

Fundamentals of Performance Management in the World of Public Service Organisations

Daniella Kucsma

Abstract—The examination of the Public Service Organization's performance evaluation includes several steps that help public organizations to develop a more efficient system. Public sector organizations have different characteristics than the competitive sector, so it can be stated that other/new elements become more important in their performance processes. The literature in this area is diverse, so highlighting an indicator system can be useful for introducing a system, but it is also worthwhile to measure the specific elements of the organization. In the case of a public service organization, due to the service obligation, it is usually possible to talk about a high number of users, so compliance is more difficult. For the organization, it is an important target to place great emphasis on the increase of service standards and the development of related processes. In this research, the health sector is given a prominent role, as it is a sensitive area where both organizational and individual performance is important for all participants. As a primary step, the content of the strategy is decisive, as this is important for the efficient structure of the process. When designing any system, it is important to review the expectations of the stakeholders, as this is primary when considering the design. The goal of this paper is to build the foundations of a performance management and indexing framework that can help a hospital to provide effective feedback and a direction that is important in assessing and developing a service and can become a management philosophy.

Keywords—Health sector, public sector, performance management, strategy.

I. INTRODUCTION

THE application of performance management in the public sector had started more than twenty years ago. Over the past decade, several authors have attempted to operationalize the concept of performance management for organizational performance improvement in public sector organizations [1], [2]. In Hungary, the number of these publications started to increase only in the 1990s, as many articles, book chapters and doctoral dissertations were written on the topic [3]-[7]. The literature background in this area is very colourful, however, there is not always a consensus, so in this article, a spectrum of literature and an interpretation of context will be introduced. Furthermore, a strategic study is also presented, as the existence of strategy and the creation of its foundations are essential for the development of a performance management model.

II. ROOTS OF PERFORMANCE MANAGEMENT

Public sector performance management on a broad

Daniella Kucsma is with University of Miskolc, Hungary (phone: 3670-4529196; e-mail: kucsma.daniella@uni-miskolc.hu).

This research was supported by project nr. EFOP-3.6.2-16-2017-00007, titled Aspects on the development of intelligent, sustainable and inclusive

interpretation means the use and application of various management tools that also contribute to increasing the performance of an organization or network of organizations (region or sector) and the performance of a country. However, it is difficult that today both the private sector and the public sector often use it as a fashionable term, but there is no consensus in the literature about the boundaries and content of this term [8]. If we look for a reason for the conceptual ambiguity of this concept, it can be concluded that performance management can be interpreted at the intersection of several disciplines and theories i.e., as an interdisciplinary research area [9]. Representatives of the disciplines approach the importance of performance management with different goals and issues. During the nineties, there was an effort for integration in public management among researchers. The Public Management Institute, led by Geert, has made outstanding findings and achievements in this area, as they have contributed to the development of a public sector interpretation framework for performance management [1]. In many cases, the model developed by them appears in the development of Hungarian public sector performance management framework models, of course together with other models, but it can be stated that it serves as a good basis for the development of a framework. However, for a detailed presentation of these models, it is essential to review the background of the definition. The concept of performance also appears in a variety of contexts and meanings, so it can be concluded that there is no uniformly accepted definition. In many cases, the literature on performance management and performance measurement does not explicitly define this concept [10]. However, it is worthwhile to make a definitive background presentation that contributes to the present research and clarifies at the beginning, which approach can be best suited to this research.

Based on literature reviews, the following three aspects have been summarized to present the conceptual background: The primary research aspect is the approach developed by the author, the composition of which contributes to the increase and practical application of performance, so it becomes authoritative, secondarily, the definition has limitations, which are essential for public sector research. The third aspect is the novelty content, as the aspect points out that there is a difference between the content and the usability framework, so this cannot be omitted from the point of view of the study.

First of all, we can read in the concept of Szűts that

society: social, technological, innovation networks in employment and digital economy. The project has been supported by the European Union, co-financed by the European Social Fund and the budget of Hungary.

performance is nothing more than the achievement of goals and how much effort we have managed to achieve our set expectations. [11] This performance concept includes not only the importance of achievement but also highlights economic indicators and expenditures. As regards the expenditures the concept covers the costs and the use of our human resources and assets. Each author has added something new to the trend he applied, supplementing the previous one, which can be well observed in Table I, so now only those concepts will be highlighted that will support or fit into this research. Anthony's definition [20] is significant because he first recognized that performance measurement is important not only for the private sector but also for the non-profit sector.

