An Attempt to Align Public Sector Performance Measurement: A Global Perspective

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ABSTRACT: This study examines through extensive review of relevant theoretical and empirical literature on public sector performance measurement, with a view to realign performance measurements across the public sector. Many public organizations have been under great pressure in recent years to increase the efficiency and transparency of outputs, to rationalize the use of public resources and to increase the quality of service delivery and the outcomes.

A number of theories have been discussed to give theoretical framework to the measurement system in the public sectors. Stakeholders’ theory for instance clearly explains why there is diversity in public sectors performance measurement. The major findings on public performance measurement, reveals that Public sector organizations have recently adopted multidimensional performance measurements in order to respond to the increasing dissatisfaction of the public stakeholders in the use of traditional measures. A solution to these problems has been presented in the form of goal-directed and multidimensional models for performance measurement, such as the Balanced Scorecard which shows a clear relationship between financial measures and non financial performance measures. The attempts to re-align public sector performance measurement has not been easy given the nature of the public sector as being a monopoly, however, there is good development in the sector towards embracing better indicators for measurements. The review has looked at different methodologies used for each study, factors influencing the choice of different performance indicators and finally explaining reasons for the diversity in performance measurement in the public sector.

KEY WORDS: Public sector, performance measurements, performance paradox, and stakeholder-theory.

I. INTRODUCTION

In the past few decades, various attempts have been made to improve performance in the public sector. These improvement programs have had mixed and sometimes even detrimental results. This has been as a result of an increasing demand for methods that enable organizations to achieve sustainable high performance. The ever-increasing public pressure to report performance has made the practice of performance measurement common place in the public sector (Page and Malinowski, 2004). Since the advent of New Public Management movement in the early 1980s, many governments have adopted sorts of performance measurement initiatives to enhance efficiency, well, monitoring, reporting and service improvement of performance measurement systems. The concept of performance measurement is not new but it was not recognized as a formal management process until the late 1960's when the Department of Defense in the US, as part of an effort to reduce program cost overruns, issued a set of criteria defining standards for management control systems. Measuring government performance has long been recognized as necessary for improving the effectiveness and efficiency of the public sector service delivery (Government at a Glance 2011, OECD).

There is an increasing interest from researchers and practitioners to re-align on the best performance measurement systems which should be adopted by all the public sector as “relevant, integrated, balanced, strategic and improvement-oriented” (Smith, 2003), however, the environment is complex, and globalization implies that new visions, strategies and objectives should be measured in a different way. The public sector suffers from poorer quality management information than the private sector. In such competitive environment, there is a need for a new measurement system which would be adjusted to the purposes of sustainable development of firms. Public sector could not escape these general trends, and its comprehensive performance measurement system is more evident in comparison to other sectors. Thornhill (2006) identifies three main reasons why public sector performance measurement is crucial; the public sector is a major employer; provider of services in the economy and a consumer
of tax resources. Hence current reforms in the public sectors are commendable. This study is about a critical literature review of general performance measurement in the public sector, hence there is need to first identify the context of the study and the objectives in this section.

Public Sector Organizations

The public sector, sometimes referred to as the state sector or the government sector, is a part of the state that deals with either the production, ownership, sale, provision, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local or municipal (Barlow, Roerich, and Wright, 2010). In defining the public sector for the purpose of this study, the legal aspect; financial and functional aspects should be considered (Dooren 2006). From the three perspectives, the public sector can take several forms, including direct administration funded through taxation, Publicly owned corporations (in some contexts, especially manufacturing, "state-owned enterprises"); which differ from direct administration in that they have greater commercial freedoms and are expected to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government). Partial outsourcing is also considered a public sector model (Carnevale 2002) or all organizations dealing with the main functions of the government irrespective of funding and legal form. However, it is impossible to discuss the ‘global’ public sector, as there are so many variations in the scope and shape of public sectors in the 196 countries of the world.

Performance Measurement

Performance is a contextual concept associated with the phenomenon being studied. This could be an organization or an individual. In the context of organizational financial performance; it is a measure of the change of the financial state of an organization, or the financial outcomes that results from Management decisions and the execution of those decisions by members of the organization. Since the perception of these outcomes is contextual, the measures used to represent performance are selected based upon the circumstances of the organization(s) being observed or the structures where the measures selected represent the outcomes achieved, either good or bad (Hofer, 1983).

