

Challenges and Lessons in Results-Based Management¹

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Integrating performance information into budgeting, managing and reporting has become seen as an essential part of good public management. In many jurisdictions, efforts to do so have been underway for many years, yet progress is usually seen as slow at best. It is also clear that while much has been learned, many challenges remain; few organizations would argue they have been completely successful in integrating performance information into their management and budgeting. The paper argues that implementing results-based management type initiatives is difficult because to do so impacts throughout an organization. Many of the key challenges are organizational challenges rather than technical. A discussion is provided of 12 key challenges to results-based management, identifying the challenge, noting the experience others have had in relation to the challenge and providing lessons and suggestions for dealing with them.

Integrating performance information into budgeting, managing and reporting has become seen as an essential part of good public management. This is certainly true of OECD countries, many developing countries, UN organizations and many NGOs. In some of these cases, initiatives to develop performance information capacity are recent, but in other cases efforts in this direction have been going on for decades.

It is also clear that while much has been learned, many challenges remain; few organizations would argue they have been completely successful in integrating performance information into their management and budgeting.

Why are we still discussing challenges?

It is reasonable to ask, given the efforts made over the past 25-30 years in many countries and jurisdictions, why performance information—both that from performance measurement and from evaluations—is not routinely part of management and budgeting systems?² Haven't we learned? Haven't we 'solved' all the significant problems? And if not, as Uusikylä and Valovirta (2004) ask, "Why is that?"

The fact is that considerable progress has been made and lessons are there for the learning. It is now widely accepted that performance information should be part of public management and budgeting³. This has not always been so and lack of agreement on the

¹ The author would like to thank Assia Alexieva of the World Conservation Union (IUCN) for her help in preparing background for this paper.

² Williams (2003) discusses the development of performance measurement practices in the early 20th century in the US.

³ 'Public management' here includes management in both the public and non-profit sectors.

usefulness of performance information has been a major stumbling block in the past — and no doubt still is in some quarters.

But the slow and sometimes frustrating lack of progress remains. There are no doubt many reasons for this state of affairs, and certainly the specific reasons will vary by jurisdiction and organization. As will be discussed below, the challenges are quite real and many are formidable. Reflecting on this history, a number of broad observations can be made:

The focus has changed. Early efforts at integrating performance information in public management and budgeting were most often focused on outputs—the direct goods and services produced—rather than on outcomes—the benefits achieved as a result of those goods and services. Today the focus is more on outcomes; what are citizens really getting for their tax money? Are the beneficiaries really benefiting as intended from the service or programme? Whatever the challenges there were in using output information in public management, the challenges are significantly more complex and have a much greater affect on public management when outcome information is the focus. Lessons learned when using output information may be of limited use when outcome information is sought and used.

It requires fundamental changes. A key reason for the difficult progress is that integrating performance information into public management and budgeting is not primarily a technical problem that can be left to ‘experts’ such as performance measurers and evaluators. Rather, an evidence-based outcome focus can require significant and often fundamental changes in how an organization is managed; in how public sector and non-profit organizations go about their business of delivering programmes and services. Behn (2002) argues that ‘It requires a complete mental reorientation.’ (p. 9) It often requires significant changes to all aspects of managing, from operational management to personnel assessment to strategic planning to budgeting. And it usually requires that elusive ‘cultural change’, whereby performance information becomes valued as essential to good management. Seen in this light, perhaps it is not surprising that progress has been challenging.

It takes years. Another key reason for slow progress is that it takes time and perseverance: evidence suggests at least 4-5 years of consistent effort—and many organizations have been at it much longer. The problem is that key people move on, governance structures change, priorities shift. A lot of relearning has taken place in the history of performance information. And 4-5 years is just the timeline to get up and running. Good management requires constant attention. To quote a cliché, integrating performance information into managing and budgeting is a journey not a destination.

It costs. Yet another key reason is that developing and using performance information cost time and money, time and money that an already harassed public or non-profit organization often does not have. Managers may feel, literally, that they do not enough time nor resources to manage or budget for results.

The general point is that if the challenge is seen mainly as one of measuring, or as an initiative that can be completed in a year of hard work, or that it can be carried out using existing resources—since after all, it is just part of good management!—then progress will likely be slow, spotty and not lasting.

It is in light of this history and background that the lessons and the more specific challenges faced by organizations can be discussed.

