

# **Why Do We Need To Measure Performance?**

## **A Local Government Perspective.**

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In this chapter we will look at some of the issues that surround the measurement of performance. Should we measure performance at all? Surely if you have the right people in the right jobs they will do what they need to do and there will be no need to measure anything? Just think if your lecturer does not turn up for your class on time – What do you do? Do you get your books out, set up and start to do some work or do you say “I’ll give her five more minutes then I’m leaving”? You may smile but this is often the case in a working environment that productivity slows down when managers and supervisors are not present. So then the issue is how much do you need to measure and what do you measure. There are also further complications within the public sector due to the fact there are many more stakeholders that are interested in the performance and also that it is public money that is being spent. Many governments are keen to show their public that the money is being spent wisely and fairly. Whether the public agrees with them or not is entirely another chapter. We will review some of the literature on performance measurement and examine some of the tools that are currently used.

state that “it is not possible for any organisation to act effectively without having its performance measured”. believe the “use of performance indicators is important because they are an essential part of the monitoring of programs and employee performance”.

Is this correct? Do we need to measure our performance at all? There are some theorists that believe if you employ the right people in the right roles then there is no need to measure their performance as they will always do the right thing. This is the view of Stewardship theory. There is no extrinsic or monetary motivation but a sense of achievement when a job is well done . This also supports the view of McGregors’ Theory Y that staff will work on their own and without line management . However the view of the general public that the public sector is lazy and inefficient means that the electorate will not leave the staff to their own devices but need the

targets to prove that public money is being used fairly. This is also supported by the command and control view of management from .

**Target setting** - There are two schools of thought regarding the use of target setting according to “Good” or “Divisive and counterproductive”. Evidence from management literature believe that having a realistic and achievable target is better than no target at all with just an overall focus of work hard or do your best. On the other hand there is the dysfunctional behaviour that can “create fear, undermine teamwork and destroy performance improvement” . If your targets create intense competition within teams then they will not be focussing on the goals of the organisation. They will be channelling their energy into beating their colleagues. This will have an adverse effect on performance. Performing well as part of a team means that all parts of the team have to work together, which cannot happen if individuals are competing against each other. If this does not gel then it is hard to deliver the performance targets . Opposing this is the view from the control theorists that peer pressure can help everyone achieve their targets. People will work together to achieve their goals as they do not want to let down their colleagues .

Organisations should not just look at individuals’ performance. It has to be the whole team. The whole team creates the synergy which is not there if they are kept separate as individuals. Recruiting the right team is vital. Managers who inspire are needed to bring out the best in staff supported by Human Resources to train, coach and mentor. . “All levels of management and employees ... must drive the change” . This is a theme that runs through a successful organisation, that to achieve your performance goals you need to work together as a team and all move in the same direction.

So the most obvious purpose of a performance measurement system (PMS) is to improve performance. Whether this is improvements and increases in funding or whether it is about controlling costs. Sometimes it is used to identify defunct processes or procedures .

However as soon as people are measured their behaviour changes and the deviousness of peoples characters come out . agree with this sentiment as they believe that gaming occurs and people begin to adapt and look out for themselves.

Do you agree with this? If you are being watched or filmed are you self-conscious? Do you behave differently? This is one of many side effects of measuring performance. feels that all the dysfunctional consequences of measuring performance cannot be pre-empted and there will always be some non-intended side effects. However we should not be scared to measure our performance because of the actions of a few people.

believe that performance measurement does influence performance in a good way as it provides focus for managers and means they can organise and co-ordinate resources together.

**So what is performance measurement?** Performance measurement was being discussed in 1956 by Ridgway (Ridgway cited in ) and it has been reviewed many times however in the 1980's and 1990's it became the fashionable topic to research and many authors came up with frameworks . Ghobadian and Ashworth state that it also became a topic of interest for local governments around this time as they were being pressurised from central government, the public and new competitive market strategies, amongst other pressures . Organisations are "clearly searching for performance measurement solutions" (Fitzgerald in p223).

Thus there is agreement across many academics that performance measurement is a subject for discussion and has been for several decades. "Performance measurement has for a long time been one of the crucial issues among scholars and business managers" . The business environment is constantly changing and thus performance measurement, too, has to change and continuously update itself . Globalisation and the increase in the capability of technology are some of the factors that are pushing organisations to analyse their performance in greater detail . The journal Management Accounting Research created a special issue, 25 2014, to look at the issues in performance measurement. describe performance measurement as being at a crossroads. The literature has been inconsistent in their findings when trying to link performance to performance measurement. They suggest that there are still gaps in knowledge about the effect performance measures have on the overall performance of organisations.