Performance measurement is a key word pertaining to all discussions about new dynamic performance measurement. Performance is a broad concept; it has various meanings for different audiences and in different context. Schiemann & Lingle (1999:185) confirmed their strong belief on the concept of performance measure as “measures that link strategy to action” and defined: “Performance measurement as a strategic and integrated approach to delivering sustained success to organizations by improving the performance”. On the other hand Performance is a complex word implying action, dynamics, and effort for improvement, and from the point of view of the public sector or service, it is also multi-dimensional. Public services today are more and more oriented on profit and performance measures which fall within the end results expressed through competitiveness and financial gain (Ghobadian and Ashworth, 1994).

Based on the above definitions and using a contingency approach, particularly as in the public sector uncertainty lies in the problems of linking the means (inputs) to the ends (outputs) (Johnsen, 2000). However, Carter (1991) asserts that three problems arise out of performance indicators used within the public sector; the definition of performance, measurement of performance and lack of competition in the public sector. In the context of public sector reporting; the term “performance measurement” is used to indicate the way in which public sector entities set financial and non-financial objectives, measure performance and report on results.

Organizational Performance Systems

The growing field of public sector management has focused on the question of when and under what conditions management affects organizational performance (financial, operational or efficiency). Progress has been slow on issues of performance system development because what “performance” means in the public sector is open to considerable debate (Boyne 2003; Moynihan 2008). An entire subfield of performance measurement discusses this question, both at the organizational level and at the individual level. For many public organizations, established performance indicators do not exist despite efforts by many government entities through such vehicles as the Government Performance contracting and Results Act and the Program Assessment Rating Tool (PART scores). For other organizations, performance indicators are subject to substantial controversy about the reliability and validity of the measures. Louise, (1999) noted that there is a growing recognition that financial performance measures alone measure only limited aspects of an organization’s performance.
Generally, performance shows the achievement of objectives. Whilst in the private sector entities the objective of profit maximization defines performance, its absence in the public sector entities generates difficulties, even paradoxes, in explaining this concept. Boukaert and Balk (1991), state that the opportunity and necessity of performance measurement in the public sector entities raise questions. Performance measurement tools comprise uni-dimensional and multidimensional measures. Uni-dimensional is basically traditional or financial measures such as Net Economic Value, Return on Investment (ROI) and Earnings per share. The multidimensional measures are both financial and nonfinancial in nature. This includes; balanced score card, performance pyramid, performance prism and public sector value model.

Features of the public sector

The public sectors of different countries are shaped by many factors, but they share common features and challenges. Measuring government performance has long been recognized as necessary for improving the effectiveness and efficiency of the public sector (Government at a Glance 2011, OECD) Governments, like companies, need timely and accurate financial information to monitor and manage their performance. IFAC recommendations to G20 in response to the global financial crisis, 2009. Therefore the nature and quality of the financial information required for measurement is determined by users’ needs for information about the public sector entity and the attributes that make that information useful to users and support the achievement of the objectives of financial reporting.

The key common characteristics of public sector entities are:
- Public accountability
- Multiple objectives
- Rights, powers and responsibilities (Constitutional or devolved)
- Lack of equity ownership
- Operating and financial frameworks set by legislation
- The importance of the budget
- Governance structures
- Nature of resources
- Non-exchange transactions
- Political philosophy
- Attitude towards accountability and transparency

These features make it even complex to compare and re-align the performance measurements across the globe. However, to measure performance in an organization there is needed to select some yardsticks or indicators for each critical success factors or activity. Well the problem may not just be the features but also indicators and the purpose of the assessment and timing of the assessment.

Motivation of the Study

Much has been written in theory about performance measures globally, however less is known in practice about their operations, particularly in the public sectors in the emerging economies. A few of the studies have examined whether performance measure actually achieve the aims of government agencies or sectors. Currently management theory has shifted to the value added strategy focusing on stakeholders. Stakeholders can influence the financial policy, structure and reporting of an organization. Freeman (1984) states that, the relative force of the pressures exerted by various stakeholders is likely to influence the balance between different performance dimensions, partly as a result of the information needs of management in making decisions pertaining to specific stakeholder interests.