Anthony's definition highlights two factors of efficiency and effectiveness, but these factors should only be examined and expressed if they can be substantiated by indicators. The so-called qualitative factors appear as limitations here, the quantification of these factors is not an easy task. In the area of performance, the name of Kaplan and Atkinson should also be

mentioned, as they dealt with this topic a lot and their definitions served as a good basis for the Balanced Scorecard model, so their work is outstanding in this respect. [12] Their definition is based on three dimensions: knowledge of service level, quality and costs, as well as the design of these elements also play a role. During our research, if we choose a sector where the provision of services is particularly important, then this trend is one of the best to fit. In the 2000s, Wimmer's definition also shows the achievement of goals and the resources that must be provided to achieve them [10]. The examination of correlations appears as a novel element, it takes into account not only the elements that can be expressed with indicators, but also the factors that cannot be expressed with indicators but are significant in the evaluation of an organization. Wimmer's concept, the link to effectiveness was highlighted as a limitation, which appears to be an obstacle because not every element needs to be effective for an organisation to be successful. Table I shows how performance trends developed and evolved.

TABLE I
 COMPARISON OF PERFORMANCE CONCEPTS

Author(s)	Main dimensions	Limitations	Novelty
Szűts (1983) [11]	achievement of goals, profit and loss ratio	Efficiency is only valid if the achievement of goals is cost-effective.	Efficiency and the achievement of goals are closely related.
Sink (1985) [13]	effectiveness, efficiency, quality, productivity, quality of the workforce, innovation, profit	Several factors included in this approach do not allow the adaptation to the public sector.	The appearance of new items. Innovation and the quality of the workforce are also important.
Neely Gregory Platt (1995) [14]	effectiveness, efficiency	The dimensions are closely related. Not always, the relationship of these factors brings quality performance.	It also takes into account qualitative and quantitative criteria
Rolstads (1995) [15]	effectiveness, efficiency, time factor	The appearance of a time factor can also be a limitation, as it is difficult for an operationalization	The time factor emerges, which refers to the measurement of performance for a given period.
Lebas (1995) [16]	meeting goals, determining the resources required	These two dimensions are not enough, the definition of goals is not always clear	A positive interpretation of performance management, as the goal is the development of the organization.
Dobák (1996) [17]	the right goal of the organization, efficient use of available resources	Efficiency and effectiveness are inseparable in this approach.	The concept of service quality appears.
Jacot – Micaelli (1996) [18]	the efficiency of the tools used, the relationship between the tools used and the results achieved, the relationship between the objectives set, the tools used and the results achieved	It is not focused on the entire asset portfolio, only the factors used are decisive.	Reveal connections. It looks at the relationships so that a possible error or factor that is weaker can be corrected sooner.
Lorino (1997) [19]	a factor that contributes to improving the, value/cost ratio, contributes to the goals of the strategy	The emphasis is on the quality of service, efficiency is only secondary.	It is a much more complex approach as it focuses on the company as a whole.
Anthony (1997) [20]	effectiveness, efficiency, (control processes)	It focuses on values and indicators; however, some factors cannot be measured by indicators	control processes: ensuring efficient and effective use of resources - recognition of the non-profit sector
Kaplan–Atkinson (2000) [12]	service level, quality, cost	grouping the use of non-financial and financial indicators	Defining 4 basic pillars (BSC) construction of a new system
Wimmer (2000) [10]	achieving goals, resources required to achieve the goals	all factors are related to effectiveness and to achieve this	Examination of relationships, connections
Dubnick (2005) [21]	action, results achieved by an action	it is difficult to distinguish between the action itself and the results associated with it.	process-oriented approach
Gyökér–Finna (2008) [22]	getting objectives, the ability to achieve these objectives	measuring the amount of effort in a given area	is related to a cause-and-effect system
Van Dooren (2010) [23]	orientation benchmarks, intentional behaviour	assumptions of knowledge of basic concepts	bilateral approach

Source: own edition [10]-[23]

There are two ways of negotiating in the literature on public sector performance [23]: Performance is presented as a value, i.e., it does not require further explanation, it can be mentioned quasi as a measure of an orientation. In the alternative, it

expresses an intentional behaviour.

Dubnik's approach provides a complex picture that draws attention to the action and the results achieved by action [21].

In summary, the public sector performance management

concept builds on a complex interpretation of performance that includes multidimensional processes and goals, so this complexity should also be reflected in the development of performance management systems.

