the government mandate and central agency intervention were short-lived; once the objectives were achieved, PM&C withdrew their involvement to devote resources to the next priority, leading to organizations dispersing and redirecting their attention elsewhere. This is why an externally derived common purpose was a coordination initiator; coordination was enabled over the short-term and for a specific goal. Once that goal was achieved, coordination ceased. This was appropriate in the first case study as ongoing coordination was not required. However, for initiatives that require regular or permanent coordination, other mechanisms would need to be in place to support and sustain coordination.

Quadrant 2: Sustainable Coordination

In the second case study, common purpose was central to the ability to establish sustainable coordination. To achieve the stated objectives, this case study was established as a coordination structure, whereby organizations remained distinct and contributed resources. It reflected permanent coordination (Mandell and Steelman 2003), as representatives from different organizations were co-located and frequently worked together over several years.

Through working together for many years, members developed shared assumptions regarding their core mission, and this formed the basis for a high common purpose; they also established assumptions regarding their need to work together to achieve this mission. In contrast to the first case study, this common purpose was internally derived, rather than from external sources such as a government mandate or central agency intervention. The durability of working relationships meant that members had established shared collaborative values and

norms. Their shared values revolved around the importance of a community and outcomes orientation; a cooperative mindset, with values and norms around networks and relationships; and communication and information sharing (see Buick 2014a). The durability of relationships and embeddedness of these values and norms meant that members had established their own subculture. Subcultures develop when groups have a shared history, stable membership, interact frequently and face similar problems (Schein 2017). These conditions result in a distinctive set of collective assumptions, values and norms (Van Maanen and Barley 1985). In the second case study, these shared assumptions, values and norms reflected high cultural compatibility and enabled sustainable coordination.

The dynamics in the second case study reflect Schein's (2017) description of cultural perpetuation. Members assumed that inter-organizational working was central to their ability to achieve their core mission; it was assumed that members needed to cooperate, share resources, information and knowledge, and coordinate programs. Over time, engaging in inter-organizational working enabled the achievement of the core mission and as it continually led to successful outcomes, it was reinforced as the correct way of operating. Through the achievement of successful outcomes, the common purpose in the second case study was also increasingly perceived as a valuable pursuit. The interplay between common purpose and culture became one that was mutually and continually reinforcing.

The mutually reinforcing relationship between common purpose and organizational culture embedded inter-organizational working within the second case study. Members engaged in cooperative norms on a daily basis, through developing and utilizing interpersonal relationships and networks and by sharing information to achieve vertical and horizontal targets. They also engaged in inter-organizational, inter-governmental and inter-sectoral coordination. In doing so, participating organizations achieved what Huxham and Vangen (2004) referred to as "collaborative advantage" (p. 191), or the achievement of goals that the organizations could not achieve separately. Although it was not set up as a collaborative structure, the values and norms established within the case study meant that they operated collaboratively; they were interdependent and complementary, so could achieve significantly more together than would otherwise be expected.

Quadrant 3: Sporadic Coordination

In the third case study, a moderate common purpose was developed that enabled sporadic coordination. This case study was established as intermittent coordination, which occurs when the policies and procedures of multiple organizations are adjusted to enable cooperation to achieve some objectives, but they mostly operate separately (see Mandell and Steelman 2003). In this case study, organizational representatives were co-located in a one-stop shop and occasionally worked together to resolve a crisis. Similar to the first case study, the identification of a crisis situation provided the political pressure necessary to elicit coordination across organizations. However, instead of a central agency driving the coordinated response, the one-stop shop was responsible for taking a leadership role. The selective nature of coordination, isolated to intervening in crisis situations, meant that the second case study had an intermittent coordination role.

The intermittent coordination role meant members had established a moderate common purpose. This stemmed from assumptions regarding the core mission which incorporated both a vertical and horizontal focus; they existed to deliver organizational programs (vertical focus)

and to work together when the environment demanded it, such as when there was a crisis (horizontal focus). The moderate common purpose also evolved from members' common focus on service delivery and program implementation. It encouraged regular cooperation among members, with large-scale coordination occurring as the need arose.

The moderate common purpose led to moderate cultural compatibility. Although members were from different organizations that had different values, beliefs and assumptions, their need to cooperate on a regular basis, for both the achievement of organizational objectives and effective response to crisis situations, meant that members had established similar assumptions regarding the value of cooperating and coordinating to achieve their objectives. Members utilized networks and relationships on an ongoing basis to maintain awareness of events and the priorities of other organizations, to deliver organizational programs, and to identify when a crisis intervention was necessary. Thus, cooperation was necessary for awareness and understanding of the broader context within which the case study resided. This meant that members had managed to integrate elements of their cultures, which is important for partnerships (see Cartwright and Cooper 1993), yet their ongoing focus on delivering organizational outputs meant that a moderate, rather than high, level of cultural compatibility was evident.

The moderate common purpose and moderate cultural compatibility in this case study enabled sporadic coordination. Members cooperated across boundaries, shared information and utilized relationships and networks in order to maintain awareness of current issues, deliver organizational programs, facilitate citizens' access to mainstream services and address crisis situations in a cooperative and effective way. The sporadic nature of this coordination must be emphasized, as this occurred *only* when a crisis ensued. This was appropriate for this case study, as it was established with the intent of only coordinating when specific circumstances arose. However, it would not be appropriate if permanent coordination was required.

Quadrant 4: Minimal Collaboration

The final case study was established as a collaboration structure, but the existence of a low common purpose meant that low levels of collaboration were evident and thus the advantages of such a structure were not realized. This case study was established as a collaboration between two organizations and comprised a joint structure with officials from both organizations co-located in joint teams. Groups were focused on a range of functions with specific emphasis on policy development, program delivery and business support. The collaborative entity developed a business plan which espoused joint objectives. However, senior and middle managers retained accountability for delivering organizational outputs and policy development. The decision to retain a vertical orientation and organization-specific functions diluted the reasons for collaborating, with the assumption that it was more for reasons of co-locational and structural convenience than practicality. These issues led to the establishment of a low common purpose.

The low common purpose perpetuated and encouraged divergent cultures and low cultural compatibility. At the senior management level, there was a strong need to protect their parent organizations' values and interests, leading to turf protection. Turf issues can result from different cultures and interests (Howes et al. 2015); in the case study, they emerged from the different, and conflicting, cultures of the parent organizations. Turf issues also stemmed from the view that collaboration involved overt trade-offs and the subordination of organizational goals. The subsequent degree of compromise and accommodation that ensued meant that

many senior managers were not prepared to forego their organization's position in the quest for joint outcomes. Consequently, organizational matters were prioritized over joint ones, collaboration was impeded and a high degree of "bureaucratic politics" (Page 2005) was evident, particularly when discussing the allocation of funding. Collectively, these issues meant that a common purpose was not established within the case study, with organizational differences leading to a lack of coherent and unified direction.

The tensions experienced at the senior management level transferred to the middle management level. Leaders play a central role in transmitting and reinforcing culture, with assumptions, values and norms embedded through what leaders pay attention to on a regular basis (Schein 2017). In the case study, the desire for many senior managers to promote, protect and defend their parent organizational values, combined with the rhetoric around collaboration, led to confusion and ambiguity at the middle management level. Confusion stemmed from the low common purpose which was manifested in senior managers providing conflicting messages regarding priorities, how work should be undertaken and what was valued. Many middle managers reported that it was safer to focus on organizational priorities, rather than joint ones, and that cooperation was inappropriate in many instances, particularly when working on policy development. These issues led to some middle managers reporting intentions to leave due to the stress they experienced because of these issues.

The low common purpose in this case study led to cultural issues at the group level. It meant that each group had a different set of external drivers, stakeholders, missions and goals, leading to the establishment of multiple subcultures. Differences were accentuated through groups being physically dispersed across multiple buildings and floors, meaning they had to consciously and proactively seek out interaction with other groups. This interaction did not occur unless there were interdependencies and groups had to interact in order to achieve their goals. However, the low common purpose in this case study meant that there were few interdependencies across groups, particularly those responsible for policy development. Thus, it was perceived that many groups did not need to cooperate or coordinate with one another to achieve their goals. These factors meant that many groups were ignorant and unaware of one another's existence and function, leading to low conflict interactions (Page 2005). The lack of cooperation and coordination across groups were mainly contentious in areas where there were interdependencies, such as when the establishment of processes in one group impeded the ability of other groups to perform their roles and achieve their outputs. These interactions led to high levels of conflict across groups. These issues align with claims in the literature that conflict develops due to groups having fundamentally different conceptions of problems (Bouckaert, Peters and Verhoest 2010; Schein 2017) and the most appropriate way to address them.

This case study was established as collaboration, but without the "supporting architecture" (O'Flynn et al. 2011, p. 248) necessary to enable collaboration. Functions that did not require cooperation and coordination, such as policy development, were incorporated into the collaborative structure, impeding the development of a common purpose. The low common purpose within the case study made it difficult to establish cultural compatibility; focusing on the goals of either the parent organizations or individual groups meant that cultural differences and clashes were endemic. Moreover, impeded interaction within the case study made it less likely officials would find common ground, which perpetuated a low common purpose. Without this common purpose to bind officials from the different organizations or the subunits within the case study together, the natural tendency was to focus on silo and/or organizational outputs, thus perpetuating low cultural compatibility. In this environment, territorialism and compet-

itiveness between organizations were evident at the senior management level, with cultural differences prevalent across all levels of the case study, with perceptions amongst officials that their work was misdirected, incomplete or insufficient. In essence, the combination of a low common purpose and low cultural compatibility resulted in “collaborative inertia” (Huxham and Vangen 2004, p. 191) where the benefits were negligible, and stories of pain and suffering were prevalent. This highlights the issues associated with relying on a structural solution without establishing a common purpose and considering the cultural implications of combining disparate cultures.

DISCUSSION: THE IMPORTANCE OF COMMON PURPOSE AND HOW PERFORMANCE MANAGEMENT CAN SUPPORT ITS ATTAINMENT

This chapter synthesized findings from a large comparative case study to demonstrate that: (1) structure is insufficient on its own for enabling inter-organizational working; (2) cultural change is not essential to the success of inter-organizational working; (3) whilst low cultural compatibility can be a significant impediment to inter-organizational working, cultural compatibility is not essential for its effective implementation; and (4) common purpose is an essential precursor to effective inter-organizational working.

The findings highlight that common purpose is the critical starting point for inter-organizational initiatives; it trumps both structure and culture as a facilitating mechanism for inter-organizational working. Moreover, the origins of this common purpose differ across different structures and types of inter-organizational working which is of note because common purpose is often presented as a unitary concept. Instead, this study demonstrates that its derivations differ according to the type and intensity of inter-organizational working required; it can derive from both external sources such as government mandate, central agency intervention and/or crisis situations, or internal sources, such as cultural learning processes in response to environmental demands. This is an important distinction to make because the origins of common purpose impact the ability to either initiate or sustain coordination and encourage collaboration. If coordination is only required over a short time period, then external sources are appropriate, but if coordination needs to be sustained or if collaboration is required, then internal sources are necessary. It is an important issue for practitioners who need to consider both the type of inter-organizational working and common purpose required to achieve desired outcomes.

The sources of purpose are very important, as seen in the examples above but, irrespective of its source, a common purpose will only be of use if it is recognized and becomes an active trigger for inter-organizational working. This highlights the importance of participating organizations establishing a shared understanding of their goals, the reasons for working together and the role that each individual or organization plays in achieving these objectives. If a common purpose, with clear reasons for working together, cannot be established then organizations should reconsider their desire to work together as it is likely that it will only lead to pain, frustration and inefficiencies. This is particularly the case for more intensive forms of inter-organizational working, such as collaboration structures (see Mandell and Steelman 2003), as the absence of a low common purpose in these arrangements can lead to considerable, and occasionally insurmountable, challenges for officials. Similarly, a common purpose

might be articulated in formal documentation, but not embedded in daily practice (as with the final case study), meaning that officials are not focused on its attainment. Consequently, aligning individuals to the common purpose of an inter-organizational arrangement will be critical to its achievement and this is where employee performance management becomes an often untold part of the story.

The Role of Employee Performance Management

Performance management is depicted in multiple ways in the literature, with a focus on both the organizational and individual levels; this chapter focuses on employee performance management. In this chapter, performance management is defined as "... a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization" (Aguinis 2013, p. 2). This means that performance management depicts a broad management function (Aguinis, Joo and Gottfredson 2011) that enables individuals to understand "how their work ties to the broader organizational goals and activities, they should set out clear expectations of behavior and then bestow rewards for achieving this" (Alford and O'Flynn 2012, pp. 244–245). It involves an ongoing process of setting goals and objectives, observing performance, and giving and receiving feedback (Aguinis 2013); it is the habitual work practices that involve ongoing conversations, regular feedback and the identification of development needs (Blackman, Buick and O'Donnell 2017). Essentially, it is the actions managers undertake to guide, support and motivate higher levels of performance among employees (Taylor 2015). This suggests that performance management is an important mechanism for supporting inter-organizational working, as it helps align individuals to the common purpose of inter-organizational arrangements, clarifies their role in its implementation and supports the attainment of high performance in inter-organizational settings.

Performance management is a mechanism for clarifying responsibilities and expectations and assessing performance against these expectations. Performance management can be used a key mechanism for clarifying the roles and responsibilities of individuals (Blackman, Buick and O'Donnell 2017) involved in inter-organizational arrangements. Role clarity is fundamental to the success of inter-organizational working; individuals need to know what their role and responsibilities are (Curnin and O'Hara 2019). Performance management is also a mechanism for establishing expectations in terms of the level of performance required and the rewards that will be forthcoming if desired performance is achieved (Blackman et al. 2017). It is a mechanism for clarifying expectations regarding results (what an employee achieves), as well as desired behaviors (what an employee does) (Aguinis 2013). In inter-organizational arrangements, these behaviors would include behaviors such as cooperating and working well with others, sharing information and resources, developing effective working relationships, building consensus, and constructively managing conflict (Aguinis 2013). To elicit desired behaviors, goals and expectations need to be clearly communicated, with feedback and performance reviews focused on performance against these goals and expectations (Bauwens, Audenaert and Decramer 2019; Van Waeyenberg et al. 2017).

Performance management can also align individuals with the common purpose of an inter-organizational arrangement. Performance management can be used in a purposeful and meaningful way to enable alignment between organizational, group and individual goals (Aguinis 2013; Blackman, Buick and O'Donnell 2017; Blackman et al. 2015; Van

Waeyenberg et al. 2017); by extension, this could include alignment with the goals of inter-organizational arrangements. Aligning individuals with broader goals is important for clarifying why the input of individuals and their level of performance matters; they can see how they are contributing to broader goals and why this is important (Blackman et al. 2015; Curnin and O'Hara 2019). In this sense, it is not just about individual performance; it is about performance in the context of a broader purpose. This has a motivating effect for individuals, where high levels of motivation and performance result from their understanding of organizational goals and aligning their work with them, and the feeling they are engaging in meaningful work (Blackman et al. 2013; Taylor 2015). In inter-organizational arrangements, individuals need to know what their role is, and what the role of others are (Curnin and O'Hara 2019); that is, they need to know what they need to do to enable achievement of the common purpose of an inter-organizational arrangement. They also need to see the value in inter-organizational working, highlighting the importance of clearly communicating the value and relevance of goals to encourage inter-organizational working (Choi and Moynihan 2019). When an individual's performance (results and behaviors) is being assessed, this assessment can consider whether an individual contributes toward the accomplishment of these broader goals (Aguinis 2013). In inter-organizational arrangements, this would include ascertaining the extent to which individuals contribute to the achievement of the common purpose and the extent to which they cooperate and work well with others.

Performance management is also a mechanism for identifying the capability requirements for individuals and identifying a plan for developing these capabilities (Blackman, Buick and O'Donnell 2017; Blackman et al. 2015). For inter-organizational arrangements, it can provide the opportunity to identify an individual's boundary spanning capabilities, which are essential for effective inter-organizational working (see Brown 2017; Buick 2014b; Buick, O'Flynn and Malbon 2018). This could include determining their ability to establish relationships and cooperate with people from other groups and organizations, which are critical capabilities for inter-organizational working (see Brown 2017; Devine, Boyle and Boyd 2011). It can then be used to identify any capability gaps and mechanisms for addressing these gaps; it should be noted, however, that actions need to go beyond identifying developmental needs; there needs to be a focus on following through and ensuring the development is undertaken (Taylor 2015). In performance discussions, the most appropriate mechanism for developing capabilities should be identified, considering the full spectrum of learning and development; for example, experiential learning (the opportunity to learn from working in inter-organizational arrangements), social learning (i.e. coaching and mentoring from those who have considerably more experience and success with working in inter-organizational arrangements), and formal learning (i.e. formal training and development). Considering the full spectrum of learning and development is important, as the default can often be to rely on formal learning – training programs – however, they are limited in what they can achieve and may primarily be useful for disseminating information and communicating the rationale for reform (Kroll and Moynihan 2015) or engaging in inter-organizational working. However, training programs may not develop capacity to actually implement reform agendas (Kroll and Moynihan 2015) or inter-organizational arrangements. Developing capacity is likely to need the integration of formal, experiential and social learning (see Johnson, Blackman and Buick 2018).

All of these factors highlight the pivotal role that middle managers play in the implementation of inter-organizational working (Jones and Hooper 2017). Middle managers need to be able to work with employees to establish role clarity and expectations, communicate and

align individuals with broader inter-organizational goals and common purpose (Ayers 2013; Blackman et al. 2013). This highlights the importance of managers participating in the goal setting process, as this can make them more engaged in pursuing inter-organizational working to achieve goals. This also suggests that engaging in inter-organizational working needs to be a role expectation for managers (Choi and Moynihan 2019). Managers also need to provide employees with regular feedback on their performance against the goals and common purpose of an inter-organizational arrangement. Managers play a key role in encouraging individuals to cooperate with others through clarifying this expectation and giving them clear, specific, and descriptive feedback on their performance and behaviors (Fu, Hsieh and Wang 2019). In addition, managers are essential for the effective implementation of performance management, with its effective implementation requiring managers to be able to implement it well (i.e. can establish clear goals, hold regular conversations and provide feedback), being motivated to implement it (i.e. spend time establishing clear goals and providing feedback), and having the opportunity to implement it (i.e. have the capacity) (Van Waeyenberg and Decramer 2018).