Most public sector entities in the emerging economies are failing to meet the expectation of their stakeholder, particularly the public or citizens in providing quality goods and services and reducing cost of operations. This may be as a result of lack of proper developed performance measurement indicators and embracing ‘value driven approach’ in liberating the corporate soul. Dixit (2002) stressed two important features which cause this; the public sector has multiple principals and multiple tasks or goals which influences the measurement process. The incentives provided in the public sector are less highly powered than those of the private sector. This result into conflict of achieving the public sector goals and the performance measures used to evaluate often complex public sector performance. The end result being both distorted measures and altered behaviour to improve the performance.
measures at the expense of unmeasured actions. The study seeks to critically review types of performance measurement indicators and issues related to performance measurement across the public sector entities and finally answer the questions; Do performance measures help public sectors achieve the goals set by the policy makers? How are operations in the public sectors measured? Do performance measures improve performance of the public sector? And., What kind of performance indicators should be used in the public sector in order to fulfill the shareholders needs? And finally why is it not possible to measure performance on equal footing across the globe?

Value of the Review

The value of this review stems from its contribution to the paucity of research about the performance measurement in the public sector. It is expected that the study would expand the growing body of evidence available for a review of the appropriateness of applying public sector management and accounting practices in the public sector in general. This study review would provide a basis for future research in the management of specific performance measurements in the public sector in emerging economies. In the past two decades the public sector has experienced a transformation and a major feature of this change has been the displacement of the old style public administration by a “new public management” which focuses on results and measurement. The critical literature review would report on a survey of the public sector organizations to determine the extent to which the changing public sector is accompanied by changes in performance measurement and management practices.

Given the prevailing emphasis on agency performance, customer focus, stakeholder's interests and other methods of assessment under new public administration and prevailing managerialism in many public sectors around the world, administrative practitioners have taken to benchmarking as an instrument for assessing organizational performance and for facilitating management transfer and learning from other benchmarked organizations. The critical literature is expected to bring on board a number of theories applicable in the private sector to the public sector in order to improve on performance and accountability.

II. EVOLUTION OF PERFORMANCE MEASUREMENT

Financial performance measurement systems go back a long way in their origin and applications. It is thought, for instance, that double entry bookkeeping was first used around the fourteenth century. Kaplan & Norton (1996) remarked that historically, the measurement system for business has been financial. Indeed, accounting has been called the ‘language of businesses’. Bookkeeping records of financial transactions can be traced back thousands of years, which had been used by Egyptians, Phoenicians, and Sumerians to facilitate commercial transactions. A few centuries later, during the age of exploration, the activities of global trading companies were measured and monitored by accountants’ double entry books of accounts (Kaplan & Norton, 1996). The industrial revolution in the nineteenth century led to the creation of more comprehensive financial measurement systems to meet the requirement of enterprises. However, in the information age environment, the early twentieth century, enterprises understood the importance of reporting and evaluating of business unit performances, in order to find new capabilities for competitive success (Olve, et al. 2001). In the last decade there has been a growing criticism of traditional measurement control systems as being too narrowly focused on financial measures. The reason is that conditions today are no longer the same as when traditional measurement systems emerged. In addition, markets fluctuate, customers appear ever more demanding, and investors are requiring more transparent reporting (Ashton, 2001).

Managing organization’s intangible assets such as customer relationships, innovative products and services, high-quality and responsive operating processes, and employee capabilities and skills can only be done through the use of non-financial measures. Accordingly, during the last two decades, an increasing number of companies have implemented performance management systems (PMS) that are based on critical success factors (CSF). Organizations, especially those in the private sector, have implemented a number of broader performance measurement and management system tools such as Activity-Based, Benchmarking, Total Quality Management, Business Process Reengineering and the Balanced Scorecard. These are now gradually getting into the public sector agencies.

Stakeholders Theory

The word “stakeholder”, as used today, first appeared in an internal memorandum at the Stanford Research Institute (now SRI International, Inc.), in 1963. The term was meant to challenge the notion that stockholders are the only group to whom management need be responsive. It was in this environment that Freeman (1984) suggested

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that managers apply a vocabulary based on the “stakeholder” concept. Throughout the 1980’s and 1990’s Freeman and other scholars shaped this vocabulary to address these three interconnected problems relating to business (problem of value creation, ethics of capitalism and managerial mindset). Atkinson (1997) stressed the need for the public sectors to address the increasingly important element in their performance measurement system, by communicating with key stakeholders to determine their perspectives on what constitutes successful measurement and reporting. There is a divergent of opinion, with some arguing that the public sector provides a leading edge on issues of performance measurement’ (Lapsley and Mitchell, 1996), while others argue ‘that the performance measurement systems have measured too many things and the wrong things’ (Atkinson et al., 1997). The issue at hand is therefore on how to identify the interest of the shareholders which the theory is not addressing.