There is the opinion that the public sector is inefficient and all it needs is the tools and techniques from the private sector along with the management ideas and thinking . However it is not that easy. If it was there would not be any issues with measuring performance in the public sector. Clearly there are still issues in the private sector so there is no panacea.

, p80) comment that the term “performance measurement” is not very often defined as it can mean different things to different people depending on what discipline you are coming from. However they do produce a short definition:

“Performance measurement can be defined as the process of quantifying the efficiency and effectiveness of action” p80).

Hall (2008 cited in states that performance measurement systems;

“translate business strategies into deliverable results [...] combining financial, strategic and operating business measures to gauge how well a company meets its targets” (p80).

Other authors suggest that performance measurement can be used to rank different initiatives to see which one performs the best and which one will be the one the organisation focusses on (Ittner et al 2003 cited in .

define performance measurement systems as;

“the process for setting goals (developing the metric set) and collecting, analysing and interpreting performance data” (p175)

A performance measurement system, if designed well, can be used to translate the goals of an organisation into an action plan to deliver. However it can also identify if the strategy is the right one for the organisation. It can point out any gaps or confusion as the behaviour it creates could not be what the organisation had in mind . So there are many different interpretations of what performance measurement is. How far organisations go in terms of data collection will depend. Some will have very basic manual systems and some will develop complex data bases . Quite often staff feel very comfortable with collecting and analysing data and

collect huge amounts. “Measuring the shadow of the shadow” is a quote that stood out from some recent research I completed and it shows that the structure of the data collection is liked by many organisations. Staff are unwilling to let go of measures and often collect data “just in case”. At some point some measures have to be released to be efficient. Thus how can organisations structure their performance measurement to obtain the optimum amount of data?

have suggested a process for a business performance measurement system:

1. Selection and design of measures
2. Collection and manipulation of data
3. Information management
4. Performance evaluation and rewards
5. System review .

believe that strategic performance measurement (SPM) processes have a positive effect on the performance of a business. However it has almost turned into an industry of its own with:

“UK government departments estimating that they spend over £150m per year solely to monitor progress on national targets. This is without the data gathering costs of front line organisations” .

The benefits of a SPM are that there is a consistent message and communication and this will strengthen the corporate brand and reputation. It can also help to improve motivation by generating a performance improvement culture. However if it is not implemented properly it can fail and end up costing the organisation a lot of money. The key to success is the link to the strategy. Firms with just a PMS show no difference in performance to firms without a PMS . So your organisation will not grow and improve just because you measure it.

**What are the current trends in performance measurement?** have completed a detailed review of performance measurement and management systems with regards to operations management however the techniques are transferrable to other disciplines. In the early twentieth century at the time of the industrial revolution

factories were starting to expand with new machinery and managers were starting to think about economies of scale and time and motion studies. How to get the maximum output from your labour force. Taylor started to measure the performance of individual workers to be able to incentivise them to work even harder and to produce even more. Cost accountants would produce figures based on the financials of the factory. Although comment that more emphasis was based on financial accounting at this time due to the fact that factory owners were looking to finance their expansion plans by borrowing funds. To prove that they were reliable the owners would have to produce audited accounts and thus the accountants' time was spent on this type of accounting more than the management accounting discipline.

The 1920's saw the growth in techniques such as Return on Investment and the Pyramid of Financial Ratios as tools to measure the performance of an organisation. At this time traditional management accounting costing techniques were being used but were inadequate at tracing costs of products and focussed mainly on control of resources .

The Japanese developed tools such as Total Quality Management and Just in Time manufacturing with their focus directed towards efficiency and effectiveness. Japanese companies were seen to be outperforming western businesses. Western businesses had focussed on the efficiency to the detriment of being effective. Long production runs and stock piling products took the emphasis away from what the customer wanted. As western organisations started to examine their effectiveness they found that improved quality would drive this forwards .

The change in emphasis for performance measurement tools over the last 30 years has moved away from being purely financially focussed to also including non-financial information. There will always be financial information included but it is now recognised that it is not enough on its own . Organisations started to see the issues and problems that arose from directing a business from purely financial data . Following this the next phase has seen organisations incorporating non-financial measures and financial measures into frameworks that also link into the strategy of the organisation

refers to this time as the “Performance Revolution”. Thousands of articles have been written about performance measurement and the membership of the various accounting institutions has increased by huge amounts as more and more businesses look to improve their performance measurement systems.