CONCLUSION

Drawing on the findings from an exploratory comparative case study, this chapter argued that common purpose is central for the effective implementation of inter-organizational working. This challenges practitioners' prevailing focus on structural and cultural solutions to inter-organizational working, both of which involve considerable challenges and are ineffective on their own. This chapter presented a typology for supporting inter-organizational working which reveals different sources of common purpose, with external sources being important for initiating coordination and internal sources being important for sustaining coordination and encouraging collaboration. It argued that, irrespective of its source, a common purpose will only be of use if it is recognized and becomes an active trigger for inter-organizational working; this means a common purpose must be both articulated and embedded in daily practice. This highlights the need to align individuals to the common purpose of an inter-organizational arrangement through employee performance management, which is a mechanism for clarifying the roles and responsibilities of both individuals and organizations involved in inter-organizational working and aligning them to the achievement of its common purpose and goals.

These findings lead to eight implications for the practice of inter-organizational working:

1. When ad hoc or intermittent coordination is required to achieve inter-organizational goals, it is recommended that organizations establish an externally derived common purpose from a government mandate, central agency intervention and/or a crisis situation.
2. When regular or permanent coordination or collaboration are required to achieve inter-organizational goals, it is recommended that organizations ensure that a clear common purpose can be established, participants commit to this purpose and have a shared understanding regarding the strong need to work together. This will result in an internally derived common purpose.
3. If an internally derived common purpose can be established, a collaborative culture may evolve naturally. This is due to the common purpose being embraced as the core mission

of the inter-organizational endeavor, which leads to the establishment of shared values and norms.

4. Before embarking on inter-organizational arrangements, give careful consideration to the real objectives of the initiative and the degree and intensity of inter-organizational working required to achieve these objectives. This will help determine the type of common purpose required.
5. If a common purpose that all participants commit to cannot be clearly established and/or it is unclear why organizations need to work together, then reconsider the desire to engage in inter-organizational working. Failing to do so is likely to lead to pain, high levels of stress, inefficiencies and ineffectiveness, particularly for arrangements that are established as permanent coordination or collaboration structures.
6. Performance management is a key mechanism for aligning individuals to the common purpose of an inter-organizational arrangement. It can help clarify roles and responsibilities of individuals and align these to the common purpose to identify why their role and performance matters.
7. Performance management can facilitate the identification of developmental needs, with a focus on boundary spanning capabilities, and how they can be addressed.
8. Middle managers involved in inter-organizational arrangements need to be adequately developed to undertake effective performance management, clarify roles and expectations, communicate broader goals and align individuals with them, and provide individuals with useful feedback that helps enhance performance.

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APPENDIX 14.1 SHARED VALUES DESIRED FOR EFFECTIVE INTER-ORGANIZATIONAL WORKING

Shared values	Cited by
Bigger picture/holistic perspective	AUS – MAC (2004) CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), Performance and Innovation Unit (2000)
Collaborative/ability to transcend silo mentalities	AUS – MAC (2004) CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), Performance and Innovation Unit (2000), HMG (2012) USA – GAO (2003)
Teamwork	AUS – MAC (2004) CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), Performance and Innovation Unit (2000)
Collegial and cooperative	AUS – MAC (2004) CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001)
Trust and relationships	CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999)
Citizen-focused	CANADA – Privy Council Office (1996) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999) USA – GAO (2003)
Outcomes orientation	NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), Performance and Innovation Unit (2000), HMG (2012) USA – GAO (2003)
Innovation and creativity	AUS – MAC (2004) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), Performance and Innovation Unit (2000)
Tolerate mistakes and manage risk	AUS – MAC (2004) NZ – Ministerial Advisory Group (2001) UK – Cabinet Office (1999), HMG (2012) USA – GAO (2003)
Flexibility and adaptability	AUS – MAC (2004) CANADA – Privy Council Office (1996) UK – HMG (2012)

15. Who is accountable for capability development?

Samantha Johnson

This chapter explores the subject of who should be held accountable for the effective development of individual capability in public sector organizations. As individual capability development is widely accepted as a stepping-stone to organizational high performance (West and Blackman 2015) most, if not all, public sector organizations engage in it. Many commit significant budgets, time and effort into building individual capability and yet, there is little exploration of who should be held to account for its quality and effectiveness. In exploring accountability for individual capability development, I also consider who is held responsible for capability development, as these terms, accountability and responsibility, can be used synonymously (Bovens 2010). However, they are not the same, they differ in meaning and in action and therefore, they differ in results.

In writing this chapter, I hope to generate a new conversation in public sector organizations about putting in place formal levels of accountability for individual capability development that look considerably different to what we generally see today. To do this, I first present a brief overview of the way capability development programs are often evaluated and suggest that while evaluation is important, it falls short of holding someone to account for standards and quality. I then present research into middle management capability development undertaken across the Australian public sector that highlights a lack of accountability for individual capability development and suggests that the terms responsibility and accountability are used interchangeably. I discuss why this is a problem and offer recommendations on how to improve accountability for individual capability development.

IS PROGRAM EVALUATION ENOUGH?

The evaluation of capability development programs has been a long-standing and important aspect of the capability development process. The evaluation of the quality of any training or development activity is important because a trainee's experience on, and reaction to, a training and development activity has a direct influence on the degree to which they learn (Kirwan and Birchall 2006). Hence, evaluation questionnaires seek to understand the trainee's experience and response to the training and development activity, with positive experiences and responses suggesting higher levels of learning. These questionnaires will also seek to understand the degree to which the course trainer is able to tailor course content to a trainee's context and real-life experiences. This matters because the degree of similarity affects a trainee's ability to generalize the learning to their workplace and a high level of generalization is required for effective learning transfer to occur (Holton III, Bates, Bookter and Yamkovenko 2007).

It is also likely that the evaluation of capability development programs has increased in complexity, as additional elements have been built into programs in response to insights into

human resource development (HRD) that practitioners have learned from HRD literature. The HRD literature identifies many factors that contribute to the success of learning and development activities. These include increasing peer support for trainees to assist them to implement new skills and knowledge; improving supervisor support for trainees including allowing more time and opportunities to apply new skills and knowledge at work; and giving rewards to those trainees who apply new skills and knowledge to their work (Holton III et al. 2007). In line with this research, we see capability development programs with formal involvement from peers through 'buddying' arrangements. We also see formal roles for supervisors to assist trainees to embed new skills and knowledge into the workplace. It is fair to assume that these elements of a capability development program are also evaluated through in-house processes. However, despite HRD practitioners providing increasingly complex capability development programs that implement recommendations from HRD research, high performance for many organizations remains elusive (Blackman, Buick and O'Donnell 2017; West and Blackman 2015). This may not be a consequence of inadequate capability development programs but a consequence of an ongoing assumption that program evaluation equates to accountability for program standards and effectiveness.

The discussion on capability program evaluation takes another turn when we consider the way that HRD is changing and how new approaches to HRD are to be evaluated. While face to face capability development programs may continue to be used, there is no escaping the rapid increase in the use of technology in HRD. Many capability development programs are now delivered through e-learning platforms that are accessed via mobile phones and tablets which allow for self-paced learning (Torraco and Lundgren 2020). Organizations are thus faced with the challenges of evaluating these capability development programs and ensuring that they result in actual capability development and offer a reasonable return on investment. The changes in the way that capability development programs are being delivered are sufficiently significant for some theorists to question the ongoing need for HRD as we know it (Torraco and Lundgren 2020). If this way of thinking becomes popular it may have far reaching implications. It is both important and difficult for organizations to show a return on investment for HRD activities (Avolio, Avey and Quisenberry 2010; Phillips and Phillips 2007, 2016; Torraco and Lundgren 2020), which can intensify the need to find affordable ways to develop capability including increasing the use of technology. However, an increase in technology in capability development programs may result in greater challenges for program evaluation as increased challenges to evaluate programs and show a return on investment may add fuel to the discussion that HRD is becoming redundant. Since this does not change the reality that building individual capability results in improved organizational performance, assumptions that a well-managed HRD function is not needed could result in a decline in organizational performance. One way to turn this trend around is to consider the importance of identifying accountability for capability development and moving the focus away from only evaluating individual capability development programs and activities. Further, I suggest that considering accountability for capability development must generate a new discussion that differs from that identifying who is responsible for capability development.

ACCOUNTABILITY VS RESPONSIBILITY: HOW THEY DIFFER

In 2010, Mark Bovens, a leading scholar in public administration and accountability, summarized the accountability literature and looked at how accountability is seen in different contexts. In the Australian context, he describes accountability as a social mechanism, where one person is held to account by another or by an institution and where one person can be held to account for certain actions or performance (Bovens 2010, p. 948). Bovens (2010) suggests that accountability is also synonymous to ‘good governance, transparency, equity, democracy, efficiency, responsiveness, responsibility and integrity’ (p. 956). However, despite the clarity in Bovens’ definition of accountability, in the literature there is a great deal of disagreement regarding what it means and the array of definitions that are accepted are adversely affecting accountability practices (Bovens 2010). This is not only a problem in the academic literature, it is also a problem in practice. Without an agreed understanding of accountability that clearly differentiates it from responsibility, it is likely that people are held to account when they should not be, which means that accountability is not actually achieved.

We see a failure in accountability taking place where there is confluence between the terms accountability and responsibility. According to the accountability literature, considering accountability and responsibility as synonymous is not particularly unusual (Bovens 2010). However, it is problematic because accountability and responsibility are not the same. Accountability relates to compliance and holding certain people ‘... to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met’ (Grant and Keohane 2005 p. 29). Whereas responsibility relates to a set of behaviours and actions, including positive, future actions or duties. As Vetterlein (2018) states, ‘responsibility is thus not only future-oriented, or prospective, and highlights preventive action. It further also allows for discussing who should take responsibility for outcomes lying in the future. It signifies more a behavioural guide with regard to certain risks rather than a given set of rules or regulations that are sanctioned in case of non-compliance’ (p. 551). These definitions suggest that accountability is a *retrospective assessment* that relates to a person’s responsibilities. By contrast, responsibility is *future oriented* and involves making a commitment to something that has not yet taken place.

You may very well argue that this discussion is purely academic and that in practice, it matters not which term is used. However, I suggest that it is important to differentiate between accountability and responsibility because they result in different outcomes. Accountability matters because of the elements within it. For accountability to be a mechanism for governance, it must have three elements: (1) the person held to account must feel obliged to inform a person of higher authority regarding conduct or performance; (2) there must be an opportunity for the person in higher authority to question the person held to account for conduct or performance; and (3) there must be judgement by the person in higher authority with appropriate consequences for conduct or performance, either positive or negative (Bovens 2010, p. 952). Accountability as a mechanism matters because the process of being held to account encourages learning and reflection as part of a feedback process. The consequences of decisions and actions are scrutinized and assessed and this can lead to improved decisions and actions (Bovens 2010). Without a process of scrutiny and reflection, processes and practices can remain the same. Indeed, the inability for capability development programs to result in improved organizational performance may be explained by the fact that accountability is

assumed to be subsumed into responsibility and as such, is not actually taking place. This means that the level of scrutiny needed to ensure capability development activities result in improved capability and organizational performance, is not occurring.

IS ACCOUNTABILITY LACKING IN CAPABILITY DEVELOPMENT: THE EXPERIENCES OF PUBLIC SECTOR MIDDLE MANAGERS

To illustrate a problem with accountability in capability development programs, I draw from our study undertaken in 2015 that explored the capability development experiences and perspectives of public sector middle managers. I also offer a snapshot of the current context of the Australian Public Service (APSC 2019):

- As of 30 June 2019, there are 147,237 Australian Commonwealth public sector employees;
- A 2019 survey of over 10,000 Australian commonwealth public servants showed that up to 70 percent self-identified capability gaps;
- Capability gaps remain despite 65 percent of survey respondents stating that they had access to effective capability development programs;
- The Australian government has recognized a loss in core capability across the commonwealth public service and a need to invest more in capability development; and
- A lack of accountability in workforce management has been recognized as a contributor to the failure to effectively measure capability development programs and activities.

WHAT WE DID IN THIS STUDY

While this snapshot presents elements of the Australian public sector in 2019, the context in 2015 was similar. In fact, data on the Australian Public Service's challenges with capability development is easily found dating back to 2011 (APSC 2019). In response to this, my colleagues and I undertook a qualitative study that involved 145 middle managers in the Australian public sector. This study comprised of three stages: during stage 1 we held semi-structured interviews with 23 senior managers to explore their perspectives on their role in developing the capability of middle managers who reported to them. In stage 2, we undertook a series of group interviews with 122 middle managers across Australia. There was a high degree of homogeneity within these groups which allowed for open discussion and the sharing of perspectives and every member of each group was invited to answer questions in order to maximize input and minimize individual group member domination. For consistency the same interview protocol was used across every group, asking questions regarding participant transition to the middle management level, what support they received to build managerial and leadership capability during and following this transition, what needed to be provided to enable more effective middle management capability and what their experiences were with management development. On average, group interviews took two hours and two researchers attended each group interview. All middle managers involved in this research had attended a middle management development program and had been in their management roles for a minimum of five years.

To maintain confidentiality of participants, we labelled them as follows: individual interviewees are indicated by a participant number and their management level: senior or middle manager: thus, *P1:SM* is 'participant 1, who is a senior manager' and *P2:MM* refers to 'participant 2, who is a middle manager'. Group interviewees are indicated by their group number: participant *GI:1* came from Group Interview 1, participant *GI:2* came from group interview 2, and so on.

THE FINDINGS OF OUR STUDY

The findings of our study were varied and broad and not all are presented in this chapter. I present three findings in this chapter: (1) a general dissatisfaction with current capability development opportunities; (2) challenges with applying new skills and knowledge in the workplace; and (3) confluence between accountability and responsibility or an actual lack of accountability. I present the first two findings to illustrate that individuals cannot be held to account for their capability development because they are not in control of their capability development.

The findings are presented with sub-headings, brief explanations and quotes:

1. A General Dissatisfaction with Capability Development

Most middle managers were somewhat dissatisfied with their experiences with capability development and had clear ideas on how to improve it. They identified concerns regarding the efficacy of 'one size fits all' capability development courses and problems with the timing of these courses, often coming too late in their management careers. For many, they were simply too busy to take time out of the workplace to attend these courses and if they did manage to do this, their return to work was stressful as they sought to catch up on their daily tasks which left little, if any, time to practice new skills and embed new knowledge in their workplace.

Participants reflected these concerns with statements such as:

- 'I absolutely agree it's up to the individual to seek out opportunities to develop but sometimes the expectation is that you're so busy and you have a job to do that you don't have time and it's not appropriate for you to take that time to develop' (*GI:2*).
- 'I did those generic training courses and never got much out of them' (*P3:MM*).
- 'I've never been able to do that [put new skills into practice after attending a course]' (*GI:6*).
- 'You walk out of the course and you think that was really helpful and you feel a bit inspired but actually putting it into reality when you get back to your desk and you're really busy I think is a really big challenge' (*P5:MM*).

2. Challenges with Applying New Knowledge and Skills

Participants spoke of the significant challenge they experienced when, on their return to work following attendance on a formal training program, they were unsupported in their attempts to practice new skills and embed new knowledge in order to realize an improvement in capability.

They reflected these challenges with comments such as:

- ‘If I make a mistake, am I going to be punished for it?’ (P10:MM).
- ‘So you can do all the training, you’ll never be able to really apply it’ (GI:5).
- ‘I think this Department has really good courses. I mean both of the courses that I’ve done on leadership have been fantastic. I think it’s just when you get back into the workplace and actually apply that it becomes quite difficult when you’re so busy and there are so many other priorities and if you don’t have that support’ (P5:MM).
- ‘I don’t think there’s any capacity to [apply new skills]. I mean yes, I’ve been on these leadership courses, you come back, there’s always more work than you have resources available to do it, so you’re constantly reprioritizing work, hoping that your manager’s onboard because you’re non-delivering each week. So you’ve got all these good things, I get all these good references for these books, but there’s no time to consume or to start to practice it in the workplace because you’re just doing all the technical delivery’ (GI:1).

3. Who is Accountable for Capability Development?

There was confluence between the terms accountability and responsibility and a disagreement across participants about where accountability or responsibility lay. There was also evidence that accountability for capability development was non-existent and that capability development was solely aligned to promotional requirements and not to overall capability development.

This was evident in comments such as:

- ‘It’s more about an accountability really ... everyone should have a learning development plan in place. We have them in place by the end of July. We’ve got 11 months to give effect to it before we then get to the end of the next cycle but invariably managers let people get away with not having anything in their development plan or you write it down with all the best intentions and then realize in the eleventh month you haven’t done it and you might just put it on your list again for next year. Or it’s only where you get the good managers and the real focus on it that people are going to do something about it’ (P6:MM).
- ‘Their boss, the person that’s doing their work performance plans. The line manager [is responsible], and it’s also your own responsibility too’ (GI:2).
- ‘And we do a MyDP as well, which is a personal development plan and we’re meant to sit down quarterly and discuss what I want to do and how I want to improve. It’s voluntary so probably, I’d say, 70 percent of our organization chooses not to do it’ (GI:1).
- ‘Ours [personal development plans] are mandatory and we’re supposed to do it every 12 months but mine are 3 years old’ (GI:3).
- ‘The problem you have with that, is that you need it [personal development plans] for your pay progression, but once you get to the top tier you don’t need it anymore, so a lot of our guys get to that top tier and it’s just like, why do I need to improve I’m not going anywhere anymore’ (GI:1).

These findings suggest that capability development is not being achieved by the individuals who participated in this study. This may be regardless of the effectiveness of the individual program and how positive evaluations may have been, in fact, this is stated explicitly in three of the comments presented above and is likely to be a common experience. This supports the

suggestion that evaluating programs is not the panacea to determining if capability development programs are truly effective and result in actual capability development. Evaluations do not equate to accountability and holding course providers to account, measured by the quality of their products and services, does not measure the degree to which a capability development program can actually achieve capability development and lead to improved organizational performance.

The findings also highlight the challenges that individuals have in applying new knowledge or skills in the workplace. Barriers to this include heavy workloads, unsupportive managers, a focus on task output and a reluctance to make mistakes. This is important in the context of the discussion of accountability for capability development because it is not reasonable to hold someone accountable for that which they cannot control. The findings of our study show that individuals who attend capability development programs cannot be held accountable for their own capability development because they are not in control of the circumstances that surround their attendance on a program. Being unable to control workloads, managerial responses to new skills or errors and the timing of development programs, means these people cannot be held to account for those elements that inhibit their ability to develop their capability. Rather, those individuals who can control these elements are those who have accountability for capability development. This may be a line manager or a senior manager, it is anyone who can ensure that new skills and knowledge gained through capability development programs are effectively applied in the workplace.