Institutional Theory
This theory was first advanced by Max and Weber in the early 19th century but the contemporary institutional theory is associated with Scott (2001, 2004) who puts more emphasis on social structures dealing with rules, norms and routines and how they are established as authoritative guidelines for social behavior. An important insight from institutional theory is that performance may be viewed as institutionally defined, as institutional factors determine the interests being pursued by organizations (Scott, 1987). New institutional theorists adopt the position that organizations are not just technical systems and consider performance measurement as a set of socially constructed practices, shaped by long-lasting and deeply embedded norms (Scott, 1987; Covaleski et al., 1996).

Several studies informed by institutional theory show that the financial controls devised to discipline resource utilization in public-sector organizations are little used further down the organizational hierarchy (Ansari and Euske, 1987; Pettersen, 1995) or assume the relatively symbolic role of legitimating the organization to funding bodies. It is believed that when more coercive pressures from funding bodies for improving financial performance are in play management of the focal organization can be expected to pursue the implementation of financial measures throughout the organizational hierarchy relatively forcefully.

Resource Dependency Theory
Resource dependence theory has been seen as complementary to new institutional theory, since it focuses on the exercise of power, control, and the negotiation of interdependencies to secure a stable inflow of vital resources and reduce environmental uncertainty (Modell, 2001). From a resource dependence point of view, performance measurement systems can be considered as tools closely linked with the exercise of power, self-interest and political advocacy. These concepts are particularly significant in a public sector context, given the substantial interdependencies existing between organizations, and the ways in which critical resources are obtained (Pfeffer and Salancik, 1978). Moreover, it is possible to better explain and understand the interplay between pro-active behaviors and more passive acquiescence towards pressures exerted by Institutions on public sector organizations, and organizations’ attempts to acquire legitimacy (Oliver, 1991).

Agency Theory
Agency theory is one of the most frequently used perspectives to explain performance measurement. In essence, agency theory is based on the premise that agents, although working for principals (the owners of the organization’s assets), have their own agenda to pursue and that this agenda will not necessarily align with the principals’ interests. Hence the need for control mechanisms – performance measurement and incentive systems designed to ensure alignment between the priorities of the principals and the activities of the agents (Itnner et al., 1997). The theory is useful in designing incentives for the agents. However public sector is a little reluctant in constructing high powered performance measurement incentives.

Kreps, (1997), states that in the standard model of Agency Theory, without extrinsic incentives, effort is necessarily at the lowest possible level. Shareholders will, therefore, act to protect their interest through incentive compensation described by Jensen and Meckling, (1976), as “Agency costs” – that steers the action of the agent towards the principal’s objectives. Given the nature of the public sector (often serving several principals: tax payers, service users, politicians, and professional organizations with conflicting goals), however, makes it difficult to identify the right performance indicators, which if not clearly defined and communicated, can result to dysfunctional and unintended behaviours. The theory becomes very complicated to be applied in the public sector where stakeholders have diversity of objectives. The theory breeds varieties of performance indicators of which some may be immeasurable. However, Parker and Gould (1999) noted that the reporting objective is politically driven with decisions being coercive and legislative based rather than market driven. Principal-agent theory focuses on a situation in which an agent takes an action to increase output. Principal-agent theory also argues that the public (as
Contingency Theory

Lawrence and Miller (1976) suggested that an accounting information system should be designed in a flexible manner so as to consider the environment and organizational structures confronting an organization thus accounting systems need to be designed with in an adaptive frame work. The contingency theory has mostly studied interdependence and routineness (Langfield-Smith, 1997; Otley, 1980; Waterhouse and Tiessen, 1978). However, interdependence and routineness deal with issues of complexity, and not uncertainty (Chapman, 1997). On the other hand, it is both complexity and uncertainty which are driving the organization’s need for and use of information through decentralization and formalization.

Nevertheless, empirically and practically it may be difficult to separate complexity and uncertainty even though the first is cause and the latter effect. Gupta et al. (1994) combined contingency and institutional theory in explaining organizational control in the highly institutionalized context of operational audits of US governmental agencies by the GAO. It is true that where performance requires multidimensional approach the theory will be used to identify the interdependent measurement variables from the routine variables. Performance measurement is a contingent issue.