Lessons for Learning

Given the attention paid in many jurisdictions and organizations to the use of performance information, it is not surprising that there have been quite a few studies and reports of the experiences. These include reviews of efforts in a number of private sector organizations, development cooperation agencies, and in both developed and developing governments (Azevedo 1999, Binnendijk 2000, Diamond 2005, Ittner and Larcker 2003, Letts et al. 2004, Office of the Auditor General of Canada 2000, Perrin 2002, World Bank 2002).

There is clearly a lot of experience that can be built on. Organizations building their performance measurement practices can benefit from these experiences.

Table 1 lists twelve key challenges based on the literature, previous experience, and results from a recent OECD survey (OECD 2005). For each, the challenge posed is presented and discussed, related lessons that have emerged are outlined and potential future directions indicated.

Table 1 Challenges to Implementing Performance Monitoring in Public Organizations
<p>Organizational challenges</p> <ol style="list-style-type: none"> 1. Fostering the right climate 2. Setting realistic expectations 3. Implementing to get buy-in and use 4. Setting outcome expectations 5. Selectivity 6. Avoiding distorting behavior 7. Accountability for outcomes <p>Technical challenges</p> <ol style="list-style-type: none"> 1. Measurement 2. Attribution 3. Linking financial and performance information 4. Data quality 5. Reporting performance

As noted by Uusikylä and Valovirta (2004), two types of challenges can be identified: behavioural and technical. *Organizational challenges* cover areas where organizations need to change or to do things not done before. *Technical challenges* are those where expertise is required in measurement and budgeting. And for many of these challenges there are imbedded conceptual challenges where changes in, or new thinking about a problem, is required, both by individuals and organizations. There are clear overlaps between these two groups of challenges. Nevertheless, the groupings are useful for discussion.

Organizational Challenges and Lessons

Table 2 sets out the organizational challenges and ways to address the challenges, each of which is discussed below.

Table 2 Organizational Challenges to Implementing Performance Monitoring in Public Organizations	
1.	Fostering the Right Climate <ul style="list-style-type: none"> • the need for strong leadership • getting the right incentives in place • developing and supporting a learning culture • valuing evidence-base information
2.	Setting Realistic Expectations for Results-Based Management <ul style="list-style-type: none"> • supporting modesty in the role of performance information • developing realistic demand for performance information • educating users of performance information
3.	Implementing to Get Buy-in and Use <ul style="list-style-type: none"> • involvement in developing performance information • maintaining momentum, committing time and money • structurally linking performance information and decision-making • creating learning mechanisms
4.	Setting Outcome Expectations <ul style="list-style-type: none"> • moving beyond outputs • having a strategy
5.	Selectivity <ul style="list-style-type: none"> • avoiding information overload • using information technology

6. Avoiding Distorting Behaviour
 - reviewing measures regularly
 - focus on outcomes
7. Accountability for Outcomes
 - a realistic view of accountability
 - dealing with shared outcomes

1. Fostering the right climate for performance information

The challenge. This is the ‘culture change’ issue. It is difficult to get organizations (and governments) to change their management behaviour. Performance information has not historically played a large role in how they manage themselves. And these organizations have been able to carry on without this information, so why change?

Table 2 indicates there are a number of issues here: the need for strong leadership, the need for the right incentives for people to diligently gather and use performance information, the importance of a learning culture and the capacity to adapt, and valuing evidence-based and especially outcome information.

The experience. Almost all discussion of building performance information systems stress this challenge. The recent OECD (2005) survey of member countries confirmed that the most important factor cited to explain success in performance management systems is strong leadership. In their earlier reviews of the experiences of development cooperation agencies and of OECD countries, both Binnendijk (2000) and Perrin (2002) point to the need for top leadership support and supporting incentives in the organization. Binnendijk notes the need to use the information for learning, not just external reporting. Perrin, as does Thomas (2005) stressed the need to develop a results-focused culture.

The review of the World Bank experience (2002) noted the key role played by senior management and the Board as they started paying more attention to results. Kusek, Rist and White (2003) in reviewing the experiences of developing governments, pointed to the need for strong leadership, usually through a strong champion at the most senior level of government. Azevodo (1999) noted the need for a good ‘recognition system’ that recognized good performance. Norton (2002) in looking at private sector organizations that had been successful with implementing balanced scorecards, noted that in each case the organization was introducing new strategies requiring significant change and new cultures. Instilling a results-oriented culture is a key challenge identified by the US General Accounting Office (1997a). Pal and Teplova (2003) discuss the challenge of aligning organizational culture with performance initiatives.