Finally, our data shows confluence of the terms accountability and responsibility and a tendency to consider adherence to HR processes such as completing personal development plans sufficient for achieving capability development. This highlights the need to separate HR processes from HRD activities and improve understanding of how to ensure capability development programs lead to capability development and how to measure the effectiveness of this.

In conclusion, the study has presented us with the interesting insight that more must be done to separate responsibilities and accountabilities for capability development including identifying who is ultimately accountable for capability development taking place. As this research is limited to a group of managers in the Australian public sector, we recommend that further research is undertaken in other contexts. Further, HRD research already includes explorations of what is needed for the transfer of learning to take place between formal training courses and the workplace. However, given that individuals are expected to learn on the job and that eLearning continues to be popular and has increased substantially under social distancing regulations, we recommend that more research is undertaken to better understand the learning transfer from these activities to the workplace. Further, the split between responsibility for and accountability for capability development needs to be understood better. More research into how organizations manage this split and how to achieve accountability for capability development in, particular, is recommended.

WHAT DOES THIS MEAN FOR PRACTITIONERS: RECOMMENDATIONS

In order for organizations to experience improved results from individual capability development and achieve actual high performance, I suggest the need to reconsider what responsibility

and accountability for capability development currently looks like. I present the following recommendations in support of this:

1. Clearly differentiate between responsibility and accountability for capability development. Individuals may be held responsible for attending and performing in capability development programs; and managers may be responsible for planning for attendance on these programs. While responsibility sits with both the individual and their manager, I suggest that accountability does not. Rather, accountability rests with the individual or individuals who have control over those elements of capability development that occur on either side of attendance on a formal training course.
2. Hold discussions in the workplace using the terms responsibility and accountability clearly and accurately to show how they differentiate. Identify who is responsible and who is accountable for elements of capability development and make sure that these are attributed accurately.
3. Continue to determine effectiveness of a capability program via post program evaluations. However, avoid the assumption that this is sufficient to ensure capability development actually occurs. I suggest adding another element of evaluation; checking in with individuals and managers to determine how effective they were at meeting their responsibilities and accountabilities in the process of developing capability.
4. It is unreasonable to expect middle and senior managers to be accountable for the capability development of their team members, if they too are not in control of the elements that surround attendance on a program and affect the transfer of learning. As such, I recommend that all managers accept their level of accountability for capability development and ensure that control over workloads, time and other elements that affect the application of new skills and knowledge in the workplace, is given to those who need it.
5. Accountability must ultimately rest with someone senior enough in an organization to ensure that the elements that influence a successful transfer of learning down the line are effectively managed. One way of achieving this may be to appoint a Chief Learning Officer, who can identify what needs to be done in an organization to ensure capability develops adequately and who can support managers to do what they need to do to support their staff and so on and so forth. Without someone ultimately held accountable for capability development taking place, the challenges currently being experienced in this field are very likely to continue.

CONCLUSION

In this chapter, I have presented an argument highlighting the need for greater accountability for capability development. This is because organizational performance is achieved, in part, by building individual capability, and as such there is a clear need for individual capability development to remain an important aspect of human resource management. While the importance of building individual capability is widely accepted (Huselid, Becker and Beatty 2005; Kirwan and Birchall 2006; Nieves and Haller 2014) and organizations continue to provide capability development programs, it is also acknowledged that organizations do not always achieve the high levels of performance that they desire (Awoniyi, Griego and Morgan 2002; Baldwin and Ford 1988; Kirwan and Birchall 2006; McCall 2010; Rabin 2014). This can occur regardless

of the quality of the programs they deliver. Improving accountability for capability development means having clear discussions about who is responsible for building capability and who is accountable for ensuring that capability development actually takes place and results in improved organizational performance. Recent HRD literature suggests that for HRD to be effective today, it needs to be considered as an ecosystem that includes various actors who work together, in an interdependent way, to achieve the results that HRD activities are capable of delivering (Garavan, McCarthy and Carbery 2019). The interdependence of actors involved in ensuring capability development programs lead to capability improvement requires public sector managers to hold appropriate actors to account for actual capability development to ensure that the HRD function remains valid and effective into the future.

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16. Modern employee performance management in the U.S. Federal Government¹

Rebecca S. Ayers

Shelly is your typical federal agency front-line supervisor. She spent 15 years in a single program area providing direct services to American citizens. She was a solid performer as an employee and after 15 years of solid performance was promoted to a supervisor position in her same program area. That was 10 years ago. Over the last 25 years, as an employee and supervisor, Shelly has seen performance management evolve in her agency. As a brand-new employee, the process was rigid and often somewhat masked in its purpose. Shelly met with her supervisor twice a year to review a document with job tasks and behavior statements and receive a little feedback. Depending on her supervisor at the time, her feedback ranged from “keep up the good work” to more specific feedback and discussions on formal training for that year. The entire process was very formal, which included officially signing the paper document on three different occasions: a signature indicating she was consulted on the performance standards at the beginning of the year; a signature indicating a progress review; and a final signature indicating she understood her performance rating. Her supervisor and next level manager also signed the document. Shelly has a filing cabinet with 20 years of paper performance plans. She also has paper files for all her employees dating back to her first days as a supervisor.

About 10 years ago, Shelly began to see a subtle shift in performance management practices. For the first time in her career, her agency updated the performance plans. She was asked to contribute to drafting the performance standards. Concepts like “results” and “outcomes” were added to the understanding of measuring employee performance. A small group from her unit was asked to create measurable performance standards that focused on quality, quantity and timeliness. For the first time, Shelly felt comfortable speaking to her employees about expectations for the job. Moreover, she was required to provide quarterly performance reviews and was strongly encouraged to meet more frequently with employees. Now every three years, Shelly receives training on human resources topics, including how to write performance standards, how to give feedback and how to deal with poor performers. Two years ago, her agency implemented software to automate the process. Shelly can easily set up, share and collaborate with an employee, and sign off on performance standards. She can record feedback and her employees can submit self-accomplishment records. All her performance management files are electronic and easily accessible.

Shelly’s experience may read as an over-simplified assessment of federal agency performance management practices, but Shelly’s experience represents how the capacity for, and understanding of, performance management has evolved in the U.S. Federal Government. Nothing from a legal, regulatory, or policy perspective has substantially changed in the last 25 years. The current Code of Federal Regulations Title 5 governing federal agency performance management was adopted in 1995 and Part 430 (5 C.F.R. § 430) remains the authoritative direction for the performance management process. What has changed is the willingness of

agencies and their leadership to explore, add to and modernize the process. Simply put, agencies can see the original 1995 policy's intent to transform the rigid approach to performance management into a more flexible process, giving agencies greater ability to customize the performance management process to meet their business needs. The way we work is changing. Even in the most bureaucratic organizations, technology and culture have created a more mobile and agile workforce. As a result, the way we manage the performance of individuals in a modern workforce has adapted as well.

We have come a long way since the Civil Service Reform Act of 1978 tightened the links between pay, firing and performance for federal agencies. This chapter explores how federal agencies are managing the modern workforce's performance process and changing employee perceptions of that process. How is this 25-year-old policy adapting and helping agencies better manage the modern workforce? What has, and has not, changed and how do we now better understand perceptions of employee satisfaction with individual performance management? Two recent and significant changes to the federal performance management process are impacting management and perception of performance: (1) the use of technology to streamline the process, and (2) the new government-wide Senior Executive Service (SES) performance management system. Both come at a key time to reinforce the federal regulated process when most private sector organizations are ditching their performance management programs. Technology is reinvigorating the transparency and accountability of the process by eliminating the paperwork headache that has distracted agencies from actually focusing on improving performance plans and discussions. Across the government, senior executives are evaluated using consistent, standardized performance measures in core qualifications, which is increasing accountability at the highest levels of government. Together, these changes are meeting the performance requirements of a modern workforce and providing greater fairness and transparency for federal employees.

A SURVEY OF RECENT RESEARCH

The study of managing individual performance in organizations is multidisciplinary, crossing the fields of psychology, public administration, management, human behavior, organizational behavior, and business administration. When the U.S. Office of Personnel Management's (OPM) Federal Employee Viewpoint Survey (FEVS) was first launched in 2002 (and became an annual survey in 2010), the Federal Government gained a wealth of data for understanding employees' perceptions and individual performance management behavior in the agencies (U.S. Office of Personnel Management 2019a). The Merit System Protection Board (MSPB) followed shortly in 2004 with its Employee Viewpoint Survey. This data has allowed a more concise examination of Federal Government performance management and the results and findings have largely reinforced what we know from other public and private sector studies. Nearly all studies of Federal Government performance management have used one of these data sources for empirical research. Appropriately, the research on Federal Government performance management has remained in the field of public administration built on the theoretical frameworks of expectancy theory (Vroom 1964), goal setting (Locke and Latham 2002), principal-agent theory (Kettl 1994), and social exchange theory (Blau 1964).

Performance management can mistakenly be used as an all-encompassing term to describe a management process that collects, interprets, and uses performance information for perfor-

mance improvement. When examining our understanding of performance management in the public sector, Behn (2002), articulated that there are two forms of performance management: one being efforts to improve individual performance management through performance plans and appraisals, while the other one collects organizational, managerial, and leadership strategies to improve or achieve specific public organization purposes. The specific focus on individual performance, and ultimately individual accountability, is essential for achieving organizational outcomes. Management uses the usual “sticks and carrots” to motivate employee behavior and consequently improve individual performance. Within public administration research, individual performance management is considered a human resources management tool (Cho and Lee 2012). As a human resources management tool, recent research in Federal Government performance management has explored perceptions of fairness, the use of awards and pay-for-performance, and the link between individual and organizational performance.

Perceptions of Fairness

Performance appraisals are considered effective when employees perceive the process as fair (Landy, Barnes and Murphy 1978). Employees simply want to know that contributions to goal accomplishments are accurately captured and evaluated in the performance appraisal. Is the act of setting expectations, providing feedback, and giving a rating motivational, thus making the process and tool useful for performance improvement? Organizational psychologists delineate between the structural factors (how the performance appraisal is designed) and the psychological factors (the interaction of the employee and supervisor) of the process. For federal employees, Kim and Rubianty (2011) found, using 2005 MSPB data, that perceived fairness marginally matters and performance appraisal tools have a low influence on motivating performance. However, when viewed as a psychological contract, federal employees have a more positive perceived fairness of performance appraisals, especially when perceptions of supervisory support are high (Harrington and Lee 2015). While the performance appraisal must be perceived as fair and feedback satisfactory, Lee (2017) concluded, using 2014 FEVS data, overly communicating goals when providing feedback lessened the motivational effect of the performance appraisal process. Additionally, Harrington and Lee (2015) confirmed that among federal employees, like non-federal employees, age correlates to perceptions of fairness: older employees are less likely to perceive the performance appraisal process as fair.

Feedback is critical to perceptions of fairness. Data shows that an annual performance appraisal is not the same as good performance management. At all employee levels, feedback matters and the more frequent the feedback, the higher the perceptions of the performance process. Feedback should also be future-focused. Employees are best able to adjust performance when feedback explores lessons learned and opportunities for growth (U.S. Merit Systems Protection Board 2015).

Awards, Pay for Performance

When examining how pay and monetary awards associated with the performance appraisal process can be motivating to federal employees, the results are mixed. Understandably, limits to monetary award payouts, rigid pay schedules and bands, intrinsic motivations and public sector motivation are among the many factors that cloud traditional understandings of extrinsic

motivation when it comes to federal employees. Several empirical studies have explored this issue and found performance incentives crowd out intrinsic motivation of federal managers (Bertelli 2006) and federal employees with high levels of intrinsic motivation did not believe performance-based awards influenced their performance (Oh and Lewis 2009). Linking extrinsic awards to performance for federal employees who are primarily intrinsically motivated could potentially demotivate those employees. However, performance-based awards do contribute to positive organizational behavior when it comes to loyalty and intent to stay. When good performance management practices include performance-based award systems and supporting supervision, it can help decrease employee job turnover intentions (Lee and Jimenez 2011).

Daley (2017) more closely examined factors contributing to extrinsic motivation, using an index of 2013 FEVS questions related to perceived recognition and reward. Daley found that fairness and accuracy of the performance assessment, performance feedback, and training and development are motivating. However, goal setting and accountability are not. Daley surmised that the “translation of complex policy issues into practical steps for individuals has proven difficult” and thus employees cannot always see the link between their work and agency accomplishments (p. 171). As Fu, Hsieh and Wang (2018) pointed out, “having a clear organizational goal is a cornerstone of individual cooperation” and the associated effort to contribute to that organizational goal (p. 167). Ultimately, for pay for performance to work, federal agencies need measurable and controllable performance targets with established goals. Without being able to quantify management objectives with performance, tying pay to performance is difficult. Without a valid process and quantifiable and fair metrics, the perception of fairness creeps in again and creates challenges for performance management programs (Fu, Hsieh and Wang 2018; Weibel, Rost and Osterloh 2010).

Organizational Performance

A fundamental question for all performance management research has been whether individual performance matters to organizational performance. While a good management practice, the overall purpose of performance appraisals should be to improve organizational performance (DeNisi and Sonesh 2010). Within federal agencies, at least perceptually, individual performance management drives organizational performance. Performance appraisals, as a strategic human resource management practice, can help improve perceived agency mission accomplishment (Lim, Wang and Lee 2017). Trust in supervisors can strengthen the relationship (Cho and Lee 2012). With the Government Performance and Results Act of 1993 and the subsequent Government Performance and Results Modernization Act of 2010, federal agencies are required to establish strategic plans and organizational metrics to achieve strategic plan goals. Agencies were highly encouraged to create ‘goal alignment’ throughout the agency and cascade organizational goals to the employee level. Ayers (2013) found that certain organizational factors gave agencies greater capacity for creating goal alignment in their performance management programs. Goal alignment was more likely to appear in agencies that had regular communication of strategic plan goals, a climate for achieving results, and the strategic plan goals were written at a level that could be imbedded into employee performance plans. Ayers (2015) further examined the concept of goal alignment from employee alignment (employees know how their work relates to the agency’s goals and priorities) to plan alignment (embedding strategic plan goals into employees’ performance plans). Ayers concluded that employee

awareness of how their work relates to the agency's goals and priorities can positively moderate the relationship while strategic planning goals that are embedded in employee performance appraisal do not matter. The paper appraisal process has limited influence, whereas human factors and knowledge matter to increasing organizational performance, even when performance management practices in an agency are poor.

To test the theory that employee cooperative behavior can produce better organizational outcomes, Fu, Hsieh and Wang (2018) reviewed performance management strategies that could foster employee cooperation. Again, pay for performance was not significant to employee cooperation, but the agency's performance culture with key performance management strategies, such as goal setting, the performance appraisal, performance information, and good discussions with supervisors were significant. As previously discussed, a precursor is that the performance practices must be perceived as fair. For performance management programs (e.g. strategies) that are not well implemented, the employee cooperative behavior could be low. However, federal managers can have positive, cooperative relationships with employees though good performance practices, and in turn employees are more willing to work together when they have clear goals to achieve agency outcomes. The practical implications of the Fu, Hsieh and Wang (2018) study show federal agencies must train managers to evaluate employee performance fairly and objectively and have the necessary communication skills to convey the goals, provide feedback, and communicate performance ratings.

All this recent research has added to our understanding of Federal Government performance management and has directly influenced the practices and behaviors of how agencies manage performance. Guidance from OPM has evolved from simply improving the paper plan process to encouraging agencies to manage more than just the process. Recently termed "Performance Management Plus" (PM+), OPM believes the key to excellent performance is the *people* and the process. Applying the principles of PM+ requires continuous and meaningful interactions and open communication that lead to mutual trust and understanding. It is not only improving the process, but also being intentional on improving the people involved in the process. This built upon the previous Performance Appraisal Assessment Tool (PAAT) that OPM designed in 2006 to help agencies evaluate whether their performance appraisal programs are results-oriented. The PAAT, and now PM+, defines these key areas as important to effective performance appraisal programs:

- Results-focused critical performance elements that hold individuals accountable with specific outcomes, outputs, products and/or services.
- Credible measures of quality, quantity, timeliness, and cost effectiveness with each performance element.
- Performance elements that align with and support organizational goals.
- Balanced measures that include the customer and employee perspectives.
- Accountability in performance plans for supervisors' appropriate management of subordinates' performance.
- Meaningful distinctions in performance levels.
- Involvement of all employees, including supervisors, in the development of their performance plans.
- A feedback process that includes frequent formal and informal dialogue between supervisors, their rating officials, and subordinate employees.
- Regular training and development on the process and how to provide feedback.

OPM has also given further guidance in a handbook for aligning employee performance plans with organizational goals. The handbook provides an eight-step process for writing performance elements and developing performance plans that are aligned with, and support, organizational goals (U.S. Office of Personnel Management 2019b).

Performance Management by the Numbers

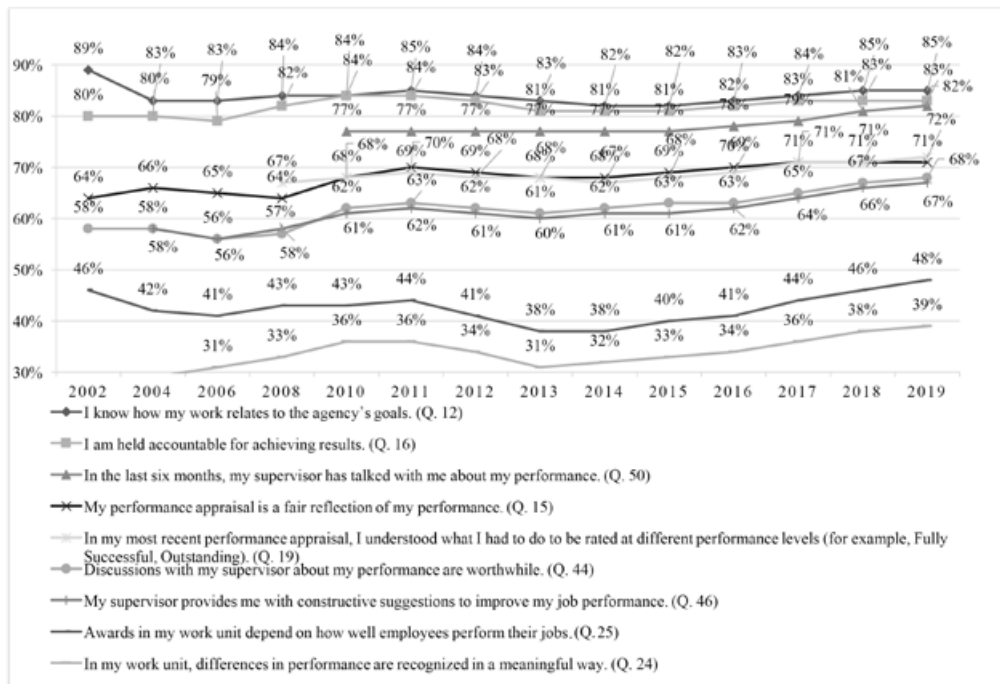
The FEVS has not only informed several empirical studies, but it also provides nearly 20 years of trend data. The FEVS is administered by OPM to all full-time, permanent employees of the major cabinet-level agencies and the small/independent agencies. The purpose of the annual survey is to measure employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. The over 70 survey items have participants respond to the items using a Likert scale: Strongly Agree/Satisfied, Agree/Satisfied, Neither Agree/Satisfied or Disagree/Unsatisfied, Disagree/Unsatisfied, Strongly Disagree/Unsatisfied, Do Not Know. Survey items have been added over the years and nearly all original survey items remain unchanged. Response rates year-over-year range from 40 to 50 percent of the surveyed population. The final government-wide results are weighted to ensure survey estimates accurately represent the survey population. Nine items cover performance management practices and perspectives, five of which have been used since 2002. Examining the percent positive responses (Strongly Agree/Satisfied and Agree/Satisfied) tell us a lot about how performance management perceptions have evolved in the last 20 years.