When reading extensively about performance measurement a reoccurring theme appears called the **Balanced Scorecard**. Kaplan and Norton were the authors of the original “Balanced Scorecard” which emerged from the research institute linked to KPMG in the early nineties . Kaplan and Norton had originally designed the balanced scorecard framework for performance measurement for profit making companies. However Chang et al point out that Kaplan and Norton also believed it could be adapted for Not for Profit Organisations . also confirms that the balanced scorecard is the most famous of all the performance measurement techniques that have been proffered in the last 30 years.

Often these techniques are referred to as frameworks as the balanced scorecard is above. define framework as “the active employment of particular sets of recommendations”. The frameworks can be split between a procedural one and a structural one. Once you have these you can then start to develop a performance measurement system. support this view by commenting that the Balanced scorecard has “long been recognised as a performance measurement framework”.

The balanced scorecard is a tool that helps to translate the strategy of the organisation into a set of targets and measures. These targets are then filtered down through the whole organisation so all staff are working towards the same objectives. As no two organisations have the same strategy it follows that all balanced scorecards are different. originally visualised four sections to the scorecard which covered financial, customer, internal and the combined learning and growth perspectives. As the scorecard has developed over the years, organisations have been adapting it for their own needs and creating their own versions. Along with the four perspectives give guidance on how to translate the vision of the organisation, how to obtain feedback and learn from their existing procedures, how to communicate and link the strategy to the measures for everyone at all levels in the

organisation. This then becomes a framework with which the organisation can begin to use to improve its performance .

The balanced scorecard has the advantages of the mix of the different types of measures with both monetary and non-monetary. also comments that the balance comes from how you look at the scorecard. Both Financial and Customer perspectives are outward looking and this balances with the inward looking Internal Processes and Learning and Growth. Yet you can also look at it as now and the future. What we are doing now, the leading measures, will affect the future, the lagging measures. The balanced scorecard has several advantages. It is very simple and easy to understand. It has also survived the test of time as it has been around for over twenty years . It is also useful because it has everything in a snapshot on one page which is often vital for busy senior management teams . It also does force organisations to look at their long term plans and to develop a strategy if they do not have one or to fine tune a strategy they already have. However it is not a panacea and it does have its limitations such as it can become very complicated with far too many measures. Neely and Adams believe that management are obsessed with measurements. They feel that they must be controlling their organisations because they are measuring everything they can. This is also made possible by the sophisticated computer systems that businesses can use to slice and dice the data.. “What should we measure?” is often a question asked and it is tempting to measure what is already known and what is easy to measure rather than challenging this and asking the question . support this view as they discovered that often when organisations changed their strategy they did not change their measurement system.

However twenty years ago when the scorecard was designed the computer systems would not be as able to meet the needs of the measurement hungry managers of today. So it is an easy concept where the difficulty is in the detail.

takes the disadvantages further and produced an article that claims that the balanced scorecard is all hype with no substance. That there is no theoretical underpinning to their views. support this view and feel that the scorecard does not address the political issues well enough and thus will never reach its potential.

However there are many other authors that feel that the scorecard is a worthwhile tool whilst recognising that it is not a panacea. , amongst others). believes that the balanced scorecard is just a management fad that has had its time. Due to the issues of the complexity of organisations and how the balanced scorecard tries to simplify the issues too much. Also there is no integration with the accounting system.

claim the largest influence, on performance measurement, was the Balanced Scorecard. This is supported by as they write that the Harvard Business Review cites the balanced scorecard as the “most important management tool in the last 75 years”. It changes the way organisations measured their performance. asks the question why now? Why in the early nineties should scholars become interested in new ways of performance measurement? The limitations of traditional management accounting methods had been pointed out years ago.

Neely offers up seven main reasons which are:

- “The changing nature of work
- Increasing competition
- Specific improvement initiatives
- National and International awards
- Changing organisational roles
- Changing external demands and
- The power of information technology”

, p210).

All of these contribute to organisations wanting to understand more clearly how they can translate their strategy and objectives into targets for their people to use to ensure the organisation performs well and is successful.

The balanced scorecard is constantly evolving and Kaplan and Norton are still heavily involved in the process so they are still the regarded as experts. They have developed the tool to include “strategy mapping” where the cause and effect linkages are shown clearly in pictorial form . One of the issues with the original balanced scorecard was that there were too many measurements and it was difficult to choose

the correct ones for your organisations strategy . With this strategy mapping technique the measures that are not driving the organisation towards its goals can be identified and removed . Never the less see the balanced scorecard as a “powerful management tool. A measurement system that gets everyone’s attention”.