In the following, a performance management model and concept are presented, which can be the basis of the performance management of a potential well-functioning public service organization. However, it should be mentioned that performance management at the organizational level cannot be interpreted in the public sector alone, as such an organization is linked in many ways to institutions, superiors, and public policy cycles in other sectors. Furthermore, it must fit not only the elements mentioned above but also a developed strategy.

A. Consistency of Strategy and Performance Management

In this study, a specific sector of the public service sector appears, which is health care, as it can be said that it has to provide increased performance nowadays, and in general, social compliance is central to this sector. The research focuses primarily on hospitals.

In healthcare institutions, and within them in the life of hospitals, 2012 resulted in a major change in Hungary when these institutions were placed under state governance from the

former county and city self-governments. (Decree 7/2012 VI.29) We can highlight two significant effects of this measure: The scope of the strategy has been narrowed by these institutions, the possibilities for changing organizational forms worth mentioning as an example, as the Ministry of Human Resources has currently determined uniformity based on a central and government decision. Direct state management has significantly influenced the development of professional profiles and the extent of supply capacities, and the procurement process (equipment and medicine) also takes place in a central system. Its other impact, through centralized management and coordination, allows the development of a unified strategy, planning methodology, and strategic planning.

For us, the second factor is important, as the development and implementation of performance management is also part of the strategy. The importance of strategy development is also in the environmental challenges, as no matter how they under are state-controlled, the changes have a strong impact on individual organizations. Furthermore, hospitals are the most complex organizations in healthcare, so the basis for maintaining its viability is based on the managerial-level strategic approach to decision making and decision-making activities. Environmental impacts and strategy room for manoeuvre need to be examined at three levels, which are presented in Fig. 1 [24]

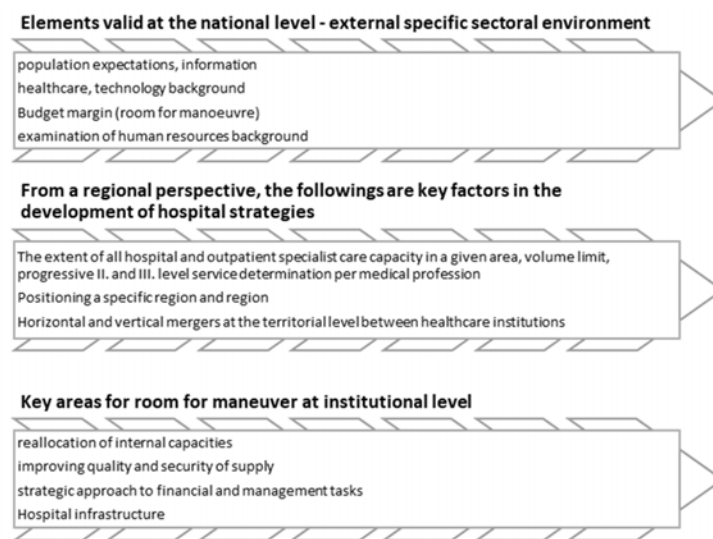


Fig. 1 Tree-level strategic approach, Own edition [24]

Fig. 1 provides an overview of the levels at which strategy design is possible and the elements that need to be focused on. In this research, there is available room for manoeuvre at the institutional level, which needs to be highlighted. The number of hospital beds in Hungary in 2011 was 67,806, which means that according to 2019 data, the number per ten thousand inhabitants is 69.4. This number is notable in Europe, because only Bulgaria, Germany, and Austria, have a larger number of beds, than Hungary [27]. In this research, hospitals are in the selected region, so this sample consists of 12 institutions.

This region was chosen because out of 7 regions in Hungary, its structure is the most complex with so-called small village

composition. The principle of size was a criterion in the selection, based on which not only large hospitals but also smaller county hospitals were selected. This grouping by size is shown in Fig. 2. After the grouping by size, institutions with a small number of beds did not appear in the study, as they are special institutions (for example lung hospital), so they could not have been handled uniformly during the research. Furthermore, the research was followed by the principle of publicity, as case studies, application materials and internet resources were available. Furthermore, the principle of comparability was also included in the research. Understanding and delimiting the changes experienced in 2012 was also given

a prominent role, as the principle of ownership was also a selection criterion, as only state-run hospitals in the study

region were included in the research [25].