Figure 16.1 provides the percent positive responses of nine FEVS performance management survey items from 13 surveys since 2002. Overall, positive responses for all nine items have steadily increased, most notably in the last 10 years. Eight of the items hang together in pairs both in percent positive responses and trends in those responses. Federal employees consistently agree that they are held accountable for achieving results and understand how their work relates to the goals of the agency. These perspectives have remained relatively unchanged, regardless of other perspectives on performance management practices. In 2010, FEVS added the survey item "In the last six months, my supervisor has talked with me about my performance." The government-wide result has remained remarkably steady. By regulation, performance appraisal systems must include a mid-year review, however, OPM began promoting and highly suggesting that agencies include quarterly progress reviews in 2010. Since the item was added in 2010, we do not know if this practice has helped encourage more progress reviews or supervisor feedback sessions on performance, but we do have a pulse on how federal employees consistently agree their supervisors are speaking with them about their performance at least at some point during the performance rating cycle.

Four survey items that really unpack federal employee perspectives on performance management are:

- "My performance appraisal is a fair reflection of my performance."
- "In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels (for example, Fully Successful, Outstanding)."
- "Discussions with my supervisor about my performance are worthwhile."
- "My supervisor provides me with constructive suggestions to improve my job performance."

The first two items hang tightly together in percent positive responses, which clearly demonstrate that when employees understand the performance standards in their performance plans,



Note: Federal Employee Viewpoint Survey. Government-wide results for “Strongly Agree” and “Agree” percent values.

Source: U.S. Office of Personnel Management (2019a).

Figure 16.1 Federal Employee Viewpoint Survey 2002 to 2019 select performance management related questions

they equally understand and agree the performance appraisal is a fair reflection of their performance. The Performance Appraisal Assessment Tool (PAAT) was introduced in 2006 to help agencies determine if their performance management programs were results-oriented. A key component of the tool helped agencies evaluate the extent to which performance elements and associated standards were results-oriented.

Following introduction of the PAAT, several agencies revamped their performance plans. Not surprisingly, starting in 2008, percent positive responses to those two questions began to slowly increase. Likewise, the PAAT encouraged more performance management training for supervisors. Previously, the Federal Workforce Flexibility Act of 2004 set into motion regulations for agencies to provide training to supervisors every three years on dealing with unacceptable performance, mentoring employees, improving employee performance and productivity, and conducting employee performance appraisals. Since 2004, the percent positive responses to performance discussions are worthwhile and my supervisor provides me constructive suggestions has jumped 10 percentage points and are at an all-time high in the most recent FEVS results.

While most federal employees agree the process and discussions with supervisors are good, fewer agree that awards depend on how well employees perform their jobs and that

Table 16.1 *Percent of employees in each summary level rating pattern for 2017*

A- Summary Levels 1 and 3	9.01%
B- Summary Levels 1, 3, and 5	26.38%
C- Summary Levels 1, 3, and 4	0.18%
D- Summary Levels 1, 2, and 3	0.03%
E- Summary Levels 1, 3, 4, and 5	6.95%
F- Summary Levels 1, 2, 3, and 5	0.21%
G- Summary Levels 1, 2, 3, and 4	0.25%
H- Summary Levels 1, 2, 3, 4, and 5	56.99%

Note: Percentage of employees in each pattern governmentwide.

Source: U.S. Office of Personnel Management (2019c).

differences in performance are recognized in a meaningful way. The survey items for these two perspectives have tracked together. A notable dip between 2012 and 2015 may reflect the Obama Administration's directive to agencies in 2010 to cap total spending on awards at 1 percent for federal employees and 5 percent for Senior Executives. In 2013, OPM directed that agency-wide spending on awards for fiscal year 2014 may not exceed levels for fiscal year 2012. Moreover, group awards and other awards were capped at 2010 levels. During the Obama Administration, even the annual Presidential Rank Awards were canceled. Additionally, a few agency award programs were scrapped or modified, with the impact trickling down throughout the federal workforce. The cap was slightly increased to 1.5 percent in 2016 and subsequently the Trump Administration directed agencies to create workforce funds for strategically rewarding employees who have made special contributions to their organizations.

Summary rating patterns and rating distribution data provide another glimpse into performance management practices. Agencies are required to self-report this data to OPM annually. Agencies have the option to use one or more of the eight summary rating patterns established in regulation for performance management (5 C.F.R. §430.208). When an agency establishes its performance appraisal system, it includes the summary rating pattern(s) it will use. These do not change frequently since the rating pattern is built into the process and is often part of the negotiated collective bargaining agreement for the performance management process. Large agencies tend to use one or more patterns, while most small agencies just use one. Table 16.1 provides the percent of employees under each rating pattern in 2017. More than half of federal employees are rated using a five-tier scale, with fewer than a third using a three-tier scale, and fewer than 10 percent using pass-fail.

Examining the rating distribution trends within these summary rating patterns provides a little more insight to the process. Rating inflation has long been a concern, if you expect performance ratings to follow a standard bell curve. Table 16.2 provides the government-wide rating distribution by pattern over five years using the most recent data available. It appears regardless of the pattern, the highest-level rating is given at least one third of the time while the lowest level rating (generally "Unacceptable") is given less than 1 percent of the time. Pattern H, with all five levels, has the most evenly distributed ratings across the levels, while Patterns B and E skew to the higher levels. There is no consistent mechanism across government to help manage rating inflation. Most agencies provide guidance year-over-year to try to reduce the number of "Outstanding" performance ratings.

Agencies frequently ask OPM to identify the best pattern to use, but the multiple patterns are designed to allow agencies to determine the summary rating that best meets their business

Table 16.2 Government wide performance rating distributions by pattern for 2013 to 2017

	2013	2014	2015	2016	2017
A- Summary Levels 1 and 3					
1. Unacceptable	0.05%	0.04%	0.05%	0.06%	0.01%
3. Fully Successful or Equivalent	99.95%	99.96%	99.95%	99.94%	99.99%
B- Summary Levels 1, 3, and 5					
1. Unacceptable	0.04%	0.07%	0.06%	0.07%	0.30%
3. Fully Successful or Equivalent	67.81%	61.69%	65.39%	65.03%	53.37%
5. Outstanding or Equivalent	32.15%	38.24%	34.55%	34.90%	46.33%
C- Summary Levels 1, 3, and 4					
1. Unacceptable	0.03%	n/a	0.08%	0.04%	0.04%
3. Fully Successful or Equivalent	15.93%	6.50%	12.54%	11.15%	9.23%
4. Level between Outstanding	84.04%	93.50%	87.38%	88.82%	90.73%
D- Summary Levels 1, 2, and 3					
1. Unacceptable	0.06%	0.04%	0.03%	0.05%	n/a
2. Level between Fully Successful	0.53%	0.32%	0.37%	0.22%	0.67%
3. Fully Successful or Equivalent	99.41%	99.64%	99.61%	99.72%	99.33%
E- Summary Levels 1, 3, 4, and 5					
1. Unacceptable	0.12%	0.18%	0.17%	0.12%	0.11%
3. Fully Successful or Equivalent	12.12%	11.35%	12.40%	11.74%	10.53%
4. Level between Outstanding	38.27%	36.16%	35.01%	35.91%	34.26%
5. Outstanding or Equivalent	49.48%	52.31%	52.43%	52.23%	55.11%
F- Summary Levels 1, 2, 3, and 5					
1. Unacceptable	0.09%	0.19%	0.05%	0.14%	n/a
2. Level between Fully Successful	0.40%	0.14%	0.19%	0.24%	0.13%
3. Fully Successful or Equivalent	68.97%	64.94%	60.63%	59.12%	57.26%
5. Outstanding or Equivalent	30.54%	34.73%	39.13%	40.50%	42.61%
G- Summary Levels 1, 2, 3, and 4					
1. Unacceptable	n/a	n/a	n/a	n/a	n/a
2. Level between Fully Successful	0.58%	0.46%	0.47%	0.28%	0.53%
3. Fully Successful or Equivalent	73.36%	72.00%	70.25%	67.53%	66.65%
4. Level between Outstanding	26.06%	27.54%	29.28%	32.19%	32.82%
H-Summary Levels 1, 2, 3, 4, and 5					
1. Unacceptable	0.15%	0.13%	0.16%	0.15%	0.17%
2. Level between Fully Successful	0.41%	0.38%	0.47%	0.41%	0.43%
3. Fully Successful or Equivalent	23.53%	22.20%	22.00%	23.64%	25.40%
4. Level between Outstanding	34.54%	33.90%	34.13%	32.03%	34.08%
5. Outstanding or Equivalent	41.37%	43.39%	43.23%	43.78%	39.93%

Source: Governmentwide Data for Performance Rating Distribution by Pattern provided by the U.S. Office of Personnel Management (2019c).

requirements and culture. Each has its pros and cons. Eliminating the second level means when an employee is not meeting “Fully Successful,” a performance action must be initiated even if the employee is not completely failing a critical element. Eliminating the fourth level may cause rating inflations when an employee performs just a little better than “Fully Successful” but not “Outstanding.” There are many more variables impacting these ratings, from quality performance standards to rater biases to objectively demonstrating performance. More can be done with this data to unpack perceptions of the process, fairness of the process, quality of the process, and alignment of individual performance to organizational performance.

TECHNOLOGY TRANSFORMATION

In 2013, OPM's HR Line of Business (HRLOB) estimated 75 percent of the federal workforce did not use an IT system (or their system was unknown) to conduct performance management (U.S. Office of Personnel Management 2015). Almost 10 years after automating the hiring process and consolidating pay and personnel systems, agencies were still using paper to complete the heavily form-driven and policy-driven process. Because of the wide regulatory flexibility for performance management, agencies have developed hundreds of different forms and methods for executing the performance management process. The high degree of variability and complexity among federal agencies with performance management has made standardization of the process challenging, a prerequisite to automating any business process. Agencies with the budget capacity could afford to invest in a technology solution for performance management, either through procuring a system on the open market and heavily customizing the system to meet the government regulations or through building a system in-house. Both options were only viable for large agencies or those with flexible budgets.

The issues with manual performance management are many, especially for large agencies with thousands of employees. Most human resources offices can spend a month at the end of a rating cycle chasing paper and confirming with supervisors that the process is completed. The sheer volume of paper is staggering, with performance plans averaging nine pages per employee. Most performance plans are printed at least three times during the year and eventually scanned to make electronic again with the wet signatures. Ratings still must be entered into the personnel system for tracking and eventually making award transactions, so manual data entry has led to redundancies, increased error rates, and decreased timeliness in completing the process. Many agencies are stuck with spreadsheets and self-reporting to track the process throughout the year and cannot adequately report to senior management as well as hold supervisors accountable for correctly completing the process. The manual process has limited the accountability and transparency, and in turn the perceived fairness, of the performance management process. In 2013, one third of the federal employees agreed that performance is recognized in a meaningful way (see Figure 16.1).

We are only beginning to understand how technology can transform this manual human resources process. As Hunt articulated, "Performance management is undergoing a significant shift from fixed paper-and-pencil or highly static in-house enterprise technology platforms to more dynamic online systems. These online systems make once clumsy processes much more efficient, flexible, and easy to use" (Hunt 2011, pp. 188–189). The promise of technology is better accountability and transparency of the process. It enables organizations to track whether supervisors are truly fulfilling the best practice of regularly providing their employees performance feedback. It ensures employees have the correct plans and rating calculations are accurate. Supervisors and employees can easily access the performance plan and make updates to reflect real-time performance or changes to expectations. Simply, technology enables the process to be streamlined and completed more efficiently.

Technology is a largely untouched research area for performance management (Levy et al. 2017). Federal agencies have been woefully behind in adopting technology, for all the reasons mentioned. However, access to technology is getting better. The Department of Defense in 2017 standardized the performance management process across all the components of the Department of Defense, establishing a new rating cycle and three-tier program (Defense Contract Management Agency 2017). This standardization allowed the implementation of

technology across the entire employee population. Likewise, several federal shared service payroll providers have introduced performance management systems, making access to technology easier. OPM introduced USA Performance in 2014 for the Senior Executives and then expanded functionality for all agencies and all performance management processes in 2016 (Boyd 2019). With the access to this technology, we are beginning to observe the impact of technology on the performance management process.

The varied use and adoption of technology makes it difficult to evaluate the government-wide performance management process, but we can observe significant changes when looking at individual agencies. Table 16.3 provides percent positive responses to key performance management questions from FEVS, looking at three agencies before and after technology implementation. The five years give significant time to move beyond initial implementation issues and truly evaluate the impact over time. These three agencies were chosen because of their relatively small-to-medium population size, they have not made major changes to the performance management program(s) and policies other than technology adoption, and they clearly implemented technology agency wide, thus making the survey results more reliable for pre- and post- with the technology intervention. The National Aviation and Space Administration (NASA) designed and developed its own system, the Standard Performance Appraisal Communication Environment (SPACE). This homegrown platform is an internal system and was initially rolled out to employees in May 2013. The National Labor Relations Board (NLRB) and Equal Employment Opportunity Commission (EEOC) use USA Performance. EEOC rolled out the system in 2016 and NLRB in 2017. While causation is not clearly linked, it is still notable that all three agencies have seen percent increases in the key FEVS performance management perception questions.

EEOC has seen the largest increase in perceptions around the feedback process, either the frequency of discussions (increased 5 percent), the worthwhileness of those discussions (increased 6 percent), and the constructive nature of the feedback (increased 7 percent). EEOC may have focused on additional training for supervisors during this five-year period, however, it can also be reasoned that the accountability built into technology could also have spurred better and more frequent supervisor feedback. NLRB has seen even higher increases with a tremendous jump (increased 17 percent) in the number of employees who agree the supervisor has had a discussion with them about their performance in the last six months. Likewise, NLRB had a big jump (increased 14 percent) in employees agreeing they understood what they had to do to be rated at different performance levels. Clearly an intervention like technology has had a significant impact on perceptions in performance management at NLRB. NASA has consistently ranked high in best places to work and on FEVS. Even in 2013, employee perceptions of performance management were among the highest in government. Thus, to see increases in percent positive responses across six performance management questions over the last five years means NASA has improved some processes, most notably the introduction of its automated performance management system, SPACE. Again, while these surveys do not establish a statistically significant correlation with technology, they do demonstrate the potential impacts of technology.

Table 16.3 Performance management perceptions pre (2013) and post (2018) technology implementation

Question	EEOC			NLRB			NSAS		
	2013	2018	Change	2013	2018	Change	2013	2018	Change
I am held accountable for achieving results. (Q. 16)	86%	87%	+1%	82%	85%	+3%	86%	91%	+5%
In the last six months, my supervisor has talked with me about my performance. (Q. 50)	80%	85%	+5%	63%	80%	+17%	87%	93%	+6%
My performance appraisal is a fair reflection of my performance. (Q. 15)	70%	72%	+2%	63%	72%	+9%	76%	83%	+7%
In my most recent performance appraisal, I understood what I had to do to be rated at different performance levels (for example, Fully Successful, Outstanding). (Q. 19)	70%	74%	+4%	54%	68%	+14%	71%	82%	+11%
Discussions with my supervisor about my performance are worthwhile. (Q. 44)	63%	69%	+6%	69%	71%	+2%	73%	81%	+8%
My supervisor provides me with constructive suggestions to improve my job performance. (Q. 46)	63%	70%	+7%	60%	71%	+11%	71%	78%	+7%

Note: Federal Employee Viewpoint Survey. Agency specific results for “Strongly Agree” and “Agree” percent values from 2013 and 2018 Surveys. EEOC: Equal Employment Opportunity Commission; NLRB: National Labor Relations Board; NSAS: National Aviation and Space Administration.

Source: U.S. Office of Personnel Management (2019a).

SENIOR EXECUTIVE PERFORMANCE MANAGEMENT

Beyond technology, the next biggest change to performance management in the Federal Government over the last 25 years is the standardization of the Senior Executive Service (SES) performance management system. The SES was established with the 1978 Civil Service Reform Act to provide for the executive management of the Federal Government and ensure agencies are responsive to the needs, policies, and goals of the nation. SES serve in positions just below the top presidential appointees and provide the link between political appointees and the workforce in order to provide executive continuity across changing administrations. Around 8,000 SES manage the strategic and day-to-day operations of 75 agencies and are directly responsible for the agencies' performance. Thus, the personal performance and accountability of SES leading respective programs is of utmost importance.