Neely and Adams have taken the balanced scorecard further and created their “Performance Prism”. . They have added more dimensions to the scorecard and advocate the need for the organisation to analyse the needs of all their stakeholders before finalising their strategy .

Neely and Bourne argue that the emphasis has moved from the issue in the 1980’s of organisations measuring the “wrong things” to organisations now measuring “too much” . There are too many measurements to be of any real use . This could be a symptom of not for profit organisations being complicated due to their many objectives and stakeholders . Designing a performance measurement framework that works to achieve these many goals is a complex task that covers many disciplines, not just accounting . However Neely does not take the performance prism into the public sector so there is still a gap in the literature.

It is not easy for organisations to work out which measures to use. Plus as the organisation is changing and evolving with the environment the measures will also change. Organisations are happy to add new measures however many do not drop measures very easily .

Even though performance measurement has been a topic researched for many years there is still much to be done. The tools need to be adapted to move with the changing organisations. There is more data available to be collected than ever before. Neely suggests that the;

“challenge for the research community [...] is to take the performance measurement agenda forward. If we fail to do so then we risk becoming trapped by solutions proposed for problems of the past”

**Local Government** have their own set of issues when it comes to measuring performance. The issues that was discussing in the seventies are still relevant today. Authorities needed to define the objectives of their organisation. Members needed time to think about what they wanted their organisation to achieve. Time was spent analysing how much money had been spent but not about what it had been spent on. How did members allocate scarce resources between different projects? What were the long term objectives and how could they be planned for rather than just looking at the short term. Did members have a choice of options for the key areas they needed to make decisions for? All these comments are still relevant in the public sector today, forty years down the line.

In the 1980's and 1990's the public sector underwent a modernisation strategy that is often referred to as "New Public Management (NPM)". Chief executive officers were encouraged to use some of the tools that were being used in the private sector such as benchmarking, six sigma and balanced scorecard. believe the motivation for using these tools were increasing competition, performance directives from central government such as the benchmarking standards and also the fear of being sued if the level of performance was unacceptable. believes that the excitement that the private sector has shown for the scorecard has seeped into the public sector. This is where the public sector is moving to be more "Business Like". It will not be the same as a free market but it can move towards the characteristics of business.

delves into the realms of measuring the outcomes of social policy. The aims of the public sector are very complicated and not easily converted into measurable outcomes. How do you measure the effect an action has on a persons' life? It cannot be measured by one thing but by understanding the individual and this would take an enormous amount of resource to collate the evidence. Thus an easy to calculate measure is used and the impact is not really understood.

compare the "governance by targets and performance indicators theory of the public health care system" to the pre cold war Soviet regimes where those in charge ruled by "terror". So much that it encouraged a gaming mentality to ensure that as a manager you survived but never exceeded at your role. Evidence of manipulation of hospital waiting lists and schools focussing on those pupils that may not pass to

ensure they will pass the exams are two of the many examples available to support Bevan and Hoods views. These are classed a deviant or dysfunctional behaviours and do not help the organisation achieve its goals .

Many implementations of the balanced scorecard fail which could be another reason why local government have not invested in this tool. Can authorities justify more performance measures on top of the many KPI's especially if there is evidence to suggest that "70 per cent of balanced scorecard implementations fail" . suggest that the reasons why the balance scorecard fails in the public sector is that they have not invested enough time into changing and adapting it to the needs of their particular organisation. suggest the issues with implementation of the balanced scorecard in the public sector come from trying to link it to the multidimensional organisation strategy.

Kaplan and Norton adapted their balanced scorecard for the public sector and started by moving the financial perspective further down the scorecard and promoting the customer perspective to the top. However who are the customers of a public organisation? Is it those who provide the money or those who consume the services? In a private organisation these are often one and the same. However for the public sector there will be donors who have specific goals as to what they want their money to achieve and there are the consumers who use the services and products

**What is performance in Local Government?** believe that it is incredibly important to define what is meant by performance.

To the audit commission it is the 3 E's. Economy, Efficiency and Effectiveness. Economy is about the best value for money. It may not be the cheapest option but the ones that gives the best value. Efficiency is making the most out of the resources you have and Effectiveness is about doing what is needed . There could be a fourth option of Equity. To ensure that resources are spread over the whole community . However value for money and the 3 E's have "failed to deliver a global model of performance measurement" .

believe that just because the organisation has saved money and can deliver a balanced budget does not mean they have been effective and met all the service demands or efficient. "The idea of 'more with less' has become a slogan" . Say it too many times and it means very little.