Discussion. If performance information is not valued by an organization and the many incentives in the organization do not and are not seen to support the development and use of performance information, success is unlikely, no matter if other challenges are met.

Culture change in organizations is quite difficult to bring about, for any number of reasons:

- People are quite comfortable doing things the way they have been done in the past. Indeed, performance information for many may appear as limiting their scope of action — ‘the comfort of ambiguity’.
- Some are fearful of evidence-based approaches to public management and budgeting, seeing it as an erosion of years of built-up experience.
- The formal and informal incentives in organizations are powerful and well known, and may not be seen to value performance information. Or the lack of incentives may make it difficult to integrate performance information into the existing organizational processes. As earlier as 1983, Wholey devoted a whole chapter to creating incentives to support a performance focus in government.
- Senior management may be seen as only paying lip service to this latest ‘trend’; others will do likewise.
- If budget decisions clearly ignore performance information, the message is clear.

This challenge is very real and requires strong leadership and supporting incentives to get around it. A culture of learning is required where evidence on what works and what doesn’t is valued and acted upon to improve performance. A number of the remaining challenges relate quite closely to this one.

2. Setting realistic expectations for the role of performance information

The challenge. The long history of efforts at introducing performance information to managing and budgeting has been fraught with setbacks. And often these have to do with unrealistic expectations set out for or assumed for what performance information can do in an organization. Performance information has been cast by some as a panacea for improving public management and budgeting: users of performance information will have at their finger tips everything they need to know to manage, budget or hold to account. Such is not and will not be the case.

The experience. Perrin (2002) notes that many OECD governments have found building a performance information system to be more difficult than expected. Diamond (2005) argues that countries with limited experience in performance information should proceed modestly. Thomas (2005) notes that ‘performance measurement and performance management were oversold as offering an objective and rational approach to overcoming the constraints of “politics”. ... Recent stock taking in the leading jurisdictions has created more realistic expectations and led to a scaling back of [performance measurement/performance management] efforts’ (p. 5). Melkers and Willoughby (2001) suggest the greatest difficulty in implementing performance-based budgeting are ‘the differing perceptions of use and success among budget players ...’ (p.54).

Discussion. One of the lessons that should have been learned by now is the need for modesty. The difficulty of developing and using performance information, as exemplified by these challenges, should be recognized by all. Further, the role of performance

information is one of informing decisions not determining them. There is a real need to educate the users of such information on how to use the information and on its possible interpretations and limitations. The need for experience and management skills will always remain at the centre of public sector management.

The importance of sensible and informed use of performance information may be especially pertinent for budget decision-makers. They may be a temptation to use evidence of poorly performing programmes but to ignore or question performance information about well-performing ones. Misuse here will send quite strong messages. Performance information will normally not be comprehensive, will contain some uncertainty; its role should always be seen as informing. Judgement and larger issues will always be part of good budgeting and managing.

And there is some evidence that this view is being accepted. The OECD (2005) notes that despite advocate arguments that performance budgeting ought to be closely tied to performance information, ‘the trends indicate that a majority of countries have taken a realistic and sensible approach’.

3. Implementing to Get Buy-in and Use

The challenge. How a performance information system is implemented in an organization is critical to its success. Important factors can be:

- the need to get buy-in throughout the organization,
- the strategy used to get started,
- the need to maintain momentum once started,
- the realization that the process requires many years to succeed,
- making sure the system reflects the organization, and
- the importance of encouraging learning from results information.

The time frame issue has already been identified as one of the overriding issues. Integrating performance information into management and budgeting needs ongoing commitment over many years. It is not a short term, 1-, 2- or 3-year initiative. Many organizations and governments have difficulty maintaining momentum over the long term. A long-term commitment also implies the need for resources over the long term. Developing performance information is not cost free.

Further, the aim here is to use performance information to learn what works well and what does not. Organizational learning is a challenge for many organizations.