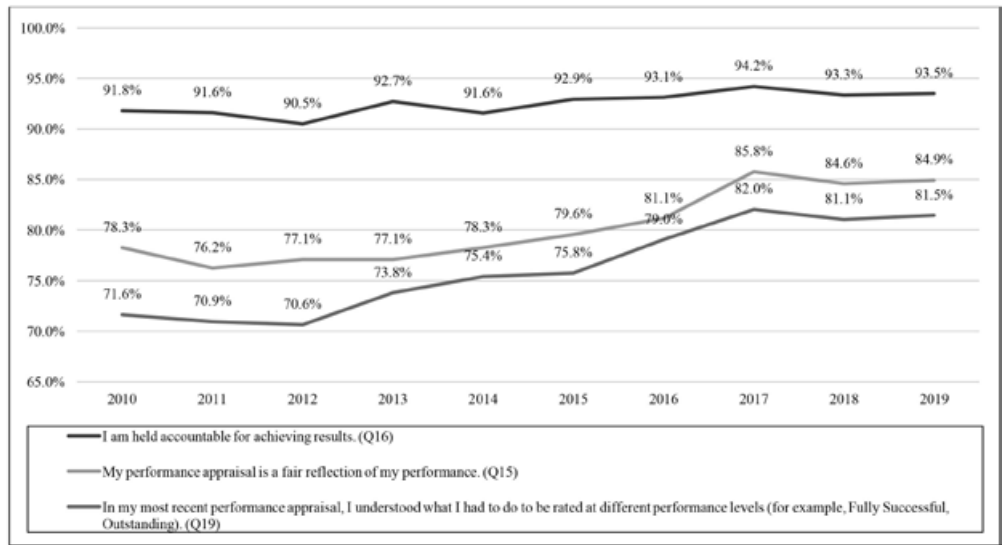
Like the rest of federal employees covered by Part 430, the agencies had maximum flexibility to design systems and programs to hold SES accountable for performance. The Government Performance and Results Modernization Act of 2010 required agencies to align executive performance plans with results-oriented goals or other strategic planning activities. This shift to require alignment and the growing need to provide a consistent, uniform framework for agencies to communicate expectations and evaluate executive performance led OPM and OMB to create an interagency workgroup to reexamine how a performance appraisal system can provide greater consistency, clarity, and equity in the performance appraisal process. In 2011, the workgroup designed a new government-wide performance management system for SES. The workgroup had a daunting task to design a system that ensured consistency while allowing agencies to still have some flexibility to customize the plans to make them meaningful for the executives and the agency. Moreover, the workgroup had to consider equity and transferability in developing performance standards, providing feedback, determining ratings, and linking the ratings to compensation. OPM and OMB jointly issued the new government-wide SES performance management system on January 4, 2012 (U.S. Office of Personnel Management 2012). Initially agencies had the option to adopt the "basic SES appraisal system" or continue using their existing system until the system became legally mandatory in 2015 with the changes to Part 430 Subpart C.

The new basic SES Performance Management System requires all agencies to use the fiscal year (October to September) appraisal period and five summary rating levels ("Unsatisfactory" to "Outstanding"). The biggest change is the requirement for five critical elements that mirror the SES executive core qualifications (ECQs): Leading Change, Leading People, Business Acumen, Building Coalitions, and Results Driven. Agencies have some flexibility with level labels and how performance requirements under Results Driven can be weighted and rated. However, performance plans for nearly all executives are identical, from the form, to the derivation formula, to the elements.

OPM and OMB added accountability in 2004 with a certification process to help agencies ensure the performance plans and process are results-oriented. Beyond merely implementing the basic system plans and policies, agencies must have the program re-certified by OPM and OMB every two years. To incentivize the certification, higher pay and compensation levels for agency SES are tied to obtaining certification. A core component of certification is demonstrating that a percentage of the agency's executive performance plans have well-developed, results-oriented performance requirements. Each performance requirement must have a result or outcome along with a performance measure. This additional accountability has led to better

performance plans. For example, the Department of Defense has seen the quality of their performance plans increase since the certification process began and the agency intentionally introduced training and a consistent review of performance plans (U.S. Office of Personnel Management 2013).

When the new basic system was introduced in 2012, only a handful of agencies adopted the system. By 2017, the new approach and process to the senior executive performance appraisal system was codified and nearly all agencies were using the new system. Senior executives’ perspectives on the performance appraisal process demonstrate how the standardization of the process and the accountability in the five performance elements have improved accountability and perceived fairness. Figure 16.2 shows the percent positive responses of senior executives on key performance management questions. The perception that senior executives are held accountable for achieving results has remained high throughout the transition to the new basic system. While previous performance appraisal processes had a component for achieving results, this was not new to the new basic system. However, perceptions of fairness and understanding ratings have dramatically increased since 2017. While overall percent positive responses are high for these three questions, the 9 percent and 12 percent increases from 2012 to 2017 for the questions of fairness and understanding ratings are noteworthy, given the known transition of senior executives to the new performance appraisal process. Senior executives’ perceptions of the performance management process are the highest among subgroups across agencies.



Note: Federal Employee Viewpoint Survey. Government-wide results for “Strongly Agree” and “Agree” percent values.
Source: U.S. Office of Personnel Management (2019a).

Figure 16.2 Federal Employee Viewpoint Survey 2010 to 2019 select performance management related questions, percent positive responses by senior executives government-wide

OPM and OMB continue to evaluate ways to improve the senior executive performance management process. Streamlining the certification process and addressing the high percentage of “Outstanding” performance ratings are two areas of focus. Nevertheless, the revisions in the last several years have improved the transparency and accountability of the process.

CONCLUSION

The Federal Government, as intended by the founders, is a large, slow-moving ship that is not easily turned. Civil service reform, to include pay and performance, has been a hot topic for the last three administrations, but has seen little movement. Nothing from a legal, regulatory, or policy perspective has substantially changed in the last 25 years for federal performance management. However, incremental change, through testing the expansiveness of Part 430, introducing technology, and increasing the quality of the process for senior executives, have helped modernize the process and positively increase perceptions of the process for federal employees. Positive perceptions of the process and employee involvement in the process have steadily increased over the last 18 years. Efforts by OPM to educate agencies on performance management best practices and to create tools like the PAAT and the SES certification process are making a difference to the process and perceived fairness of the process. Agencies can better link individual performance to organizational performance and develop meaningful, results-oriented performance elements. The most substantial impact to performance management has been and will be the increasing use of technology to streamline and enhance the transparency and accountability of the process. We are only beginning to understand how transformative technology will be and how it has the potential to dramatically modernize how we measure performance and evaluate human contributions to organizational objectives. More can be done to study the impact of technology and if it will be the tipping factor to reshape federal performance management policy. How the standardization of the process for similar employee groups, like the senior executives, is improving the process is informative to where else can standardization make improvements to performance management and if it can help reduce rating inflation. We continue to learn ways to improve performance management as the research community inside and outside of government use available data to analyze the process and trends. Thanks to these efforts, many federal employees, like Shelly, are seeing the modernization of the process, at least for now, within the original framework crafted 25 years ago.

NOTE

1. The research and discussion presented in this chapter are solely those of the author and do not represent the U.S. Office of Personnel Management.

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17. Using performance management to drive employee engagement in the public sector

Edward M. Mone and Manuel London

CHAPTER OVERVIEW

The public sector has been conscious of the need to cut costs and improve performance, as well as to enhance employee morale and engagement (Lavigna 2013). This is driven by tight resources and the importance of using public funds wisely (Conway, Fu, Monks, Alfes and Bailey 2016; Van Dooren, Bouckaert and Halligan 2015). To meet these new challenges, many municipalities, large and small, incorporated a number of policies, practices and programs that are consistent with a public sector ethos, including an emphasis on performance management (Conway et al. 2016). Additionally, there has been an increased focus on employee engagement in the public sector, resulting in higher departmental performance, citizen satisfaction, and public trust as well as lower employee absenteeism and fewer complaints of unfairness (i.e. Equal Employment Opportunity complaints) (Lavigna 2013; Byrne 2015; Bridger 2018). Performance management maximizes the benefits of an engaged workforce including operational efficiency, performance effectiveness, reductions in turnover, as well as increases in innovation and customer service (Schneider, Macey, Barbera and Young 2010; Delaney and Royal 2017; Mone and London 2010, 2018; Maylett 2019; Mone, Eisinger, Guggenheim, Price and Stine 2011). This chapter shows how performance management can be a driver of employee engagement in the public sector, offering research-driven approaches to conducting effective performance management.

We begin our discussion with an overview of research that identifies performance management as a driver of employee engagement. We then discuss both constructs – employee engagement and performance management – in greater detail, followed by a look at the challenges performance management and employee engagement face in the public sector and approaches to overcome them. This is followed by a look at the efforts of the USA and UK governments to use performance management to foster employee engagement. Finally, we review research and recommend specific actions and approaches to increase employee engagement through performance management. In particular, we emphasize five key components of performance management: goal setting, feedback and recognition, employee learning and development, mid-year and annual appraisal, and a climate of trust and empowerment. We conclude the chapter with a brief summary and call on managers and leaders in the public sector to enhance the value and effectiveness of their performance management strategies through employee engagement.

PERFORMANCE MANAGEMENT AS A DRIVER OF EMPLOYEE ENGAGEMENT

We define an engaged employee as “someone who feels involved, committed, passionate and empowered and demonstrates those feelings in work behavior” (Mone and London 2010, p. xviii). These feelings primarily stem from an environment created by managers and the organization’s performance management policies and practices, like the ones identified above. Performance management can be linked to employee engagement by building effective relationships and maintaining ongoing communications between managers and employees with frequent performance feedback, coaching, and opportunities for development (Pulakos and O’Leary 2011; Mone, Price and Eisinger 2011; Pulakos, Hanson, Arad and Moye 2015; Mueller-Hanson and Pulakos 2018).

Lavigna (2013, p. 186) suggests a number of aligned performance-management based recommendations for driving engagement in the public sector, including:

- Provide senior-level and enterprise-wide leadership for employee engagement
- Improve communication within the organization (agency)
- Improve the management of employee performance
- Strengthen and build leadership and management competencies
- Enhance prospects for career growth
- Recognize employee contributions
- Develop effective onboarding processes
- Clarify the line of sight between the work employees do and the organization mission
- Assess job applicants for personal characteristics that can predict engagement
- Create a positive work environment
- Make sure your employees know their opinions count
- Improve employee overall well-being.

In our research (Mone and London 2010, 2018), we set out to study how performance management practices foster employee engagement. Our goal was to create a blueprint for establishing the most effective performance management practices, foster engagement and contribute to other organization outcomes. Specifically, we studied the link between performance management and employee engagement in a survey of employees. Although our work was in a large, private sector organization, the findings are applicable to many types of organizations including the public sector (Jones and Sambrook 2016). The items we used in the survey measure employee engagement, support for engagement, and indirect predictors of engagement (see Box 17.1). As such, this represents best practices in performance management for creating higher levels of engagement.

BOX 17.1 MEASURES OF ENGAGEMENT

Ten items measure employee engagement: I feel empowered to do my job; My job is structured so that I can get work done effectively; My job is challenging; I understand how my work contributes to the overall success of the organization; Overall, I find that the work I do is meaningful; I am energized to perform at my best; Overall, I feel engaged in my job; I consistently work with a very high level of focus, enthusiasm, energy, and effort to get

my job done; I am committed to the organization's success; I feel valued as an employee.

Seven items measure strategies that support employee engagement: My manager provides me with ongoing feedback that helps me improve my performance; I am satisfied with my opportunities for career progression and promotion; I consider the total value of my compensation, benefits, and work experience when I think about what the company offers in exchange for my employment; My manager is someone I can trust; I am encouraged to look for ways to improve my work processes and productivity; The communications I receive help me to understand the organization's strategy, vision, and direction; Overall, I have the resources I need to do my job effectively.

19 items measure ways that employees become engaged through performance management strategies and behaviors: I had the opportunity to set goals with my manager; I am satisfied with the recognition I receive from my manager; I had a career-planning discussion with my manager; I am satisfied with the quality of my year-end performance appraisal discussion; I have sufficient opportunities for training; My manager supports my career development efforts; The organization's policies for career progression are fair; I am paid fairly for the work I do; Raises and promotions are based on merit, not favoritism; My manager encourages me to be innovative and creative in my work; My manager values my ideas and opinions; My manager treats me fairly and with respect; My manager listens to, and acts on, my needs and concerns; I can speak my mind without fear of reprisal; People who challenge the way we do things around here are valued; My manager helps me understand how my work supports the organization; I can get the information I need to do my job; I have the decision-making authority to do my job effectively; I have control over the quality of my work.

UNDERSTANDING EMPLOYEE ENGAGEMENT

Employee engagement has been viewed as critical to high performing organizations (Byrne 2015; Schaufeli, Salanova, Gonzalez-Roma and Bakker 2002; Saks 2006; Schaufeli, Bakker, and Salanova 2006; Rich, LePine and Crawford 2010). Engaged employees invest themselves in their work (Kahn 1990). Too much investment, however, can lead to employee burnout (Maslach and Leiter 1997). The goal, of course, is to capitalize on employee engagement to further employee and organization success without causing employees stress, which would undermine their, and the organization's, performance (Bridger 2018; Delaney and Royal 2017; Maylett 2019). A recent survey of HR practitioners in the USA found that 64 percent of the HR practitioners agreed that engagement is "an employee's degree of happiness while in the workplace." Eighty-six percent agreed that engagement is "an employee's willingness to give his or her best at work" (HR Research Institute 2019). Perhaps the most useful way to think of employee engagement is as a multidimensional concept. In this vein, Eldor and Vigoda-Gadot (2017) argued that employee engagement is an active, fulfilling concept that reflects the simultaneous expression of multidimensional energies – physical, affective and cognitive – that benefit organizations and employees. More specifically, employee engagement can be thought of as "... a moment-to-moment state of motivation, wherein one is psychologically present and psycho-physiologically aroused, is focused on and aligned with the goals of the job and organization, and channels his or her emotional and cognitive self to transform work

into meaningful and purposeful accomplishment” (Byrne 2015, p. 15). Essentially, an engaged employee is motivated toward the meaningful and purposeful accomplishment of job and organizational goals, and this is the focus of effective performance management.

UNDERSTANDING PERFORMANCE MANAGEMENT

Most of what is written about performance management falls into three broad categories (DeNisi and Murphy 2017): descriptions of the performance management process and how to improve it; research that examines specific components (e.g., goal setting or giving feedback); and research regarding how HR practices improve or influence firm performance (Pulakos 2009; Van Dooren, Bouckaert and Halligan 2015). Given the breadth of those behaviors and recommendations and the multiple components of performance management, we believe performance management needs to be defined broadly; as such, Mone and London (2010, 2018) offer the following definition:

...performance management is an ongoing process that requires attention. It includes goal setting, feedback, development, recognition, coaching and performance appraisal, built on a foundation of trust and empowerment, with a constant focus on communication. (p. xx)

Further, performance management is a two-way process between managers and employees. However, line managers often doubt the value of performance management processes, seeing them as bureaucratic (Laff 2007). Annual performance appraisals may be viewed as proforma exercises that are done quickly and do not engage employees in the process. Employees may be assigned goals at the start of the performance cycle, and the goals become superfluous as situations change. The goals may have little relevance to employees’ capabilities or interests, or to their need or desire for learning and career development. Viewed in this way, performance management becomes counterproductive and an impediment to employee engagement. Performance of the organization and employees may be satisfactory, but these employees will not be engaged and the organization will not be high performing.

In the public sector, performance management is especially difficult to implement given the sector’s unique challenges and the barriers and constraints managers face (Lavigna 2013). So, what are the issues and how can performance management be shaped to help drive engagement and other organizational outcomes in the public sector?

PUBLIC SECTOR CHALLENGES AND APPROACHES TO EMPLOYEE ENGAGEMENT AND PERFORMANCE MANAGEMENT

Challenges in public sector management that can negatively affect employee morale and engagement include decision-making that can be complicated and rule-bound with layers of bureaucracy that limit employees’ engagement (Lavigna 2013, p. 55). In part, this is a result of having goals that are difficult to measure, making it harder to provide meaningful feedback and evaluate individual performance. Moreover, limited public sector budgets limit managers’ ability to reward and recognize performance. Methods for controlling budgets, doing more

with less, hiring freezes, and top-down goals make public sector performance management more rigid and give managers less discretion over goals and work methods (Arnaboldi, Lapsley and Steccolini 2015). As such, approaches to performance management in the public sector need to recognize the complexity of the public sector, minimize their potential negative impact on employees and potentially be a way to develop enhanced engagement.

Examples of positive approaches can be seen in the literature. Van Dooren, Bouckaert and Halligan (2015) recommended changes to performance management in the public sector to strengthen its link to employee engagement. They suggested that performance management in the public sector needs to be: (1) *more agile*, with performance indicators being used for learning and less for accountability; (2) *closer to the action*, with expert staff being able to provide current and valid information to help understand the complex processes, and to decentralize performance management to those who know the situational requirements and context best; and (3) *more attuned to organizational politics*, recognizing that who gets what, when and how may influence task assignments, goals, and performance evaluations. Performance management in the public sector can enhance employee engagement through being effective and inspiring. As Mone and London (2010, 2018) show (see Box 17.1), employees are more engaged when they understand how their work contributes to overall organization success, they receive ongoing feedback and understand organization strategy, vision and direction, and are satisfied with the recognition they receive. Therefore, leaders and managers in the public sector, for example, can set performance and development goals that clearly relate to agency mission making them more meaningful, ensure that regular, ongoing feedback and communication occurs, employees are appropriately recognized and rewarded, and focus on how performance and development efforts contribute to the attainment of agency goals (Lavigna 2013; Knies, Boselie, Gould-Williams and Vandenabeele 2018). To be clear, these actions drive engagement because they enable employees to find meaning in their work, and there is a clear link between finding meaning and engagement (Kahn 1990). Finally, the US Merit Systems Protection Board (2008, 2009, 2017), an independent agency in the Federal Government, identified that performance management can enhance employee engagement through ensuring that managers are appropriately trained in discussing performance expectations and deficiencies with employees, performance standards and expectations are appropriate, and appropriate performance measurements are used. More specifically, the performance management process used in the Federal Government contains five components, each of which can foster engagement, and we address this performance management process in our discussion below.

Employee Engagement and Performance Management in the United States Federal Government

The U.S. Federal Government produces regular reports of annual employee opinion surveys for many years to ensure overall organization effectiveness, with a significant focus on performance management and employee engagement. Serving as the chief human resources agency and personnel policy manager for the Federal Government, the U.S. Office of Personnel Management (OPM) provides human resources leadership and support to Federal agencies (see US Office of Personnel Management 2015, 2017). In its role of directing human resources and employee management services, this independent agency is accountable for the government's efforts in employee engagement and performance management.

The importance and significance of employee engagement to the Federal Government was captured in a 2008 detailed report prepared by the US Merit Systems Protection Board. The goal was to assess how to increase employees' sense of purpose that is evident in their display of dedication, persistence, and effort in their work or overall attachment to their agency; in other words, how to assess and increase employee engagement. This led to the continued process of assessing levels of employee engagement using the government's annual employee opinion survey across all Federal Government agencies.