Again the question emerges of how are the outcomes measured? What outcomes should we be measuring and how can we determine what is good performance and what is poor performance? .

Public sector organisations have tried to measure their performance with varying degrees of success. Some have looked at input – output models and some have followed instructions from central government as to what they should be measuring.

Many models of performance measurement "fail to tackle efficiently the communication of the strategy across all organisational levels" . feels that if the scorecard fits in with the strategy and is aligned with it the communication and motivation will follow naturally and thus produce improved performance. feel that a lot of effort goes into the design of the strategy and very little into the implementation. believe that the reason why there are so many poor implementations of performance measurement strategies come from the fact that the employees have a lack of knowledge. Employees focus on their statutory tasks and fail to engage with the performance measurement strategy.

In the past it was believed that tools used in the private sector could not be transferred to the public sector. Now there is evidence that this is not true are there are some successful implementations of the balanced scorecard in the public sector .

Areas of performance that are measured tend to be the areas that people focus in on. More effort is expended when it is known that the results will be published or individuals performance will be targeted . found in their research that staff in the middle management levels liked the measures that they could have an impact on. This supports the view that when people understand the measures and they are clear they will work towards them with more vigour than when they are not bought

into the measures. Irrespective of whether the measures are towards the goals of the organisation.

Some researchers have suggested that the measures chosen can have a key impact on the performance of the firm. Success or failure could depend on the measures chosen .

Performance measures can be linked to goal theory, “conscious goals impact action” . This supports the theory of what you measure is what you get. Although goal theory suggests that people can create their own goals as well as having goals imposed on them. Some people are motivated by “the need to achieve a sense of personal satisfaction” . These people will strive to achieve their goals and keep going even when they miss achieving them. These people will respond positively to stretch targets whereas others will wilt under the pressure. Nevertheless the evidence suggests that defined goals work better than just an overall pledge of “we must all work to a high standard” .

However in all the guidance of how to create a performance measurement system it is rare that authors offer advice on how to design the performance measures themselves. There are many offers of advice regarding dysfunctional behaviour but not a lot regarding how to avoid it and create the right measures .

have produced a checklist for good target setting to make sure targets are:

1. Clearly defined
2. At the correct level – not too high or too low
3. Shared out appropriately
4. Consistent with the strategy and economic environment
5. Based on rigorous data – not just on past history
6. Reviewed regularly
7. Owned
8. Supported by a specific action plan.

This is a lot of work but as the authors say “If you can’t spare the time and effort then maybe it would be better not to set targets at all” .

Performance measurement practices are often centralised. comment that when choosing what to measure “strategic choices are often made without careful consideration and/or comparison of alternatives”. They also believe that “Academic literature has only a few studies investigating how public performance approaches have evolved to meet the changing information needs of public managers” .

sees local government actors over complicate matters and “develop a complex solution to an issue without the pragmatism or common sense to strip out the irrelevant and keep things simple”. feel that public sector organisations are “oriented to the processes and not the results”. Going through the motions of a regular process is safe and easy to measure that the process has been completed. wants a “performance culture based on regular specific feedback and good conversations rather than a sterile, box-filling exercise once or twice a year”. Just measuring what we have always measured will not produce any different results. support this view that it is a tick box exercise rather than a useful management tool that can support the organisation.

The ways the results are measured need to be consistent otherwise the results will become meaningless . If people in the organisation do not believe that the methods of data collection are valid then the targets will lose their value. If the measurements are inaccurate or inconsistent then staff will not be committed to them and become less motivated to achieve them if they know they are wrong. Elg likened the measurement of results with no communication to anyone like measuring the outside temperature. You can measure it but you cannot change it.

feel that there is a lot of research on performance measurement but it has not achieved anything or produced any solutions for the issues of performance management. “We are fabulous at firing arrows into walls, drawing targets around them and then saying it was a brilliant shot” .

The public sector is so varied as it covers 196 countries which are all shaped differently with different influences . Often it ends up with results focussed measurement systems. believes we have created a “performance measurement industry”.

