Promoting a culture of performance management in public sector organisations

Pietro Micheli and Andrey Pavlov – Centre for Business Performance, Cranfield School of Management

Abstract

This article focuses on the term ‘performance culture’. Our research shows that different ways of measuring and managing performance are deeply embedded in people’s understanding of the task, becoming part of either a ‘culture of performance measurement’ or a ‘culture of performance management’. Although the former emerged as most prevalent in the organisations we examined, it is through the latter that organisations can really improve their performance. In order to achieve a ‘culture of performance management’, managers should promote long-term orientation, value creation, and the link between performance measurement and strategic objectives as cultural priorities across all levels of the organisation.

1. Our research

As part of our research in the field of performance measurement (PM), we recently undertook a project which focused on the concept of ‘performance culture’. To do so, we first conducted a number of interviews and analysed documents in several public sector organisations, ranging from local government to healthcare, from police forces to the fire service. These led to the identification of several themes that we then examined in more depth in two significant case studies - a fire authority and a local government authority.

When talking about ‘performance culture’, respondents showed two quite different understandings of this expression. Several respondents referred to staff’s focus on PM and their ability to measure performance and, ultimately, to contribute to the achievement of high scores in the assessments undertaken by the auditors. Other interviewees related ‘performance culture’ to people’s understanding of where PM sits within the broader ‘performance management picture’. This corresponds to the capability of connecting single performance indicators and analytical pieces of information to the organisation’s objectives, and comprehending how the use of performance targets and indicators could contribute to their achievement. Although the two perspectives may appear similar, they are fundamentally different.

The first perspective is what we call ‘culture of performance measurement’. In this case, the focus is mainly on the achievement of performance targets and high scores in the national rankings. If taken to an extreme, this could result in ‘measure fixation’, i.e. the emphasis is “on measures of success rather than the underlying objective” (Smith, 1995; p. 290). Following this line of reasoning, as the Performance and quality manager of a fire authority put it, the government department his organisation reports to and the auditors are considered “our masters, if you want. We just try and achieve what they set us”. A comparable view was expressed by a middle manager in a local authority: “the culture within local government is now about performance – you know where you fit in that league table, what’s your CPA rating”. The common theme that we saw here was that performance management was viewed almost
exclusively as performance measurement, and that it was done primarily for external reporting.

The second connotation of ‘performance culture’, which we define ‘culture of performance management’, relates to the strategic use of performance information. In this case, information acquired through the collection and analysis of data is used to ask relevant questions and, eventually, to attain the organisation’s main objectives. Talking about ‘performance culture’, several performance managers underlined the importance of changing the overall culture of the people working within their organisations. According to the performance manager of a borough council, “a culture of performance is not about ticking boxes, but about really managing performance”. According to the Corporate Director of Resources in a local authority, to foster a culture of performance within an organisation it is necessary that people understand how their work can contribute to the delivery of services and how this contribution could be assessed and communicated through the use of performance indicators. Therefore, it is clear how the links between targets and indicators, and the flows of information that connect different organisational levels (and, in complex organisations, scorecards) are essential. Indeed, several managers stated that the primary use of performance indicators is to make national and local policies and organisational strategy operational.

2. Which culture of performance?

The results of our research highlight two important points. First, performance culture can be understood in two different ways – as a commitment to managing all aspects of organisational performance with an aim of achieving the organisation’s strategic objectives as opposed to a focus on the achievement of national targets. Second, the difference between these two ways of understanding performance culture is most noticeable across the levels of the organisation – the former is found on the corporate level, reflecting the culture of performance management, while the latter is widespread among the frontline staff, where the existing understanding is better described as a culture of performance measurement.

Prior research and experience suggests that short-termism, ‘measure fixation’, and a narrow understanding of PM can have a destructive impact on organisational performance, and yet this is what we find on the frontline level of organisations. The challenge for the management then is to share and spread its insight, establishing a culture of performance management across all levels of the organisation. Therefore, the key question is: how could we foster a culture of ‘performance management’ throughout organisations?