The experience. The UNDP (2004) noted the need for their system to be designed to meet its specific needs. Off-the-shelf- solutions don’t work. The OECD in 1997 argued that “... approaches to implementing performance management ... must be selected according to the needs and situations of each country.” (p. 29) Both Binnendijk (2000) and Perrin (2002) point to the importance of ownership by managers of the system ensuring the information is useful to them, with Perrin recommending a bottom-up

approach with active grassroots staff involvement. He stresses the importance of providing feedback to those who are supplying the information. The experience of CARE stresses the importance of getting buy-in throughout the organization (Letts et al 2004).

Binnendijk (2000) notes that several donor agencies found it useful to first introduce pilots projects in selected areas, before moving to full scale implementation. The UNDP (2004) used pilots projects to refine its approach, as did the World Bank (2002). The UNDP (2004) noted that implementing a results-based management is a learning process that takes time. They have been at now for 7-8 years. Binnendijk (2000) suggests that experience suggested it takes 5-10 years, and requires adequate resources.

Itell (1998) in reviewing the progress of pioneers in the field in the US, talks about not overreaching when starting. Perrin (2002) argued the need for a strategic rather than a piecemeal approach, with several governments advocating the need to proceed slowly, revising and learning over time. There is also general agreement on the need for some central unit to oversee the development and maintenance of the system, as well to help maintain momentum.

Moynihan (2005) argues that 'The weakness of most state MFR systems ... lies between the points of dissemination of the data (which is done well) and use (the ultimate purpose, which is done poorly)'. He argues that the gap is the lack of learning forums, 'routines that encourage actors to closely examine information, consider its significance, and decide how it will affect future action' (p. 205), and that as much attention ought to be paid to mechanisms for learning as to mechanisms for data collection. Barrados and Mayne (2003) discuss the needs of a results-based learning culture in organizations.

Discussion. While direction and support from the top is essential to building a performance information system, equally important is the need to build and implement the system in such a way that interest in and ownership of the information being gathered and used is built throughout the organization. A mixed bottom-up and top-down approach is usually best. A system built on filling in performance information forms for others with no apparent use for those down the line, is unlikely to be robust and survive over time.

A frequent approach in implementing is to develop the system in several pilot areas first, to see how it goes and build success around its proven usefulness. Finding champions who are willing to try out a more performance-based approach is quite useful, as they can act as credible supporters of the system for their colleagues.

The idea of deliberately building in learning mechanisms or forums to develop a learning culture is perhaps an approach that needs more attention.

Initiatives in management come and go. Some have seen this ebb and flow with respect to the importance of performance information. Persistence over many years is needed. Indeed, what is needed are new ways of managing and budgeting, ways that place a premium on the use of evidence. Realizing the long-term commitment required, celebrating progress, rewarding successes and sticking with it are what count.

4. Setting performance expectations for outcomes

The challenge. Essential to integrating performance information into managing and budgeting is the need for organizations to establish reasonable expectations about what level of performance is expected to be achieved. This is a serious challenge for a number of reasons:

- It directly raises the question of accountability for performance.
- Outcomes are by definition results over which organization do not have complete control; setting targets can be seen as dangerous. It may not be at all known what reasonable levels ought to be.
- It may not clear whether the expectations to be set are predictions of future levels that can be achieved — predictive targets — or are stretch targets—levels to be aimed for to inspire better performance.
- Setting acceptable expectations may require dialogue with the beneficiaries and/or budget officials.

The experience. Many OECD governments (Perrin 2002) acknowledge the importance of but also the particular challenge of dealing with outcomes. Ittner and Larcker (2003) discuss the problem of not setting the right targets in the private sector. Wholey (1997) with considerable experience in the area, has pointed out, “The most important initial step in performance-based management is getting a reasonable degree of consensus on key results to be achieved” (p. 100). The US GAO (1997 a, b) points to goal clarification as an ongoing problem. Boyne and Law (2005) discuss the challenges and the progress made in setting outcomes targets within the framework of local public service agreements in the UK.

Discussion. Some authors have identified this challenge as the most difficult, raising as it does accountability issues, considerably complicated when expectations for outcomes rather than outputs are being sought. Indeed, the accountability issue is worth a separate discussion, and hence it is identified as a key conceptual challenge.

A simplistic interpretation of the situation here is that specific expectations are set, performance recorded and the variance is determined, indicating strong or weak performance on the part of organizations (or managers). Of course, the results may just show that the expected targets were poorly envisaged or just a wild guess. Or were set deliberately low enough that it would have been hard not to achieve them!