In 2009, the US Merit Systems Protection Board found that performance management was the most significant differentiator between high engagement and low engagement agencies. In the report, the Board suggested ways to make performance management more effective, including urging all leaders, managers and supervisors to hire with success in mind, to develop strong relationships with their employees, provide regular and frequent informal reviews of progress, conduct annual assessments and make recommendations for development and opportunities for growth, openly communicate to build trust and confidence and use recognition and tie it to performance success.

The OPM dedicates resources for framing, supporting and promoting performance management practices that involve employees in improving organizational effectiveness and accomplishing agency mission and goals. As mentioned above, performance management has five components, including planning work and setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and rewarding good performance (US Office of Personnel Management 2017). We present the components here because they parallel best practice components (e.g., as detailed by Pulakos 2009 and Mone and London 2010, 2018), which have been clearly shown (for example, by Lavigna 2013 and Mone and London 2010, 2018) to drive employee engagement. The components include:

- *Planning* means setting performance expectations and goals for and with employees and teams to direct their efforts toward achieving organizational objectives.
- *Monitoring* involves consistently measuring and providing ongoing feedback to employees and teams on their progress toward achieving their goals.
- *Developing* involves evaluating and addressing (via training, stretch assignments, etc.) employee needs to increase their capacity to perform.
- *Rating* means evaluating performance against expectations, standards and goals in accordance with the employee's performance plan and assigning a summary rating of record, which comes at the end of an entire appraisal period.
- *Rewarding* means recognizing employees and teams for their performance and acknowledging their contributions to the agency's mission; providing recognition is an ongoing, natural part of the day-to-day experience.

Employee Engagement and Performance Management in the UK Government

For more than ten years, the UK government has focused on both employee engagement and performance management, and it has recognized the challenge of linking the two (MacLeod and Clarke 2009). Initial survey results indicated that managers were either not aware of employee engagement or did not believe that it is worth considering or did not fully understand the concept and the benefits it could have for their organization. This led to recommending

Table 17.1 Engagement driver themes and percent favorable response

Engagement Driver Themes (Categories of Items)	Percent (%) Favorable Response
Organizational objective and purpose	83
My team	81
Inclusion and fair treatment	78
My work	76
Resources and workload	73
My manager	70
Learning and development	54
Leadership and managing change	47
Pay and benefits	31

Source: Civil Service HR (2020).

key enablers for employee engagement, for instance, that leaders must provide a clear, shared vision for the organization, and that managers need to treat their employees fairly and with respect, design work efficiently and effectively, and provide clear expectations and challenging goals, feedback, coaching and training (MacLeod and Clarke 2009). This could be accomplished by creating a national awareness campaign regarding the value of employee engagement; aligning public and private resources (government departments and agencies, professional organizations, etc.) in support of increasing employee engagement across organizations; and increasing overall tactical and practical support.

A question is whether employees in the UK Civil Service actually feel engaged as a result of the ways performance management is conducted. The UK Cabinet Office oversees the administration of the Civil Service People Survey, an annual survey used by the different agencies within the government, to measures employee engagement. The survey has been in use since 2009, and overall engagement scores have varied between 56 percent and 62 percent since then. The 2018 survey results (with more than 300,000 civil servants responding described in the UK Civil Service People Survey Benchmark Report (Cabinet Office 2018), measured engagement with the following five items:

- I am proud to tell others I am part of my organization
- I would recommend my organization as a great place to work
- I feel a strong personal attachment to my organization
- My organization inspires me to do the best in my job
- My organization motivates me to help it achieve its objectives.

The first two items address feelings and speak positively about the organization. The next item addresses the idea of emotional attachment and commitment. The last two items focus on being motivated to do your best for the organization. The nine engagement driver themes or categories of items identified in the report, in order of highest scoring (% favorable responses), are listed in Table 17.1.

Recognizing the very high impact of understanding organizational objective and purpose, and feeling included, it is apparent that both the content and process of performance management is critical in developing engagement within the UK government. This is clearer still when considering the key roles played in the process. We present the key roles and elements of performance management in Table 17.2.

Table 17.2 Key roles and elements of performance management

Key Roles	Key Elements
Managers	<ul style="list-style-type: none"> • translate organization and project objectives into individual contribution; • support continuous improvement through feedback and coaching; • must be open, honest and transparent in performance discussions; • assess delivered performance outputs against targets; • make reward recommendations; • communicate reward decisions and rationale to the individual.
Employees	<ul style="list-style-type: none"> • clarify understanding of objectives and identify issues; • deliver performance in line with the objectives and emerging issues; • seek and act on performance feedback; • make the most of performance discussions providing evidence of achievements for reviews and articulating development goals.
Senior management	<ul style="list-style-type: none"> • provide business direction, focus on results and build departmental capabilities; • guide and moderate performance objectives and assessments and reward decisions; • ensure a good, fair and transparent process is followed.

Source: Civil Service HR (2020).

Of course, the key elements in Table 17.2 need to be more than recommendations. Leaders, and managers must be role models and create an environment that builds and strengthens the link between performance management and employee engagement. Unless an organization's performance management process is robust and executed effectively, it will be quite difficult to achieve high levels of employee engagement. As a result, we now turn to a more detailed and specific discussion of performance management practices that managers and leaders can use to drive employee engagement.

COMPONENTS OF PERFORMANCE MANAGEMENT FOR EMPLOYEE ENGAGEMENT

Choosing performance management practices that drive engagement presents a challenge to all managers in the public sector. Here we consider the key components of performance management. We draw on research in the public and private sectors, referencing findings that can be applied in public sector agencies. We examine five critical components of performance management: (1) goal setting; (2) feedback and recognition; (3) employee learning and development; (4) mid-year and annual appraisal; and (5) a climate of trust and empowerment. When each component is based on best practices and aligned with each other, the overall performance management process will be robust and an effective driver of employee engagement.

Goal Setting

Goal setting is an integral part of the performance management process and is a lever that can help to foster employee engagement. Involving employees in goal setting makes their jobs more challenging, more meaningful, and motivates them to achieve higher levels of performance. Employees who have an opportunity to set goals and to have a career planning discussion with their manager are more engaged in their work and the company. Goal setting empowers employees to act when the process is used to establish clear performance expectations.

tations and challenging goals and to show them how their goals are aligned with the overall direction of the organization and the company. Grounded in neuroscience research, Berkman (2018) cast the pursuit of goals as a behavior change, which serves to further our understanding of the difficulty involved in achieving goals. Performance or goal achievement requires having both the capacity – skills, knowledge, abilities – and the motivation to perform. The more complex and novel the goal, the more of both, capacity and motivation, is required to deliver results. Berkman (2018) suggested that there is an opportunity cost associated with pursuing new and different goals, therefore the value of pursuing them needs to be made explicit and priorities may need to shift. This may be especially an issue in the public sector, where goals change often due to frequent changes in political leadership (Lavigna 2013). Managers can foster employee motivation and engagement by rewarding and reinforcing the smallest steps toward goal achievement to help combat the strength of prior reinforcement for behaving differently and pursuing other priorities. Finally, Berkman (2018) stated that behavior change and goals hold more value when they are related to one's core beliefs and sense of self. Public sector managers can do this by relating goals to their public service.

Employees ultimately achieve their goals through their daily work efforts, with the challenge being sustaining daily engagement in today's busy and complex work environments. Kim, Park and Headrick (2018) found that taking voluntary, prototypical micro-breaks, considered resource-replenishing events, can aid in recovery from work efforts. Breaks are defined as relaxation (e.g., taking a short walk or daydreaming), socialization (interacting with others to discuss non work-related topics, e.g., sports, hobbies, families), and cognitive (e.g., casual reading or visiting websites). These breaks create a feeling of positive affect leading to greater performance, but only for those considered to have a low, general work engagement, which is defined as a more stable tendency to be engaged across different situations (Breevaart, Bakker, Demerouti and Hetland 2012). Managers, therefore, need to recognize the role and importance of taking breaks, and that some employees will benefit more and need more breaks, and that helping to boost these employees' levels of work engagement will lead to improved recovery and performance.

Managers can also help maximize the levels of engagement and performance of employees by encouraging them to plan their day, and maybe modify their planning approaches based on the number of interruptions in a typical day. In a study by Parke, Weinhardt, Brodsky, Tangirala and DeVoe (2018), we learn that two types of planning can be helpful. The first, defined as contingent planning, involves thinking about possible disruptions and interruptions and finding alternative courses of action if they do arise. The second, time management planning, involves identifying, prioritizing and scheduling the tasks (including time necessary to complete them). Either approach can increase engagement and performance, but time management planning is less effective when interruptions are high while contingent planning provides similar levels of gains regardless of the level of interruption.

In summary, managers can use goal setting and the planning of work in ways to promote effective performance and contribute to higher levels of engagement.

Feedback and Recognition

Performance feedback is a form of communication that can help employees understand how their work contributes to the success of their teams and organization, while also helping them to find meaning in their work, what has been called "task significance" (Hackman and Oldham

1975), in turn increasing their engagement (London 2015). The relationship between meaning and engagement can be traced back to Katz and Kahn (1966). Meaning can be increased as managers expand the range and frequency of the feedback they provide (Monnot 2016).

Feedback that performance is low and needs to be improved can increase motivation if delivered in a way that is constructive and focused on behaviors that the employee can change. Critical feedback can stimulate the recipient to seek others to counter the feedback, using social connections to support a more positive view of themselves and feel more engaged (Berinato 2018). In the worst-case scenario, this could lead to forming networks and connections where critical feedback is ignored and never utilized. Yet, there is a solution: people will be more likely to accept critical feedback when it comes in the context of a relationship in which they know they are appreciated and valued (Berinato 2018). Managers play a key role in creating an overall positive work environment, and need to create these kinds of confirming relationships with their employees for this kind of feedback to work.

Our approach is that coaching (discussed further below) engages the employee in the feedback process, focusing on reflection and understanding the events and behavior in question. The purpose of feedback is to help employees grow and perform, and to that end, effective feedback involves more than just being critical or corrective. Managers can encourage employees to monitor their own performance, not wait for performance evaluation. Employees who regularly monitor their own performance are likely to be engaged in their work, not waiting for feedback, but seeking their own feedback from others or from their own evaluations of the product of their work.

360-Degree Feedback

360-degree feedback surveys can be useful to inform managers about how others with whom they interact view their performance. Managers rate themselves. In addition, they are rated by their employees, colleagues (co-workers at the same organizational level), their own managers, and potentially customers. The results provide feedback about their behavior and performance that can be used for development and/or performance evaluation. Although there are recognized concerns as to the efficacy of 360-degree feedback (see for example Tosti and Addison 2009), receiving feedback from multiple sources can deepen employees' engagement by helping them recognize that different individuals have a stake in their performance, and how their performance is viewed from different perspectives. The evaluation questions can focus on general behaviors and performance or be tailored to measure specific aspects of engagement within the manager's organization. This process is used in many organizations in the public and private sectors. Of those organizations using 360-degree feedback, about one-third provide the data to managers solely to help the managers think about and shape their development. About 50 percent of the organizations use it to make decisions about employees – for instance compensation and promotion, as well as for development (3D Group 2013).

Although managers tend to rate themselves more favorably than others, as long as managers are open to considering the feedback, there is likely something of value to be learned from 360-degree feedback (Smither, London and Reilly 2005; Walker and Smither 1999). Smither, London, Flautt, Vargas and Kucine (2002) reported that managers who received feedback were more engaged in their work and improved over time, more so than managers who did not receive feedback. Our perspective is that 360-degree feedback can contribute to performance enhancement and development if it is linked to goals, ongoing, provides a basis for recognition

(e.g., a salary bonus), and is incorporated as a regular part of the organization's performance management process.

Recognition

Rewards, which include compensation, benefits and work experience, also affect employee engagement. Recognizing and rewarding employee contributions helps them experience greater meaning from their work, fostering the conditions for engagement. Managers can affect the employee work experience – most importantly, engagement at work – in many ways, including through goal setting, feedback and appraisal. However, managers likely have less control over how compensation is administered, particularly in the public sector. Nevertheless, recognition is typically under a manager's control. For instance, it is easy to say “thank you” for a job well done. As such, we think of recognition as positive feedback, and define it as a message of appreciation or positive reinforcement tied to an employee's behavior or accomplishment of a specific task or goal.

There is a difference between formal and informal recognition. Formal recognition is usually programmatic and organization-wide (noting length of service or employee of the month). Some formal programs may only recognize small numbers of employees with highly valued rewards, say a significant cash award for innovative contributions. For instance, an organization could use two formal recognition programs: one designed to recognize high-performing work groups, for instance, by embossing their picture on company aircraft; the other designed to reinforce commitment to the organization's values, requiring being nominated by a co-worker to win an award (Holston and Kleiner 2017).

Informal recognition tends to be less programmatic, is typically administered by managers – but often by peers – with the goal of being able to recognize greater numbers of employees, usually with rewards of lesser value than those found in the more formal programs. Coffee mugs, theater tickets, dining certificates, and acknowledging an employee at a regular staff meeting are examples of informal recognition. Recognizing an employee for the demonstration of voluntary work behaviors, evidence of their engagement, can significantly increase subsequent job performance (Neckermann, Cueni and Frey 2014).

Overall, managers must appreciate and capitalize on the value and impact of informal recognition, particularly in environments where budgets are tight and managers have little control over them; and if there are more formal recognition programs at hand, be sure to use them wisely.

Employee Learning and Development

A number of studies demonstrate support for the importance of learning and development to engagement. Seijts and Crim (2006) suggested that employees will feel more engaged if managers provide challenging and meaningful work with opportunities for career advancement. Jacob, Bond, Galinsky and Hill (2008) provided support for the notion that employee engagement is enhanced when managers offer their employees on-the-job learning opportunities as well as the autonomy to pursue those learning opportunities. Managers will also need to provide motivational support and resources to help their employees take advantage of development opportunities and accomplish their development goals (Bakker, Schaufeli, Leiter and Taris 2008). Organizations that are committed to learning and development communicate

the importance of employee growth, leading employees to feel supported and invested in and a sense of being part of the organization's future, which leads to engagement (Shuck and Rocco 2014). Delaney and Royal (2017) reported that employees' having confidence in the ability to achieve their career goals is one of the most critical drivers of employee engagement.

Overall, managers have a key role in enabling their employees to grow by helping them set meaningful development and career goals, providing learning-oriented feedback, coaching them for enhancing their performance and professional growth, and suggesting informal and formal learning opportunities. Since personal characteristics can also influence employees' motivation to pursue learning and development opportunities, managers need to assess and help their employees understand the extent to which they can become more effective continuous learners and be motivated to advance their career goals (London 1983, 2003; London and Diamante 2002).

Coaching is an informal learning opportunity that can occur at any point and extend for any period within the performance management process. This may entail the use of professional or executive coaches, but more importantly, relative to performance management and engagement, we emphasize the role of manager as coach:

As a coach, you engage in dialogue with your employees about specific aspects of their performance. Together you explore how to bring that performance to the next level of excellence. Your coaching can focus on a number of areas, including leadership development, behavior change, or business issues, such as strategy and innovation. When performed successfully, coaching becomes a self-directed interaction, one in which you primarily provide support by encouraging reflection; you will provide guidance more than answers. In the end, this will help your employees to accept solutions that they, in essence, would have developed mostly on their own. (Mone and London 2018, p. 144)

Dahling, Taylor, Chau and Dwight (2016) defined managerial coaching to include: providing continual, constructive developmental feedback to direct reports; acting as a role model of good performance and behavior; and collaboratively setting challenging goals for your direct reports. We see these factors as the focus of everyday performance management, although they can be aspects of coaching, too. Managers, then, can help employees adapt to changes and transitions, improve performance to ensure various expectations are met, and develop potential for maximal job performance and career advancement. Berman (2019) offered the following valuable coaching behaviors:

- *Be supportive*, being encouraging, emphasizing strengths to deal with problems and decisions
- *Challenge*, listening but fostering critical thinking about world views
- *Confront*, raising and addressing problem behaviors, performance, etc.
- *Advise*, suggesting alternative courses of action that lead to better performance results
- *Teach*, training in skills and approaches to foster success as necessary.

Another developmental strategy for engagement is encouraging employees' job crafting (see for example, Tims and Bakker 2014). This is the process of employees shaping, changing or modifying characteristics of their jobs, without changing positions. Job crafting provides for some degree of customization to allow for an overall better job-person fit. Job crafting promotes informal learning as it occurs on the job and can help employees develop new skills, strengthen current skills, provide new avenues for learning from their work with others, and to think about their work or job in new ways. Managers can encourage and guide employees

to engage in job crafting. Part of that role should include managers providing employees role clarity, personal discretion, and performance feedback to promote more effective job performance (Dierdorff and Jensen 2018).

Bindl, Unsworth, Gibson and Stride (2019) provided an extended framework for job crafting that links its domains to the satisfaction of the universal needs for autonomy, relatedness and competence suggested by self-determination theory (Deci and Ryan 1985). Their framework also includes two different strategies for using job crafting: to add activities to or ways of thinking about jobs (promotion-oriented), or to limit or avoid them (prevention-oriented). A promotion-oriented strategy might be to take on more tasks in your job, while reducing the number of tasks you work on would be a prevention-oriented strategy. Practical implications of this work include the idea that employee needs will vary in strength and this will tend to drive the type of job crafting they engage in, with those expressing a need for competence likely to engage in skill crafting; when relatedness needs are strong, relationship crafting; and strong autonomy needs would tend to promote task crafting. Finally, Bindl et al. (2019) suggest the following actions to support employee engagement: provide strong opportunities for developing skills, allow for meaningful interaction between employees, as well as within and across teams, and provide employees with autonomy and discretion to perform their work.

On-the-job development strategies, like job crafting, can be done in the face of tight budgets, as it often just involves learning from on-the-job experiences or modifying the job role to some extent. These types of development opportunities are valuable, and at times, may be the only alternatives you have to offer your employees, given challenging organization conditions.

Mid-year and Year-end Performance Appraisals

Employee satisfaction with the overall quality of appraisal discussions, especially year-end appraisal discussions, is important to fostering employee engagement; our research revealed it as a driver of employee engagement (Mone and London 2018). Fairness is critical when it comes to performance evaluation and appraisals, and appraisals will be perceived more fairly the more they are objective and transparent, for example, contain clear performance criteria and metrics and linkages to related processes (e.g., compensation and promotion); promote a dialogue between the employee and the manager, including soliciting employee input to the process; and are aligned with higher-level, organizational goals (Mone et al. 2011).