The theory of performance measurement sounds simple and easy to implement and then you have an organisation that instantly becomes successful – no? What are the issues that affect organisations and their use of performance measurement tools? “Why do some organisations outperform others?” . Just having a performance measurement system does not automatically mean you will become successful or better at what you do. “Measurement just keeps the score,” it is how you change the way you work and improve your processes that will lead to the overall performance increasing. It is hard to decide on what to measure. Often it is easier to take the measures that are already collated and try to fit them around a tool like the balanced scorecard. This then misses the key point of linking the strategy to the targets. This can also happen when departments are able to create their own targets and often miss the vital strategy link .

Managers look at the organisation and try to allocate resources. What needs to be done? How many staff are available? Timed targets such as how fast is the phone answered becomes a major focus. However the question here should be what value does the customer receive rather than how fast can an operator answer the phone? Often in these targets very little is mentioned about the quality of the answer that the customer received .

The staff of an organisation are key to performance and all staff members should be engaged and motivated to work for the good of the organisation and not just finding a work around to meet their targets. Data manipulation does not usually have a positive effect on the organisation. There are many examples in the public sector to support this for example NHS waiting times . Organisations also wait until they need to save money or processes have deteriorated before they start to manage the issues through using the information from the measures. The key finding from research is to take a leaf from the Japanese companies rule book of kaizen performance and look to continually improve the performance at all times.

Most issues with performance measurement in the public sector are based on “conflicting influences ... political interferences and ambiguous objectives” . A cynic would say that politicians do this deliberately so they cannot be held to account easily.

Performance measurement should be a logical and rational process. Identifying criteria to achieve and then measuring the results to see how much has been achieved. However believes many complex issues lie behind the process.

“If information is power the performance measurement is surely tightly linked to the creation and use of power” .

Governments worldwide are fascinated by performance measurement. Trying to prove that the bodies they fund are providing the right services and are doing what they are supposed to be doing. Many questions are asked about the technical data and the goals of the organisation. However the key question is who chooses the measures? Who decides who wins and who loses? . How is this power used? Is it to confirm the existing hierarchy and structure? Thus giving directors more power. Is it used as a control mechanism? Budget funding will follow the decisions. So linking into the transparency argument the public sector has lost the trust of the general public so now finds the need to measure everything to prove that it is using its resources wisely. In times of austerity the public need to be reassured that the allocation of scarce resources is fair. The politicians then hope the public will continue to support them .

Central government will also use the framework of performance measurement to change the behaviour of local agencies. The national data set was an example of central government dictating what the local areas should focus on. “Measurement is assumed to change behaviour” . queries the usefulness of the academic research in such practical areas as performance measurement. Academics talking to themselves, via journal articles, in a language only they understand will not solve the problems. However working with practical managers will increase their knowledge of what is actually happening and how things are done in the field. More research is needed on longitudinal studies rather than surveys to really understand what is needed.

What measures are suitable for a local government authority? Who should be the ones choosing them? Leaders, staff, or combinations of both. The literature talks a lot about strategy mapping but how in practice can this be achieved successfully?

What to measure is also vital. Not just using measures that are already in place and easy to calculate. Really thinking about the measures and reflecting on whether they will drive the desired performance.

The gaps in the literature appear after the public sector has been stated as being more complex than the private sector. supports the fact that more research is needed in this area, to link the objectives of the stakeholders with the targets for the organisation.

There is still not enough evidence to see what measures work. comments that it needs longitudinal studies to work out what makes a policy work. However politicians are only focussed as far as the next election so invariably they will ensure they have some “quick wins” in the short term to stay in power.

It is difficult to ascertain what effect performance measurement has on an organisation as there are many other factors that impact on the outputs. Performance measurement is used for “communicating direction, providing feedback on current performance, influencing behaviour and stimulating improvement action” .

Councils will have to make the decisions of what to measure and how this will affect the behaviour of their staff. This is crucial as dysfunctional behaviour can easily occur if a person follows their targets religiously. Choosing the targets that provide goal congruence and not just measuring because it is easy to do. Clearly the right things need to be measured and these will be different for each organisation. A rule of thumb often used by management accountants is that it should cost less to collate the information than the benefits that the information can bring. asks the same question about the new performance measures. Have they facilitated improved performance? Can the cost of producing the measures really be justified? comments that the balanced scorecard is the best we have at the moment and we will continue to use it until something better comes along.

So we have discussed many issues that occur with measuring performance in the public sector. Hopefully this will stimulate your thinking and help you to formulate challenges in the future. Setting targets and measuring performance has been shown to be a complicated topic with further research needed. There is no right or wrong way to measure performance and each organisation will be different. The key

is to learn from your choice of measures and adapt them to encourage improved performance.

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