The question of whether performance expectations that have been set are predictive targets, or—perhaps more usefully—stretch targets is important to determine, so that interpretation of performance against those expectations is meaningful (Mayne 2004). What is the purpose of setting targets? To assess performance or to learn how to improve performance?

Setting performance expectations can also serve a useful role in discussion between

programmes and those who are to benefit, as well as with budget officials, on what is possible.

There are technical issues as well. Programmes and policies can be thought of in terms of results chains, whereby certain activities produce a set of outputs that in turn produce a chain of effects intended to influence the final outcomes sought. Expectations can be set at a variety of levels in this chain of results, even if the final outcome is seen as ‘the bottom line’. Meeting a target at one particular level may or may not be important. What is most important is that the whole results chain is in fact happening as expected. That is the real performance story. Setting expectations might better be thought of as answering the question, ‘Has the chain of expected events which set out the theory of the programme—and the specific targets in it—been realized?’ For further discussion, see Mayne (2004).

5. Selectivity

The challenge. While in some quarters, there may be concerns about a lack of performance information, an even more common problem has been the danger of information overload. For any given programme, a huge array of possible measures and evaluative information can be created, easily swamping the ability of users to deal with the information. Quite a few performance measurement systems have collapsed under the weight of too much information. Most now realize the need for selectivity in what information is gathered and used.

However, selectivity is easier to talk about than to achieve. Selectivity means that some information will not be collected or not reported, information that someone somewhere may want sometime. How to deal with the information overload challenge is not completely clear.

The experience. Binnendijk (2000), the OECD (2003) and the UNDP (2004) all argue to keep the system relatively simple and user-friendly, limiting the number of measures used. The 2005 OECD survey notes the increasing concerns expressed about the danger of information overload.

Discussion. Collecting all performance information about a program is not practical, so some selection must occur. But organizations often find it takes some time—often years—to determine which data are truly needed and worth collecting. And what is seen as key today will likely change in the future. Review and updating are essential with decisions about what information to collect taken deliberately. It is common to find that some measures for which data have been collected turn out to be of less interest and should be dropped. The need for identification of the key measures is important, but so is the need to realize that information requirements must evolve over time if they are to remain pertinent.

One way to deal with the information overload problem may be through the smart use of information technology. Today—or in the near future—organizations should be able to

have large data bases from which in a straightforward manner, concise, individually designed reports can be produced to meet the needs of different users. One can imagine a web-based data system with user-friendly interface allowing each person to design their own performance report. This may ultimately be how ‘information overload’ can be dealt with.

6. Avoiding distorting behaviour

The challenge. The classic problem in using performance measures is that by selecting a few specific indicators with accompanying targets, managers and staff focus on improving those numbers, perhaps to the detriment of what the programme is actually trying to achieve. This is a more significant danger when the measures are outputs or lower-level outcomes. The experience with performance measures is replete with examples of this kind of behaviour distortions. The oft used expression ‘what gets measured gets done’ used as a good principle, might rather be seen as a warning of what can happen when measurement gets it wrong.

The experience. Binnendijk (2000), Perrin (2002), Diamond (2005) and the World Bank (2002) all discuss this classic problem. Most organizations that have moved into results-based management have encountered this phenomena. Perrin (1998) discusses the many ways performance measures can be misused. Feller (2002) provides some examples in the areas of higher education and science, as does Wiggins and Tymms (2002) for primary schools in England and Scotland. Again with respect to schools, Bohte and Meirer (2000) discuss goal displacement and ‘organizational cheating’ when forced to use some performance measures. Van Thiel and Leuw (2002) review a number of unintended consequences that can arise when using performance measures. Boyne and Law (2005) likewise discuss the dangers of using the wrong measures.

Discussion. This issue is often presented as a major objection to using performance measures, and the danger is indeed real. Part of the answer lies in addressing the first challenge above. If sensible use of performance information is encouraged and supported by the right incentives, the danger will be lessened. Performance measures should be reviewed and updated regularly to ensure they remain relevant, useful and are not causing perverse behaviour or other unintended effects. And the use of a set of measures rather than only one can often reduce these problems.