The perception of appraisal fairness will also be influenced by the format of the rating system, whether absolute or relative. Roch, Sternburgh and Caputo (2007) found that absolute appraisal formats are perceived to be fairer than relative formats. Forced ranking, popularized by GE and Jack Welch (Welch and Welch 2005), is one form of a relative ratings format. Zhang (2016) reported that about 19 percent of organizations surveyed use this approach, while close to 60 percent use an absolute rating system, and argues that effective appraisal processes neither demand nor require relative or force-ranking ratings. Research conducted by Beck, Beatty and Sackett (2014) argued against the use of forced rankings given the *a priori* assumption that performance is normally distributed is a faulty assumption to make. Absolute ratings appear to be the approach chosen in the US Federal Government, too, as described in the Office of Personnel Management (2017) *Handbook on Measuring Employee Performance*.

The year-end appraisal is the culmination of the overall performance management process, the basis for which is ongoing communication and feedback to ensure performance is on track. When the year-end appraisal and appraisal discussion are perceived as fair and satisfactory,

they contribute to positive feelings and promote engagement. If the year-end appraisal and appraisal discussions are not perceived as fair, they negatively impact engagement and undermine trust.

A Climate of Trust and Empowerment

Empowerment has been a topic of management interest for some time (popularized by Block 1987 and Kanter 1977), and trust forms the basis for empowerment. Employees who trust their managers are more satisfied with the feedback they receive from the manager (Mone and London 2018). Trust is the “willingness of an individual or group to be vulnerable to the actions of others based on the expectation that they will perform a particular important action, irrespective of the ability to monitor or control performance” (Mayer, Davis and Schoorman 1995, p. 712). Demonstrating trust is important to creating psychological safety (Frazier, Fainshmidt, Kilnger, Pezeshkan and Vacheva 2017; Mone and London 2018; Schneider et al. 2010); and being in a state of psychological safety is critical to feeling engaged (Kahn 1990). When employees feel safe, there is less fear of reprisal or negative consequences, allowing more room for innovation, learning and performance. From a performance management perspective, giving employees the autonomy to act and clear expectations creates psychological safety and demonstrates trust (Frazier et al. 2017). Lanaj, Kim, Koopman and Matta (2018) found evidence that perceived mistrust (experienced with either colleagues, direct reports, and/or one’s supervisor) is resource consuming and positively associated with withdrawal from others at work, as well as conflict with significant others at home. Fulmer and Ostroff (2017) found that by conducting the performance management process in a fair and equitable manner, managers increase the levels of employee engagement and build trust in the organization’s senior leadership. Additionally, De Cremer, van Dijke, Schminke and De Schutter (2018) reported that when senior management develop trusting relationships at the top of the organization, they ultimately create a climate of trust across all organization levels and have a positive influence on employee performance.

CONCLUSION

We set out to establish the link between performance management and employee engagement in the public sector, examining both constructs in detail, and the challenges and approaches to both in the public sector. As examples, we described how performance management and employee engagement are measured and supported in the US Federal Government and the UK Government. Public sector managers can drive employee engagement by regularly communicating with employees about their goals and the organization’s goals, giving employees job performance feedback and coaching, recognizing and rewarding high performers, encouraging innovation and creativity, and fostering learning and development. Despite the challenges of public sector management to be cost effective and follow civil service policies, managers’ performance management actions can increase employees’ engagement in work, improve their individual performance, and ultimately enhance their agency’s overall performance through a climate of employee engagement.

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18. Designing performance management to be an ethical tool

Deborah Blackman, Fiona Buick and Michael O'Donnell

The phrase performance management is used to describe a wide variety of activities, policies, procedures, and interventions designed to help employees to improve their performance (Blackman, Buick, O'Donnell, O'Flynn and West 2016; DeNisi and Murphy 2017). The implication of this is, depending on what is defined as the new performance requirement, it could be used to create a wide range of changes, not just job-related outputs or skills. In this chapter we suggest that performance management can be used to support the creation of an ethical culture, offering it as an exemplar of how performance management can enable the horizontal alignment of different human resources policies and practices, thereby strengthening the possibility of improved organizational behaviours. The creation of an ethical culture is widely espoused as an organizational tool to support the prevention of poor, at best, and corrupt, at worst, practices, but how to achieve it is not well-established. In this chapter we use Schwartz's (2013) three elements, or pillars for supporting a successful ethical culture, as a model to consider how the lessons learnt from this in terms of developing an ethical culture can be applied to the design and implementation of performance management as an ethical tool. First, we outline why an ethical culture is considered important; second, we discuss how a culture really grows and why, as a consequence, performance management is potentially a critical part of the puzzle. Third, we present the qualitative research design that was used to create the data set that underpins this chapter. We demonstrate how the design and implementation of performance management will need to be developed with an ethical culture as a strategic objective for it to be of use and offer some suggestions for practice. Finally, we offer some observations on the use of performance management as an integrating mechanism and how it can be developed as a more useful organizational device.

WHY AN ETHICAL CULTURE

It is well-known that organizations face challenges in developing and supporting ongoing ethical practice, with many examples of when an alternative imperative (usually profit) becomes the dominant behavioural driver (see for example: Keller 2002; Sims 1992; Wright 2019). As far back as Sims (1992) there have been explanations as to why ethical behaviour can be challenging to maintain, with greed being a common theme (Adler 2002; Eckersley 2006; Kothari 2010; Wood, Longenecker, McKinney and Moore 1988). Many stories of unethical behaviour imply that organizational rewards have encouraged such outcomes. For example, the practices of offering 'sweeteners' for large sales orders is largely prohibited in western countries, but is seen by some as an impediment to effectiveness when competitors from other nations undertake such practices; there have been several examples where bribes have been given directly contrary to the ethical policy of a company (Rivers 2013). In order

to prevent such behaviour three common strategies have been proposed: to create clear ethical codes (Adams, Tashchian and Shore 2001; Schwartz 2001, 2013; Somers 2001), to develop an ethical culture (Kaptein 2009; Schwartz 2013; Sims 1992) and to nurture ethical leadership (Schwartz 2013).

The relationship between these three strategies is, however, unclear. Having an ethical code is considered important (Adams et al. 2001; Schwartz 2001, 2013; Somers 2001), but without clear indications that the leadership will act in accordance with the code at all times, it is unlikely to be enough to guarantee ethical behaviour. It is clear that rules alone are not enough, as it is recognized that increasing hard governance processes does not guarantee ethical behaviour in organizations. Acknowledgement of this leads to promotion of the soft governance elements, such as an appropriate culture and requisite organizational capacity, including effective leadership and skilled employees (Kocourek, Burger and Birchard 2003; Tallacchini 2009). Central to this is the development of an ethical culture (see for example Ardichvili, Mitchell and Jondle 2009; Kaptein 2009).

An ethical culture has been defined as “those aspects of the organizational context that impede or promote ethical conduct” (Kaptein 2009, p. 262). Of note in this definition is that it encompasses any organizational process or practice that directly affects behaviour. This includes the creation and enactment of all ethical codes, policies and procedures, and leadership actions. This apparent relationship between ethical culture development and context is supported by Schwartz (2013) who posits that there are three elements, or pillars, which will be critical to create and maintain a successful ethical culture. These are:

- A core set of ethical values which are infused into policies, processes and procedures;
- A formal ethics program which includes training, mutual development of implementation policies and regular review of outcomes to determine whether the organization is more ethical or not; and
- Leadership that exemplifies ethical behaviours at all times and at all levels.

However, despite the apparently widespread agreement for the need for an ethical culture, and seeming clarity of how it would grow, there is ongoing unethical decision making (see for example Longstaff 2019; Rees, Tenbrunsel and Bazerman 2019) indicating that the planned culture change is not emerging as desired or anticipated.

ORGANIZATIONAL CULTURE DEVELOPMENT

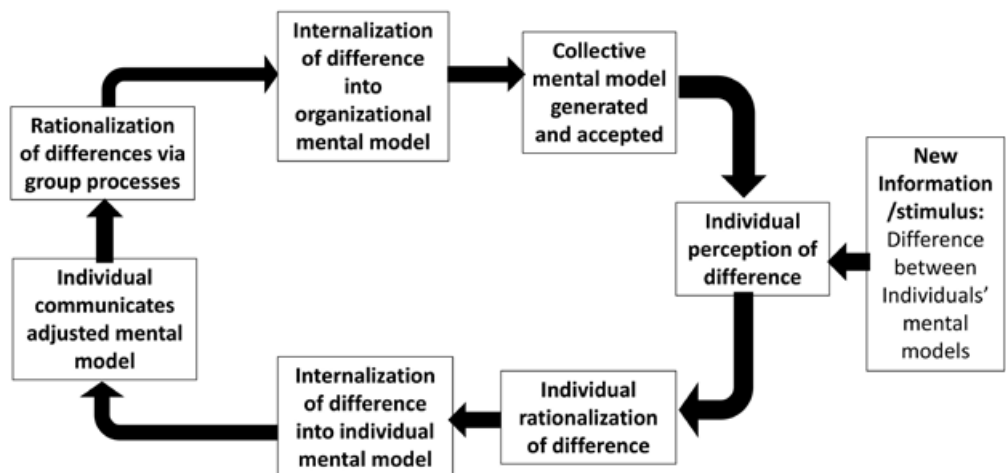
Organizational culture is deeply embedded into extant ways of thinking and working in organizations, therefore it is enduring and difficult to change. Schein (2017, p. 6) defined it as:

... The accumulated shared learning of [a] group as it solves its problems of external adaptation and internal integration; which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, feel and behave in relation to those problems. The accumulated learning is a pattern or system of beliefs, values and behavioural norms that come to be taken for granted as basic assumptions and eventually fall out of awareness.

For employees to consistently behave in an ethical manner, they need to believe that this is the accepted practice or ‘norm’ across the organization (Whetstone 2017); this suggests that any

decision that needs to be made will be driven by recognized extant ethical practices. Whilst this seems clear we have already noted that, in many cases, decisions regarding behaviours are not ethical and the question then becomes – why? As indicated in Schein’s (2017) definition, culture develops and grows as a result of a learning process over time regarding ways of working that enable organizations (or groups) to address common problems. It manifests in rituals, stories and symbols, which convey cultural meanings and communicate what behaviours are considered to be appropriate within the organization (Deal and Kennedy 1982; Mahler 1988; Ott 1989; Trice and Beyer 1993), with the ‘appropriateness’ of behaviours determined from the learning process.

Employees make sense of these rituals, stories and symbols, with each observation triggering the individual to reflect upon and rationalize what has been observed (Blackman and Henderson 2004). If the observation confirms currently held views regarding what is ethically appropriate, there will be no change in behaviour, but the individual’s mental model will become stronger and, therefore, harder to change in the future. Where there is cognitive dissonance between either different perturbations (such as observing an unethical behaviour whilst being told this is wrong), or the observation and the current mental model (such as being told bribes are wrong when it appears everyone, including the individual, is using them), individuals use their current mental model to determine whether they should adopt a new idea (Blackman and Henderson 2004). This will then determine which practices are adopted. If enough individuals adopt a new practice then, over time, this becomes the new norm which is likely to become a shared, organizational mental model (see Figure 18.1). From this perspective an ethical culture is a form of organizational mental model.



Source: Blackman, Kennedy, Richardson and Swansson (2006).

Figure 18.1 *Organizational mental model development*

If an ethical culture is a form of organizational mental model, then any management process that is planned to change behaviour will need to be developed in ways that (a) enable the creation of new individual models and (b) avoid dissonance between individual and organiza-

tional mental models. Thus, for ongoing ethical performance, we argue that Schwartz's (2013) development strategies will need to be integrated in some way such that the ethical tone or climate is set at the top and modelled at all times. This would provide exemplars of the desired and correct behaviours, thereby giving others permission to do the right thing (Sims 1992). We suggest that performance management offers a way to integrate the disparate parts.

PERFORMANCE MANAGEMENT AS AN ETHICAL CULTURAL TOOL

Performance management is often described as a process designed to establish a shared understanding between employees and their supervisors (and often peers) of what is to be achieved and how it is to be achieved (Armstrong and Murlis 2004; Buick, Blackman, O'Donnell, O'Flynn and West 2015; Fernandez, Cho and Perry 2010; McAfee and Champagne 1993). It is focused on enhancing the performance of individuals, which can be identified as the accomplishment of a recognized, defined task; it can also be the way in which the task is undertaken. In many instances, the performance of an individual is seen as being the result of activities over a given period of time which leads to the use of periodic, ongoing review (Armstrong and Murlis 2004; Luecke and Hall 2006). However, the concept that it is a process has led to it being synonymous with the practice of undertaking some form of time bound review or appraisal (Kehoe and Wright 2013). Alternatively, performance management can be seen as any practice undertaken by management that will affect behaviour (Blackman et al. 2016). In this definition, all performance management practices, by default, are part of the context of ethical behaviour. Thus, performance management becomes an integrating series of conversations and actions which, if well executed, develop into the source of the perturbations needed to create new mental models at both the individual and the organizational level. Whilst it is accepted that human resources have a major role in the development and support of organizational culture (see for example, Chandler, Keller and Lyon 2000; Kerr and Slocum 2005), we suggest actively using performance management as a way to create a culture via the creation of a shared mental model is not how it is often conceptualized or designed. Thus, in this chapter we consider three issues:

- *Does employee performance management influence values development?*
- *Can employee performance management be used to support an ethical culture? and*
- *Is thinking of employee performance management as a way to change individual and organizational mental models a useful concept?*

METHODOLOGY

This chapter presents research designed to explore how employee performance management could be constructed to support the achievement of high organizational performance. One of the characteristics of a high performance organization is a strong, supportive, performance-driven culture which empowers employees at all levels to take appropriate decisions (de Waal 2006). Thus, although this research did not directly look at ethical culture, it was specifically interested in how performance management could support the development of new values and

Table 18.1 *Case studies used in this study*

Organization code	Organization size	Organization type	Number of employees
A	Large	Policy	3000–5000 employees
B	Large	Policy	3000–5000 employees
C	Large	Operational	5000–7000 employees
D	Large	Operational	8000–10,000 employees
E	Medium	Policy	500–1000 employees
F	Medium	Operational	500–1000 employees
G	Small	Regulatory	<100 employees

practices that would lead to a culture supporting a particular strategic direction. The context was the Australian Public Service (APS) which supports the Australian Federal Government. For this study, a qualitative collective case study approach was adopted, allowing cross-case analysis and comparison (Darke, Shanks and Broadbent 1998). Case studies were selected using a combination of purposive and convenience sampling techniques. The sampling frame was designed to ensure that the cases represented a spectrum comprising low, medium and high levels of performance management effectiveness (determined from the annual State of the Service Report (SOSR), see APSC 2012). The purposive sampling involved targeting specific organizations that provided a range of effectiveness types, covering low, medium and high effectiveness. The convenience sampling involved public service organizations that volunteered to participate as a case in the study. In combination we recruited seven organizations (see Table 18.1 for details).¹

DATA COLLECTION METHODS

In case study research, multiple sources of evidence are collected and data created (Yin 2014); this study utilized documentary analysis and the qualitative methods of semi-structured individual and group interviews. Three researchers took the lead with two case studies each, with another researcher taking the lead with one case study and working with each of the other researchers on their case studies. Two researchers were present at all times during interviews and group interviews with participants.

Documentary analysis. Analysis of official internal (organizational) and public documentation enabled an understanding of performance management systems in public service organizations in general and each case in particular. Internal documentation, such as reports and performance management documentation, were obtained via key participants and public documentation such as government publications and annual reports were obtained from organizational internet sites.

Semi-structured individual interviews. Ninety semi-structured key participant interviews were conducted where participants were asked a series of questions to establish the factors that they thought enabled or reduced successful implementation of performance management and what impact this had upon high performance. On average, individual interviews took one hour.

Semi-structured group interviews. Twenty-two semi-structured group interviews were undertaken with 136 participants from similar hierarchical levels and geographical location within the same case study organization. Researchers facilitated each interview, one asking

Table 18.2 Overall participant sample

Phase/Level	Operational	Middle manager	Senior manager	Total
Semi-structured interviews	0	48	42	90
Focus group	71	65	0	136
Total participants	71	113	42	226

questions and the other asking follow-up questions and taking notes regarding group dynamics. On average, group interviews took two hours.

Participant sampling. A stratified purposive sampling technique was used to target participants from particular subgroups of interest, facilitating cross-group comparisons (Patton 1990). Invitations sent to each case were based on hierarchical level (senior manager, middle manager, operational staff) and geographical location (National Office, selected state and regional offices). The overall sample was 226 participants (Table 18.2).

DATA ANALYSIS

All interviews were recorded, transcribed and entered into NVivo. For this study, the data analysis occurred in three phases (see Table 18.3). During phase three, the researcher responsible for coding undertook inductive analysis using a combination of open, axial and selective coding; they immersed themselves in the data to identify emergent patterns, themes and inter-relationships (Patton 1990).

Table 18.3 Phases of data analysis

Phase	Description
Phase 1: During Data Collection	After each block of interviews, the researchers involved in each case study reflected on the key emergent themes and issues, focusing on areas of similarity and differences across participants and any surprising findings.
Phase 2: Individual Case Study Reports	Once the data was collected and interviews were transcribed for each case study, an individual report was written by the two lead researchers. These reports emerged from manual coding of each case study transcript and comprised the key themes evident in each case study, including definitions of high performance, areas of effective practice, areas that required improvement and suggestions for change put forth by participants.
Phase 3: In-depth Coding of Whole Data Set	All transcripts were loaded into NVivo and coded inductively. This involved the researcher coding each transcript line by line according to the issues participants identified. These codes were then categorized into smaller clusters of similar codes to depict key themes.

While the open and axial coding were inductive, selective coding was undertaken deductively to identify the presence, absence or potential of the cultural development strategies (as identified by Schwartz 2013) in performance management strategies, processes and procedures. We looked for: whether performance management was supporting the development of core organizational values; the influence of performance management development on outcomes; and the impact of leadership on values and practices.

DEVELOPING CORE ORGANIZATIONAL VALUES

The first element required to create an ethical culture is a set of appropriate values infused throughout all policies, processes and procedures. Thus, having espoused ethical values is not enough; the values will need to be communicated and their enactment reinforced in some way to shape behaviour and become what Schein refers to as ‘values-in-use’ (Schein 2017). Public managers can make effective use of performance management to ensure role clarity, particularly in an environment where goals are often not clearly defined and where goal ambiguity can undermine employee motivation (Lee 2018). Research suggests that public sector leaders who provide goal clarity may also have increased success building trust relationships with employees, an essential element of an ethical workplace culture (Fu, Hsieh and Wang 2019).