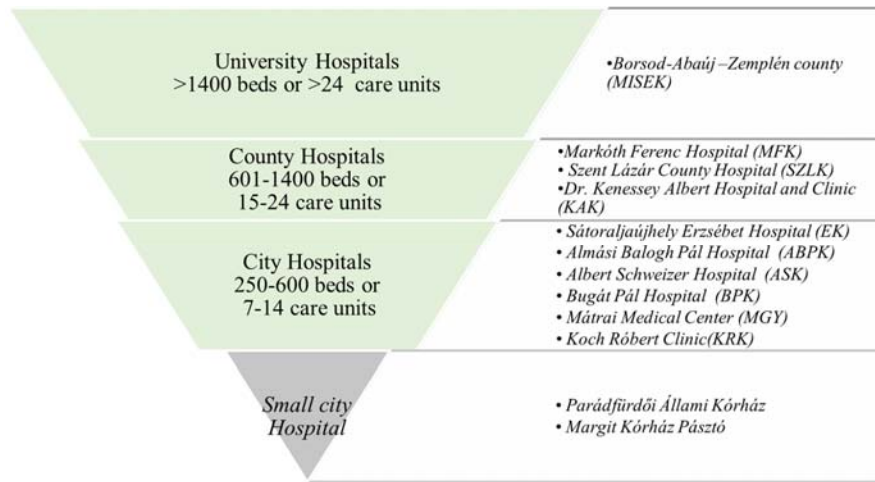


Fig. 2 Hospitals grouping by size in Northern Hungary [25]

The aim and novelty of the research lie in the fact that it provides an overview and idea that facilitates the methodology of strategic planning within the limits of the public sector and provides an opportunity to develop a performance management framework model following the specific characteristics of the sector.

In strategy planning, if we do an international overview, we can conclude that its foundations are widespread, as the Balance Scorecard (BSC) is applied, which is a balanced system. This scorecard displays 4 dimensions (financial, customer, operational, learning and development) so it can support both organizational and individual performance management. Typically, this highly popular framework model is used in the Anglo-Saxon, German, Spanish and French territories. If a BSC model was to be presented in detail, its first feature would be the use of performance indicators, so that logically, strategy development and performance management can be fully linked. At the domestic level, 2015 brought a big change in the development of the strategy, as within the framework of a project (TÁMOP¹ 6.2.5-B-13 / 1-2014-0001) a strategy creation methodology and guidelines were prepared for the hospitals. Based on this methodology the strategy design was made including the formulation of the individual performance indicators. Primarily, after the guidelines review, it was important to conduct a so-called efficacy study and measure the extent to which the guidelines were relevant in the design based on a developed criteria system using a Radar method. With the help of the method, we can explore the direction of achieving the results concerning the result criteria, the relation of the results to the objectives [26]. This method also helps design the organization's management system. The completed documents were evaluated based on 5 aspects, which contributed to the presentation of both the organization's plans and the basics of performance management.

TABLE II
 EVALUATION CRITERIA OF RADAR

Viewpoints	Description
Mission	the institution has an accurately described vision
Situation analysis	what conditions are available, how these factors are utilized
Publicity of strategy	the extent to which they follow the prepared strategy, the existence of both external and internal communication
Vision	what opportunities the institutions have
Period	time cycles appear in planning

For the primary Radar analysis, a percentage classification was made based on approximately 40 statements. Institutions have been displayed with letter codes for easier handling (the size classification can be seen on Fig. 2). The analysis (project materials, literature, and websites) was supported by the previously mentioned available materials. It is worth mentioning that the subsequent utilization of the study cannot be neglected either, as the examined factors greatly contribute to the performance management foundations. Fig. 3 shows the results obtained in the examined institutions.

Fig. 3 shows that based on the methodological recommendation, there were such institutions that followed the described recommendation much more accurately, thus being able to create a more precisely developed indicator system for a possible performance evaluation. As the figure shows, the planning and design of time cycles was not a problem for the institutions, so they were able to set both short-term and long-term objectives. The existence of the described public strategy was also satisfactory, its significance lies in the fact that it is easier to adapt to a well-communicated and accepted plan, and efficiency and effectiveness indicators can be better associated with it. The formulation and elaboration of the situation analysis were not coherent, and individual institutions faced difficulties during the design of future specific goals. During

¹ Social Renewal Operational Program

the review of the strategy documentation, a connection had to be explored again, as a strategic map and a BSC indicator system will appear after the presentation of the institution. During the review of these documents, the following findings were made: Each examined institution created a system of indicators based on four dimensions, in which both quantitative and qualitative indicators appeared, so the factors influencing organizational performance were examined in connection with the strategy.