Further, the more the focus is on higher-level outcomes, the less chance there is of this phenomena occurring since the measures are then closely related to the true aim of the activities. Indeed, even better is to focus on the whole results chain and the extent to which it is happening.

7. Accountability for outcomes

The challenge. People are generally comfortable with being accountable for things they can control. Thus, managers can see themselves as being accountable for the outputs produced by the activities they control. When the focus turns to outcomes, they is

considerably less comfort, since the outcomes to be achieved are affected by many factors not under the control of the manager: social and economic trends, exogenous events, and other programmes.

It may not be clear just what accountability for outcomes can sensibly mean. If outputs are not delivered, one can rightly point to the manager responsible and take corrective action. If outcomes do not occur, and the same action is automatically taken, few in the future will be willing to commit to outcomes. A somewhat different approach to accountability in this case is required.

There is a second aspect to this challenge that again arises when outcomes are the focus. Many outcomes of interest to governments involve the efforts of several programmes and often several ministries. The outcomes are shared. Can the accountability for those outcomes also be shared? If so, how?

The experience. A number of authors speak to the need to rearticulate what accountability might mean in a results-based management regime (Behn 2000, Shergold 1997, Hatry 1997). Binnendijk (2000) discusses the need to give managers who are managing for outcomes, the necessary autonomy to do so. Without such flexibility, they can only manage for outputs.

Discussion. This challenge is a major one and needs to be addressed if performance information is to play a significant role in managing and budgeting. And the way to address it is to consider accountability not for achieving the outcomes per se but rather for having influenced the outcomes. The Auditor General of Canada (2002) has made similar suggestions.

In the case of shared outcomes, the accountabilities multiply. Partners are accountable to their superiors, as well as to the other partners with whom they are working. Collectively they are accountable for having influenced the outcome, as well as being accountable for their own actions and their own contribution.

This then requires a rather more sophisticated approach to accountability, one where a simple variance analysis is quite insufficient. Evidence on the extent to which the outcomes were achieved is still required, but so is evidence on the extent to which the programme in question has had an influence, has contributed to the outcomes observed. Judgement in interpreting how good performance has been is essential in this approach to accountability. How much influence is good enough? Also required are approaches to assessing the contribution made towards outcomes (see Challenge 10).

Technical challenges

We turn now to the challenges that are of a more technical nature, ones where measurement skills play a key role. Table 3 sets out these technical challenges and ways to address the challenges, each of which is discussed below.

Table 3 Six Technical Challenges to Implementing Performance Measurement (Monitoring) in Public Organizations

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| <p>Table 3 Six Technical Challenges to Implementing Performance Measurement (Monitoring) in Public Organizations</p> | |
| 1. | <p>Measurement</p> <ul style="list-style-type: none"> • sensible measurement • getting the right measures • developing measurement capacity • different types of service/programs • building in evaluation and performance studies |
| 2. | <p>Attribution</p> <ul style="list-style-type: none"> • linking outcomes and actions • assessing contribution and influence |
| 3. | <p>Linking Financial and Performance Information</p> <ul style="list-style-type: none"> • costing outputs • linking with outcomes |
| 4. | <p>Data Quality</p> <ul style="list-style-type: none"> • data and information ‘fit for purpose’ • quality assurance practices |
| 5. | <p>Credibly Reporting Performance</p> <ul style="list-style-type: none"> • practicing good communication • telling performance stories |

7. Measurement

The challenge. The issue of how to measure the outputs and outcomes of government programmes is often considered to be the major challenge faced when developing performance information systems. Performance information will not be used unless the ‘right’ data and information are collected. Challenges include measuring many of the outcomes of interest to governments, acquiring the needed measurement skills, and making appropriate use of evaluations and other periodic studies. Further, many have found, not unexpectedly, that some types of programs and services are more amenable to measurement than others.

The experience. Three of the four shortcomings identified by Ittner and Lackner (2003) in their research on the use of performance information in the private sector dealt with measurement challenges: not linking measures to strategies, not validating casual links and measuring incorrectly. Diamond (2002) discusses the need for setting up a performance framework. Perrin (2002) notes the challenge and the importance of focusing on outcomes, but also warns against over-quantification. He also notes that measures have a limited half-life, and that measures that remain unchanged are the most susceptible to corruption, such as distorting behaviour.