Although it was clear that within organizations there were different ideas regarding what performance management was supposed to achieve, many participants argued that performance management should focus on clarifying performance expectations and “providing clarity to the employee as to what they’re supposed to achieve” (MM G) and “making sure we’ve got people achieving our expectations that are being set out” (OL C). Some expressed the potential role that performance management could play in motivating and engaging employees, with a focus on “developing people or enabling people to be the best that they can be in the job, as well as progressing others” (MM E). Some participants viewed performance management as “using your resources to their full capacity” (MM E). Participants also cited performance management as a mechanism for determining learning and development requirements and activities. Collectively, participant responses indicated somewhat varied perceptions about the purpose of performance management. However, one key area of agreement was the opportunity to provide employees with ongoing feedback regarding how they were performing: “I think performance management has to be something that goes on weekly, there shouldn’t be any surprises. It should be something that happens, feedback, whether good or bad or indifferent, it needs to happen constantly rather than it being a shock or something that happens at your performance appraisal time” (OL C).

Importantly for this chapter, participants discussed the potential for performance management to act as a mechanism to **clarify expectations** regarding both desired performance and *behaviours*. It was seen as a mechanism for ensuring “everyone understand[s] where they fit in, in the scheme of things. So what their activities are and their standards that they’re expected to meet, and behaviours they’re supposed to display at that level, and for there to be some framework, I guess, to hook your everyday discussions about how you’re doing around” (MM C). The importance of holding **ongoing conversations** to ensure employees remained up to date with work requirements and knew the behaviours expected of them was highlighted, making the argument that the value of performance management was in providing employees with “clarity of purpose, why am I here, how does what I do tie into the team, to the branch, to the organization more broadly depending on how you tie it in. So it can help in terms of building that sense of why am I here” (MM F).

Therefore, performance management was considered valuable when it enabled a clear line of sight to broader goals and objectives, and was: “... a way of guiding our activities so that ... we’re all ultimately addressing what the agency is supposed to deliver to a good degree” (MM G) so that “people understand where they fit in to the bigger picture, how they’re contributing to assisting an agency achieve its goals” (MM E). If part of the organization’s purpose and goals is to be ethical, then it seems that this could be articulated through these conversations.

If these conversations occur on a regular basis, this can also assist with the development of alignment between the goals of individual and work units and organizational objectives (Ayers 2013, 2015).

INTEGRATING ETHICS INTO PERFORMANCE MANAGEMENT DEVELOPMENT

The success of performance management, in terms of actually achieving the desired behavioural and task outcomes (which could include ethical values and practices), was partly thought to be an eventuality of how well managers were developed and their actual capacity to do it. There were clear links between managerial attitudes to performance management and its likelihood of success. In each case study, the performance management ‘cycle’ was initiated by the Human Resources Department sending guidelines on the process, deadlines and the latest sets of policies and rating definitions rather than focusing on how to encourage desired behaviours or how to achieve desired outcomes. Consequently, the dominant focus was on employee performance management as a compliance process: “it’s ... an add on when you’ve got all these other things that you’ve got to get done and you think ‘oh ... I’ve got to do that today, cos’ I’ve got to tick it off in the box or we’ll be in trouble” (OL B). It was not considered to be a value-adding exercise that set the framework for desired behaviours within the organization: “is not particularly useful, it doesn’t particularly add anything to my day to day practices” (MM D). As a result, it was “not taken very seriously” (OL A) and managers who perceived performance management this way tended to do the bare minimum: “I have seen it where the only piece of feedback you get is at either your mid-year review or at the end of the financial year. Whereas the principle of the whole thing is that you’re supposed to receive regular feedback” (MM G).

One reason for why performance management was not adding value was because managers received very little training. They were not adequately developed to understand the long-term purpose of employee performance management, how to undertake effective conversations aimed at achieving high performance or how to give effective feedback which would encourage desired behaviours:

What gets in the way is, I think, that neither managers nor staff have, in the past, been adequately trained in giving and receiving performance feedback ... So I think part of the barrier that I’ve seen, and I’ve worked in the public service for over 40 years, part of the barrier that I’ve seen there is we have all these lovely schemes in place and we say they’re wonderful but we don’t really train people in how to use them effectively and efficiently. (MM B)

I don’t know that there’s adequate training for [new middle managers] to be on the other side of the ladder and to know actually how to [manage performance]. (OL G)

Another challenge was where performance management was “driven by an IT system, which relentlessly requires ticks in the box”, with the senior management teams

get[ting] reports, which are all around the computer tick and flick, rather than ... people really having discussions and are those discussions resulting in a feeling across the organization that ‘my manager and I are communicating and ... I can rest assured and not worry every day about where I’m going in terms of development, or career, because we’ve had that discussion. (SM B)

Participants suggested that performance management training primarily focused on either undertaking the process (i.e. filling out the performance agreement or navigating the IT system), or how to have a ‘difficult’ conversation when managing underperformance, which perpetuated the negative perception of employee performance management.

The combination of performance management being treated as a compliance exercise and managers not being appropriately developed meant that conversations were often non-existent, fragmented or not supportive of high performance or desired outcomes. However, the evidence suggested that if managers are supported in holding these conversations, the ensuing dialogue could lead to the development of new knowledge, values and practices. Regular conversations between public sector managers and employees regarding performance goals and expectations can build social capital and improved connections with employees that enhances the prospects for improved trust relations (Ryu 2017). These conversations are also important for involving employees in goal-setting, which can enhance employees’ willingness to accept ownership for achieving organizational objectives (Locke and Latham 1990). Performance feedback provided by public sector managers also needs to be specific and provide constructive advice to employees on how they can deliver organizational objectives. Such feedback includes both outcome feedback, which establishes organizational expectations and the effort levels required of employees, and process feedback which includes providing employees with feedback on the individual behaviours required of them (Fu et al. 2019). Goal-setting and performance feedback are closely related to one another and reinforce employees’ goal clarity (Fu et al. 2019). This suggests that a critical first stage to support an ethical culture is a change in the focus and form of performance management development to be about desired outcomes and benefits, including ethical values and practices, rather than just the IT systems and the ‘nuts and bolts’ of the process.

LEADERSHIP MODELLING

The third element of Schwartz’s framework is the presence of leadership that both espouses and exemplifies ethical values and behaviours at all times and at all levels. Public sector leaders play an important role as they can have a substantial impact on organizational performance (Fernandez et al. 2010; Poister, Pasha and Edwards 2013). Such leadership behaviours may encourage employees to share their knowledge with other organizational units, to demonstrate citizenship behaviours and reduce organizational silos (Lee 2018). This suggests that, to enhance an ethical culture, employees need to believe that their leaders and managers will act with integrity and are genuinely interested in clarifying organizational expectations and encouraging employee participation in the performance management process (Fu et al. 2019).

We investigated the data for evidence of how well participants thought their leaders modelled the espoused values of the organization in terms of performance management for two reasons. First, this indicated how leaders saw their role in modelling behaviours in general and, second, this could be seen as a proxy for how well culture could be developed through performance management leadership. Our data demonstrates that where participants considered performance management to be more effective across the organization, it was because senior leaders took performance management seriously. This was particularly evident when an organization had a change in their Secretary (equivalent to a CEO):

... it's only been recently that the department as a whole is really taking a hold of performance management because of our new Secretary. So it's only been the last few months that it's actually taken a hold and we're actually getting managers to discuss [performance] with ... their staff members. (OL D)

It was clear that when the Secretary valued and prioritized performance management, it signalled to other senior managers that they should prioritize it too. It was also clear that leadership behaviours demonstrated by senior managers were important for aiding capability development of others and enabling higher levels of performance:

I can still remember a Deputy Secretary ... he would come down every other day and teach me how to write cab subs [cabinet submissions] ... It was that sort of coaching/mentoring. It was ... a serious person ... that level of care and attention wasn't lost on me, as a person who came up the line, and demonstrating that level of care for people is critical at all levels in my view. (SM D)

Where participants considered employee performance management as conducive to creating improved individual outputs and behaviours, there was a common story of good leadership that made the process meaningful: "a lot of my conversations [with my manager] are quite regular ... my direct supervisor is fantastic, in terms of wanting to check in and see how I'm going with the workload. Also we make a lot of decisions about strategies to approach [my work]" (OL F). Participants also argued that ongoing conversations were important for tracking progress and providing managers with feedback, thereby enabling adaptability to change:

... I have a weekly one on one with my supervisor. So I know exactly where I am, exactly what I need to do as well as we have our weekly meetings with the rest of the team ... I know what is expected of me and vice versa and it's not just how I'm going. They're asking me "what do you think of me as a manager? Do you like this? How do you find this or how do you find that?" It does make that relationship a lot stronger when it's that two-way street. (OL C)

Unsurprisingly, the outcomes of a process which is based on conversations and dialogue is heavily influenced by the commitment shown by leadership and the way that it is undertaken. The values play a key part in the way that practices either do, or do not, change.

PERFORMANCE MANAGEMENT AS AN INTEGRATING TOOL

In this chapter we have used research into performance management to consider whether it should be seen as a potential tool that would develop an ethical culture. The research showed that, when done well, performance management supports the development of new values and behaviours through the development of clear purpose. Research also shows that the likely success of such endeavours in supporting the development of new practices is strongly affected by the way leaders model the desired behaviours. Through focusing on performance management, rather than ethics specifically, we can identify how ethical behaviours can be encouraged. Specifically, we can see how, through applying Schwartz's three level framework to performance management processes, there is the possibility of increased traction throughout the organization that could lead to the emergence of an ethical culture. As a result, we suggest that actively planning to use performance management in such a strategic way (West and

Table 18.4 *Developing ethical practices through performance management*

Element	Integration of Ethical Culture Development with Performance Management
Developing Core Organizational Values	<ul style="list-style-type: none"> • A clear set of ethical values defined and then integrated into all policies, procedures and espoused practices, including into the procedures and advice in how to undertake performance management. • Developing a sense of purpose around ethical behaviours, aligning the reasons for such behaviours with organizational goals and outcomes which can then be integrated into performance discussions. • Identification of why behaving ethically is important, and what will be better, for the organization, the team and the individual because there is ethical behaviour. • An organizational perspective that moves away from seeing performance management as focused on underperformance and instead views it as a vehicle to deliver high performance, including a strong ethical culture, may help with this.
Integrating Ethics into Performance Management Development	<ul style="list-style-type: none"> • Building on using performance management to create purpose, it needs to be supported by development that creates an attitude that performance management is core business, not a compliance activity. • Desired ethical outcomes (such as new behaviours) need to be integrated into the performance management development rather than always being a standalone initiative. • Both performance management and ethical implementation needs to be about desired outcomes and benefits rather than just the ‘nuts and bolts’ and focus on the process.
Leadership Modelling	<ul style="list-style-type: none"> • Developing managerial competence and supporting them to undertake the performance management process effectively, focusing on desired outcomes and behaviours is critical. • The impact of the leadership team behaviours on the social learning of others needs to be a core part of leadership development. This should highlight the importance of exemplary performance management being manifested through leadership behaviours in order for performance management to be taken seriously across the organization. • Leaders need to not only undertake the task but make sure that everyone knows why enacting, as well as espousing, an ethical culture is important.

Blackman 2015) could improve the efficacy of value development. Table 18.4 offers a suggestion as to how such planning might look.

In undertaking the analysis it became apparent that when organizational management systems and processes are set up a blank canvas is assumed, not recognizing the potential impact of established behaviours and practices. When issues such as unethical behaviour emerge, solutions tended to focus upon refining the process (e.g. re-writing the ethics policy), clarifying definitions (e.g. explaining what is ethical behaviour), increasing the numbers and scope of the rules (e.g. re-writing and socializing the ethical codes), or stressing apparent accountability. The focus was on controlling the problem, or trying to change the process to manage out the problem. To date such changes have not been demonstrably successful and we suggest this is because such behaviours cannot be eradicated. Instead we argue that by integrating planned value development into performance management more effective changes, including ethical culture development, will become more achievable.

We began this chapter by considering three issues: whether employee performance management can influence values development; can employee performance management be used to support an ethical culture; and if thinking of employee performance management as a way to change individual and organizational mental models is a useful concept. First, we conclude that if undertaken as a series of well-planned conversations, combined with clear leadership modelling, employee performance management can influence values development.

Recognizing this should influence how both capability and processes are developed to support performance management design and implementation to achieve useful outcomes from the process. Second, and relatedly, this means that performance management can be seen as a tool that can support the development of an ethical culture. However, it is not the formal processes that are the focus here; instead it is the role of managers and leaders in creating a clear understanding of what ethical high performance should look like and designing coherent processes to support that.

This takes us to the third point. What is shown in this chapter, using ethical culture development as an exemplar, is the role that performance management can take as an integrating tool for other human resources practices. We established ethical culture to be an organizational mental model and considered how it could be developed. Our case analysis showed how it is the combination of factors that include: creating clarity of purpose, capability development, leadership, performance planning and review, and useful performance evaluation that leads to the performance an individual elects to enact. This is not a surprise, but what is not so clear is that the success, or not, of such interventions depends on whether they are recognized perturbations that impact upon the individual's mental model in a way that will then become an organizational norm. Our conclusion to this chapter is that by thinking about performance management as a way of creating and managing desired behaviours through the creation of interventions designed to perturb and extend mental models, the integrating role of performance management becomes much clearer. If performance management systems designers reframe the way they develop the different human resources practices to focus on this we suggest there could be much more effective outcomes.

NOTE

1. For more details of this methodology please see Blackman et al. 2016.

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19. Conclusion to the *Handbook on Performance Management in the Public Sector*

Deborah Blackman, Fiona Buick, Karen Gardner, Miriam Glennie, Samantha Johnson, Michael O'Donnell and Sue Olney

The chapters presented in this book reveal opportunities to rethink and reshape performance management research and practice in the public sector. In developing this book, we had two objectives: to present performance management research that is specific to the public sector, and to provide a launch space for future developments in the field. The plan was to consider research that addressed not the minutiae of processes, procedures and forms, but rather the goals, outcomes and concepts of performance management in its many guises. We think we have done this and hope you will reflect on the research presented in this book considering what can be learnt going forward, and where the field needs to move to.

The specific topics discussed in each chapter are underpinned by a series of themes. A key theme is that performance management can be a key enabler of high performance, but only if all the different levels – governance, systems, organizational and employees – are aligned. This perspective is why we distinguish governance, systems, organizational and individual levels. Several of the performance management failures described in the book occur, at least in part, because a multi-level analysis was not undertaken, and alignment was not established.

Many chapters in this book highlight that performance management approaches at all levels have failed to live up to expectations. This is because, too often, the processes of setting performance goals, gathering performance information or using performance rating systems to evaluate performance, have not provided governments, organizations or employees with timely, constructive or useful feedback. Part of this failure stems from the way performance frameworks, indicators and measurements are being used. Although the capacity of such frameworks to improve performance is undisputed, much of the research in this book suggests a need, going forward, to focus less on the details of performance frameworks, and more on their implementation. Of significance here, is the integration of performance management and capability-building activities, which are often seen as separate but are clearly demonstrated in this book as interdependent. Without ensuring the alignment of performance management objectives and the capability of those tasked with achieving them, the benefits of any well-designed performance management system will not be fully realized.

Related to this is the need for leadership that embraces an experimental mindset and supports iterative change processes, through understanding performance in context. Leaders would do well to rethink the variety of incentive structures, dialogue processes and other tools available to build more nuanced approaches to performance management that support the achievement of high performance in context.

Perhaps the most significant theme of all, is that for performance management to be effective, it needs to be reconceptualized as core business within and across organizations, with

a clearly defined and articulated purpose. At the macro level, it needs to be embedded in strategic decision-making, and at the micro level, it needs to be integrated into day-to-day business as habitual leadership and management practice.

Of course, these are not the only issues discussed in the book, but they are core threads that run through many of the chapters. The question is: where does this leave us and why does it matter? We answer this question with reflection on our current environment, having written this book in the midst of a global pandemic. We reflect on the impact of crises on entrenched practice and ways in which individuals, organizations and systems adapt in such circumstances and beyond. We believe that this book is timely because it offers public sector leaders the potential to create new ways of thinking and behaving across all levels in the aftermath of global upheaval. We focus in particular on the role of performance management in that environment. Part of this involves developing and enacting policies and practices that enable espoused values to become values-in-use. Performance management can aid this development by clarifying why changes in practices need to occur at all levels, how to make such changes possible, and what is required from a practical standpoint to make it happen.

At the systems level, being able to redefine success and develop key outcome indicators in different ways may be at the core of long-term recovery from the pandemic, providing a means of clarifying and communicating performance priorities. Reflecting on the ideas presented in this book, we suggest that embracing complexity and developing new forms of accountability might underpin such developments. This would feed into governance structures focused on supporting systems-level change, and enabling greater organizational flexibility through purpose, not structure. At the organizational level, shifts to virtual work teams, remote working and the increase in project work have challenged approaches to managing employees' performance that have traditionally focused on assessing individual employee inputs. In this new context, there is an opportunity to shift this focus to recognizing individual outputs and the contribution that employees are making to the broader goals and mission of their organization.

In the risk averse context of most public sector organizations it can be hard to support innovation, especially if there are likely to be measurements that indicate failure. Collectively, we need to think about how performance management can support agility and innovation, rather than becoming a barrier to change. This may involve considering what else, other than specified outputs, can be assessed when examining performance. Options might include incremental learning, more nuanced measures of impact, progress or change, or another form of accountability. The advantage of all of these is that they can be developed at all levels and be integrated into new, more networked, performance management frameworks.

This call for very different forms of public sector performance management to support the creation of high performance governments, organizations and individuals leads us to reflect on an issue raised in Chapter 1: if the term performance management is one whose time has come – is it finally time to consider a different term? This is not a new conversation – the distinct (and usually negative) connotations of the term have been explored (Blackman, Buick and O'Donnell 2017; Blackman et al. 2013; Larkin and Neumann 2013). Would the terms 'performance facilitation' or 'performance capacity building' serve to reframe performance management and remove some of the negative connotations attached to it? It is not our role to provide a solution here, but we wonder whether future research would benefit from such a reframing.

In developing this book, we, as editors, have all learnt new things about public sector performance management, often in relation to levels of analysis other than the one(s) in which we

usually work. It has helped us think about both the research we wish to do, and how we should do it to create multi-level, integrated approaches. This is a field that is developing fast and we look forward to seeing new research conversations unfolding. We hope this book encourages and inspires you to reflect on your work, consider new approaches to research, or develop new applications for practice.

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