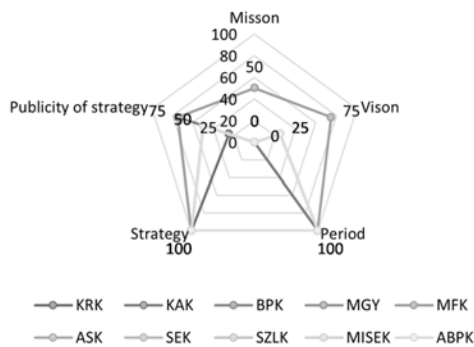


Fig. 3 Established Strategy of Hospital

Due to the special characteristics of the public sector, it had to face challenges in developing the BSC. The first issue worth mentioning is related to the so-called Key Performance Indicators (KPIs), the methodological recommendations contained specific starting points, but it should also be mentioned that the sector is very specific, and the profile of an individual institution is also specific, so they tried to adapt to them in the best possible way, and this was a challenging task in 20% of the examined institutions. During the development of the indicator system, it is necessary to strive for the availability of a sufficient number of indicators, for indicators to be specific, and for the definition of indicators to be at different levels, each level is responsible for its indicator. Furthermore, they need to be logical and based on operational factors, be linked to daily operational performance, be relevant, related to time, and updated in time. The biggest challenge was the motivation of the employees, which in the case of the examined institutions caused a problem for 40%, this can be seen from the indicators and the subsequent feedback. The employee composition is important for the institutions, as they are a key factor in the services.

III.CONCLUSION

Based on the analysis presented above, it can be seen that performance management occupies just as an important place in the public sector as in the competitive sector. At the same time, the research revealed several pieces of legislation that are mandatory tasks related to performance management, but they could not be fully implemented by organizations in all cases.

To increase transparency, it is obligatory to display it on a website, the publicity of the strategy also appears in this study above. Under Act XXIIc of 2011, the institutional budget and strategy disclosure is a requirement. It occurs as an error

because, although the institutions create the strategy and the related documents, they do not always make these documents publicly available. The Government Decree 38/2012 (II.12) is also related to this, according to which the planning documentation must be prepared by the 15th of January each year.

An important finding of the analysis was that the preparation of strategic plans was important for all institutions, as they prepared these documents based on the guidelines. However, as the radar analysis showed, they were not developed and considered in details in all cases. And at this point, the question arises: What is the lesson learnt of this? Neither a methodological recommendation nor the existence of legislation is sufficient for the effective application of a performance management system, as the application of all methodologies and standards requires expertise, time and, in many cases, additional resources. Another finding of the analysis is that, if some kind of incentive mechanism is not linked to it, there is no consequence of performance. Although the organization develops and implements these systems due to compliance with the law, they are not applied in practice. In addition to the role of the top manager and government regulations, there are a large number of factors that facilitate or even hinder the application of the performance management system in the organization.

The strategy is structured by the institutions based on 4 perspectives (BSCs), as a result of which they can increase efficiency, increase their revenues and preserve their financial sovereignty. In terms of customers, the structure of the local position is paramount, thus maintaining the regional position. They develop unique treatment methods and improve the system of those who come with referrals. They try to increase the quality of service, strengthen the processes, and at the same time create an attractive workplace.

In summary, it can be stated that according to Robert Kaplan, the creator of the Balanced Scorecard [12], management teams spend less than an hour a month on strategic tasks. The Balanced Scorecard is a tool to reduce this deficit. The BSC serves to translate the vision and strategy of top management for the hospital organization and the employees working there. The research gathered results from some perspectives. Organizations need to develop both long-term and short-term strategies, as this not only prescribes tasks but also contributes to the implementation and use of an effective organization-level performance management framework model.

It is not a negligible issue to make this documentation available to both the internal and external environment, as an adaptation to this is essential.

The methodological recommendation meant a lot to hospitals, as they could logically build a strategy, but it would be timely to review and supplement the prepared documentation.

BSC is a well-applied method in the public sector; however, the design and examination of the related indicators are necessary. Furthermore, the addition of elements to complexity cannot be neglected, for example, from a social innovation perspective. If these perspectives are reviewed, we can see the

role of this area in the public sector, so it is worth addressing this topic in detail.