3. Towards a culture of performance management

In order to effectively address this challenge comprises, we need to: a) create a shared understanding of what performance management means and b) ensure a shared commitment to performance management efforts on the part of managers and lower-level staff. A shared understanding is necessary, because it ensures that performance indicators and performance data are interpreted consistently at different levels of the organisation. It means widespread understanding of the purpose, methods, and roles of performance management. A shared understanding, however, is inert – understanding what performance management is does not necessarily mean doing
anything about it. That is why creating a shared commitment to acting on this understanding is the second element of the move towards the culture of performance management. Commitment here refers to the task of managing organisational performance.

Having determined the importance of these two elements, the question that remains is: how can a manager create a shared understanding of performance management and ensure commitment to action? Edgar Schein (1992) suggests that leaders have two sets of mechanisms that allow them to influence cultural priorities. The primary mechanisms involve leaders’ active involvement in the action – using performance measurement systems, teaching and coaching their staff, motivating and promoting employees, etc. The secondary mechanisms are essentially support structures that solidify the culture change – things such as organisational routines and procedures, physical space, formal statements, etc. Applied to our discussion, these mechanisms produce a set of levers for promoting a culture of performance management (Table 1).

<table>
<thead>
<tr>
<th>Establishing</th>
<th>Shared understanding</th>
<th>Shared commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Educate and coach staff</td>
<td>Promote involvement</td>
</tr>
<tr>
<td>Solidifying</td>
<td>Establish appropriate routines</td>
<td>Design reward systems</td>
</tr>
</tbody>
</table>

Table 1: Main mechanisms to establish and solidify understanding and commitment within organisations.

4. Conclusions and implications for practice

Our research shows that the adoption of a ‘culture of performance management’ could bring about a more integrated and cost-effective use of performance measurement systems, whereas a ‘culture of performance measurement’ could generate malfunctions, such as fixation on targets and indicators, rather than achievement of underlying objectives, which is what taxpayers are most concerned with.

Although embedding a ‘culture of performance management’ is clearly not an easy task, we identified a number of ways in which this could be achieved. Shared understanding can be created through education and maintained through a structure of appropriate practices and routines. As the Head of Revenues and Benefits in a local authority put it, people at all levels within the service should understand “how they impact upon the big picture”. In order to achieve this aim, it is necessary to “have a very clear thread” between individual actions and service aims and results, and PM could be a key enabler.

Secondly, shared commitment can be created by involving people in the development and use of PM and maintained through reward systems. Although the scope for involvement of staff and the use of financial rewards is limited in the public sector, a wider stakeholder-driven approach to the design and implementation of PM systems and the introduction of non-financial incentives are surely advisable (Adams and Micheli, 2005).

However, another major factor, on which individual local organisations have limited influence, should be considered if we want to promote a ‘culture of performance management’ in the public sector. Indeed, our research shows that because of the co-
existence of innumerable PM frameworks at different levels of government, relationships between scorecards at different organisational levels are certainly not easy to establish and manage (Micheli and Neely, 2006). While it is possible to say that a top-down approach, on both national and local scales, seems to be necessary to promote the use of PM, this is not sufficient to foster a culture of performance management. In the UK, nationally there appears to be excessive reliance on targets, rather than a cohesive and explicit strategy. Locally, leadership and top management buy-in are essential requirements to promote the shared understanding and commitment to the use of PM. Indeed, lack of leadership and management commitment have been indicated as the most severe problems in implementing PM systems (Neely and Bourne, 2000; de Waal, Radnor and Akhmetova, 2006). The next challenge therefore is to promote a shared understanding of and commitment to the culture of performance management across all levels of public service delivery – from policymakers to top management, from middle managers to frontline staff.

References
Adams, C. and Micheli, P. (2005), Report to Department of Health on advanced performance measurement development - Project for Two Shires Ambulance NHS Trust.