The 2005 OECD survey found that the type of programs and services being measured was a key factor in explaining the success of initiatives. Feller (2002) discusses the different challenges faced when trying to build performance measures for different types of activities, identifying four types of public sector organizations: production, procedural, craft or coping.

Several of the studies stressed the importance of adequate training and skills development, without which results-based systems may very well fail (World Bank 2002, Perrin 2002)

Discussion. While there are real challenges here, some of the difficulty may be in how 'measurement' is approached. Much measurement in the public and non-profit sectors differs considerably from measurement in the natural sciences, where precision and accuracy can indeed be routinely achieved. Non-private sector measurement will always be dealing with soft events and never be able to definitively 'measure' many issues. There will always be a level of uncertainty involved in assessing the performance of a programme or policy.

Measurement here might better be thought of as gathering evidence that will reduce this uncertainty. From this perspective, most of the soft results can indeed be measured, i.e. additional data and information can be gathered which will improve understanding about the performance in question.

There are numerous guides and suggestions for good practice with respect to developing performance measures. Rohm (2003), for example, provides good practice suggestions based on work with balanced scorecards.

Most discussions of performance measurement and monitoring focus solely on ongoing types of measurement activities. In our view, evaluations ought to play a key role in performance measurement systems. In addition, more attention might be paid to periodic performance studies that could be done from time to time to get a read on performance levels, as a less disruptive and less expensive measurement approach. These might be evaluations, but could also be more modest studies analyzing activities and outputs. For many types of activities, ongoing measurement may be much more than is needed.

Measurement skills are still needed, but it is known how to develop or buy those skills. Developing the right measures can be a challenge but should be done from the

perspective of experimenting, realizing that time will often tell which measures prove useful and robust. Getting the right measures is not done once and for all, but — to repeat — is a journey of trial and error.

Of course, the quality of the measurement done is important, and dealt with separately below.

9. Attributing outcomes to actions

The challenge. Measuring outcomes is one challenge. Determining the extent to which the programme contributed to those outcomes is quite another issue, and indeed rather more of a challenge. The problem is that there are often a number of other factors other than the programme that have contributed to the observed outcomes. Indeed, the outcomes may have occurred without the programme. But to be able to make any assessment about the worth of spending public money on the programme, some idea of how the programme has affected the desired outcomes is needed.

Sorting out the various possible contributions is a real challenge.

Experience. Binnendijk (200) and Perrin (2002) point to the need to ensure that in addition to monitoring measures, evaluations play a role, at least in part to get a better handling on the attribution issue. Feller (2002) notes the long gestation period between outputs and outcomes and probabilistic linkages between the two limit the usefulness of many performance measures as guides for action. The US GAO (1997a, b) has identified attribution as a key challenge, as has the 2005 OECD survey. Midwinter (1994) in discussing Scottish experience discusses the difficulty of linking many performance indicators to organizational performance.

Discussion. Undertaking programme evaluations is one way to try and get some estimates of the link between the actions of a programme and their outcomes. An evaluation can try to establish the counterfactual; what would have happened without the programme? To undertake such an evaluation requires considerable skills and can be costly, with results not always guaranteed. Nevertheless, when attribution is an important issue with considerable uncertainty, an evaluation is likely the best way to go.

Less sophisticated approaches can also be useful in reducing at least to some extent, the uncertainty surrounding attribution. Mayne (2001) discusses contribution analysis as a way of addressing this issue, short of doing an evaluation.

10. Linking financial and performance information

The challenge. A key aim of integrating performance information into management and budgeting is to be able to determine the costs of the results of programmes. For outputs, this is relatively straightforward, since there is a direct link — for the most part — between the costs of inputs and the direct outputs produced. But even for outputs there may often be a challenge since financial systems are not always aligned with outputs.

But for outcomes, especially higher-level outcomes, the challenge is not only technical, but also conceptual. Given that outputs and lower level outcomes can contribute to a number of outcomes sought, what does the ‘cost’ of an outcome mean? This issue has not been adequately addressed.

The experience. In a report for the OECD, Pollitt (1999) discussed this challenge and outlined some of the factors that would help or hinder linking financial and non-financial information. To date, much ‘linking’ of these two types of information has been simply to provide them in the same report (Perrin 2002). The OECD 2005 report mentions this technical problem. Itell (1998) notes that leaders in the field pointed out that there is not a straightforward relationship between performance and budgeting.