[27] KSH Data Hungarian Central Statistical Office

REFERENCES

- [1] OECD. In Search of Results: Performance Management Practices. Paris: PUMA/OECD. 1997 18pp
- [2] W. Van Dooren, G. Bouckaert, and J. Halligan, *Performance management in the public sector*. London, Routledge, 2010 16 pp
- [3] E. Antal, Defenses performance measurement "Teljesítménymérés a Védelemben -A Haderő Hatékonyságának És Eredményességének Mérési Nehézségei". Budapest: Corvinus University of Budapest, Faculty of Business Administration, 2005 25 pp
- [4] V. Bodnár, Performance management and controlling? "Teljesítménymenedzsment Vagy Controlling?" In *Változás-És-Vezetés*, edited by G. Bakacsi, K. Balaton, and M. Dobák. Budapest: Aula. 2005 147-153 pp.
- [5] Gy. Hajnal, Individual performance management "Az Egyéni Teljesítményértékelési Rendszer Működésének Tapasztalatai a Magyar Közigazgatásban". *Vezetéstudomány* 38 (7-8): 2007 39-50pp
- [6] M. T. Horváth, Public management *Közmenedzsment*. Budapest -Pécs: Dialóg Campus Kiadó. 2005
- [7] E. Takács, Public management performance methods "A Közszolgálati Szervezetek Értékelési Módszereinek Osztályozása". *Vezetéstudomány* 46 (3): 2015 45-56 pp
- [8] M. Francos, "Towards a definition of a business performance measurement system". In Neely, Andy, Kennerly, Mike and Walters, Angela, (eds). 4th International Conference on Performance Measurement and Management (PMA 2004) – Public and private. 2004 395-402 pp.
- [9] É. Révész, Organizational performance management Szervezetiszintű teljesítmény menedzsment a hazai közigazgatás ügynökség- típusú szervezeteiben 2015 12-35 pp
- [10] Á. Wimmer., Corporate performance measurement in the service value creation A vállalati teljesítménymérés az értékteremtés szolgálatában. Tézis. Budapesti Közgazdaságtudományi és Államigazgatási Egyetem, Gazdálkodástudományi Kar, 2000 45 -59 old
- [11] I. Szűts, Methods is service efficient *Módszerek a vállalati hatékonyság összehasonlító elemzéséhez* KJK Budapest 1983
- [12] S. R. Kaplan, D. Norton, Balance Scorecard, as a tools, *Eszköz, ami mozgásba hozza a stratégiát, Balanced ScoreCard, Kiegészülő Stratégiai mutatószám- rendszer*, IFUA Horváth és Partner, Budapest 2000 67 -69 pp.
- [13] D. S. Sink, *Productivity Management: Planning Measurement and Evaluation Control and Improvement*. John Wiley& Sons New York (1985)
- [14] A. Neely, M. Gregory, and K. Platts, "Performance Measurement System Design: A Literature Review and Research Agenda". *International Journal of Operations & Production Management*, 15, 1995 80-116.pp
- [15] A. Rolstadts, *Performance Management – A Business Process Benchmarking Approach*, Chapman & Hall, London (1995)
- [16] M. J. Lebas, "Performance Measurement and Performance Management". *International Journal of Production Economics*, 41, (1995) 23-35.
- [17] M. Dobák, Organization structures *Szervezeti formák és vezetés* KJK Budapest (1996)
- [18] J. H. Jacot, J. P. Micaelli *La performance économique en entreprise*, Editions Hermès (1996)
- [19] P. Lorino, "Comptes et récits de la performance", Editions d'Organisation, Paris, 1995.
- [20] Anthony: *Planning&Control Systems - A Framework Analysis*, Harvard University, Boston (1965)
- [21] M. J. Dubnick, "Accountability and the promise of performance: in search of the mechanisms". *Public Performance and Management Review*, 28(3),(2005) . 376-341
- [22] I. Gyökér, H. Finna, Performance management in public sector Teljesítménymenedzsment. Oktatási segédanyag, Budapest (2008)
- [23] W. Van Dooren, G. G. Bouckaert, J. Halligan, *Performance management in the public sector*. London, Routledge, 2010
- [24] Cs. Dózsa, P. Czagler, TÁMOP 6.2.5-B-13/1-2014-0001 project material (2015)
- [25] Cs. Dózsa, Hospital management, felxibily environment A kórházak stratégiai válaszai a változó környezetre Magyarországon a 2000-es években doktori disszertáció (2011)
- [26] K. Turcsányi, Quality management theory and methods Minőség elmélet és módszertan, Nemzeti Közszolgálati Egyetem, Budapest (2014)