Discussion. This issue has not received much attention in the literature. The issue seems to be largely ignored or unrecognized. If a financial system has been aligned with outputs, then those can be costed, albeit there are still technical challenges involved such as the allocation of overhead costs. The conceptual challenge is a bit more tricky. Other than in very simple situations, allocating the costs of outputs between a number of higher-level outcomes does not seem practical.

One answer would be to determine the costs for the *set* of outcomes to which the outputs contribute. This is similar to costing a programme, or parts of a programme. Further, for the purposes of results-based management, reasonable estimates of the costs of various outcomes would be all that is needed. Accounting for the finances is a different matter, handled through financial statements. More research is needed on this issue.

11. Quality of data and information

The challenge. In discussing the measurement challenge, it was argued that measurement in the public sector will never be perfect. It follows that care needs to be paid to the quality of data and information in a performance measurement system. And given the contested context in which performance information is used, it is quite important that it is seen as credible by those who use it. Quality touches on a range of matters, such as accuracy, relevance and timeliness. It is not an absolute concept. Further, better quality costs more resources. What is usually sought is data and information ‘fit for purpose’; that is good enough for the intended purpose. Ensuring this is the challenge.

Experience. Perrin (2002) reports this concern about quality data in OECD governments and the risk of making bad decisions based on poor data and information. This concern is reiterated in the OECD 2005 survey. The US GAO (1997a) identified data generation as a key challenge. Kusek, Rist and White (2003) make the link between adequate technical skills and quality data.

Discussion. While the importance of the quality of performance information is generally recognized, the attention paid by organizations to quality matters is not always evident.

Some research suggests that often only modest attention is paid to quality assurance practices in the area of performance measurement (Schwartz and Mayne 2005). The challenge is perhaps less of a technical nature — quite a bit is known about quality assurance practices — but rather the will to put the needed resources into adequate quality control practices.

One might speculate that the importance paid to empirical information in an organization is proportional to its quality assurance efforts.

12. Credibly reporting performance

The challenge. With the proliferation of data and information that is possible and the variety of interests of users, how best to report performance information is not straightforward. This is particularly the case when outcomes are being reported on, since there is often uncertainty surrounding the measurement of the outcomes and the extent to which the outcomes are linked to the programme in question. In addition, public reporting is increasingly seen to include issues of how an organization goes about achieving its aims, and the ability of an organization to continue to operate and improve. Experience in measuring and reporting on these matters is not widespread. National audit offices reporting on performance information being provided to parliaments are frequently critical. And there are no widely recognized standards for such reporting; each jurisdiction publishes their own.

The experience. Considerable efforts by ministries, budget offices, and national audit offices, as well as a number of private sector companies reporting on corporate social responsibility, have been expended in many jurisdictions on how to best report performance information. Boyle (2005), Funnell (1993), Hyndman and Anderson (1995) and Thomas (2005) have reviewed the efforts to date in a variety of jurisdictions, pointing to limited progress and daunting challenges. The OECD (2003) discusses the need for harmonizing and simplifying the reporting requirements of donor agencies.

Discussion. There are now quite a few guides on public reporting produced in a number of jurisdictions with an array of advice on good practice, for example, CCAF (2002), Mayne (2004) and the Global Reporting Initiative (1999). Again the more reporting focuses on outcomes the greater the challenges become, since there is more of a need to report a performance story, rather than simply report numbers. That is, to report the context surrounding the events being reported and to build a credible case that the performance reported did indeed happen and was due at least in part to the actions of the programme.

A Final Word

Integrating performance information into public management and budgeting is not easy; it is doable but the challenges are formidable. An important first step is to recognize the various challenges and consider how to deal with them. The task is not easy because it

affects the whole organization. Hirschmann (2002) suggest the image should not be of a thermometer testing the level of performance of an organization but rather a sauna which affects the whole organization. The task is also not easy because failing to meet any one of the challenges—especially the organizational ones—can undermine efforts to build performance information in an organization.

In the end, integrating performance information into management and budgeting is about learning; learning from past experience based on empirical information about what works and what doesn't. This must be the explicit or implicit aim. And this type of learning requires culture change, persistent efforts over many years and an investment in data gathering and analysis and in the sensible use of such information. That's why the challenges remain.

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