Public Choice Theory

Public choice theory is quite relevant in performance measurement in the public sector. It attempts to look at government from the perspective of the bureaucrats and politicians who compose them and make assumptions that they act based on budget maximizing models. The theory emphasizes that not only markets fail but government can also fail. In particular public choice theorists (Niskanen 1971) have criticized the Weberian bureaucratic model as lacking cost consciousness because of the weak links between costs and outputs. The rewards system in the public sector is not oriented towards improving performance and consequently there are no incentives for politicians and bureaucrats to control costs. Public choice theory also argues that public bureaucracies are notoriously slow to respond to changes in the environment, as well as being unresponsive to service users.

Performance Measurement Systems in the Public Sectors

The development of an appropriate performance measurement system is based on a model that considers internal and external stakeholders (Johnsen, 2005), as well as the context of ambiguity that affects decision making (Carter,1993). The multiplicity of objectives that characterizes the public sector makes the process of performance measurement more difficult (Ittner and Larcker 1998), so the measures developed should consider all the interests and interactions.

Brignall and Modell (2000) analyzed the implications of the introduction of performance measures for organizational theory. Many scholars argue that the comprehension of performance measures in the public sector should be adapted to the cultural and political environment. If public activity is surrounded by numerous stakeholders (such as professionals, politics, citizens and taxpayers), the development of multidimensional models of performance measurement is relevant for performance improvement, taking into account its specifications (Kloot and Martin 1997; Brignall and Modell 2000; Johnsen 2005).

Performance measurement structure includes both financial and non financial structures with each set of objectives, measurement and accountability. While reviewing measurement in the public sector, the identification of the role of the measurement system becomes a primary concern. It could be argued that targets and indicators are designed to control local delivery; to improve accountability; to compare organizations’ performances; and to influence behaviour and action in order to improve public services. Each of these roles has important implications for the design of the performance measurement systems and its implementation.

Although for many public sector entities, the financial profit motive may not be paramount, but good performance is in line with a greed budget which is necessary both to continue service delivery and demonstrate good stewardship of public money raised. Consider how a public sector organization would determine its financial output. Many public sector organizations do not produce revenues or generate profits as outputs. Their outputs are
difficult to quantify in dollars. Instead, they provide a service or capability to the public. (Phillips and Phillips 2002). The use of Net Economic value would be appropriate in enhancing managerial cost consciousness and providing more accurate financial data to optimize resource utilization and more prioritization of initiatives and development projects.

Components of Performance Measurement

Public sector programs are instruments for achieving social goals; they are means to an end. A complete performance measurement system tracks both the “instruments” themselves and provides evidence of their impact (or lack of it) on society. Public sector organizations must not only develop indicators that measure resources used (“inputs”) and activities completed (“outputs”), but also need indicators that provide information on the state of the world outside of the organization (“outcomes”). A measurement system must also monitor the efficiency with which resources are used, thus, the transformation of inputs into outputs, and of outputs into outcomes. Broadly, then, it is useful to think in terms of the components of performance measurement such as input, process output, efficiency, performance outcome measures and policy outcome measures (Schacter1999). The components are used to determine whether the public sector is doing the right things or doing things right.

Conceptual and technical issues of Performance measurement in the public sector presents some critical challenges related to how to define and conceptualize performance and make it measurable at reasonable costs. A central problem in this respect concerns the great variety of often vaguely defined social and societal objectives which public sector organizations are expected to meet. In comparison with private sector for-profit organizations, this typically exacerbates the formulation of unambiguous and specific targets which may form the foundation of performance measurement. This often leads to an abundance of indicators and information generated as a result of various reporting requirements on public sector organizations with very unclear linkages to specific objectives and targets and an ever-present risk of information overload. Institutional theory helps in determining the autonomy, adaptability, complexity and coherence in institutional performance measurement. Public choice theory is quite relevant in performance measurement in the public sector. It helps in revealing the inefficiencies in the government policies and activities, explaining why there is pressure for change and public attitude and increasing criticism especially towards government services where old public sector administration was seen to be driven by rule rather than performance.

Principal–agency theory on the other hand helps in establishing accountability and responsibility with the performance systems. Government units must be accountable not for its officers to pursue their own narrow self interests rather than the public interest, hence difficulties in extracting accountability and good performance. Concepts drawn from new institutional and resource dependence theory seem particularly powerful in explaining what happens at departmental and local levels. Legitimacy and efficiency take precedence, as the aim of central departments appears to be survive and increase their influence, whilst, at the local level, the constant battle is for resources, which can be acquired either pro-actively or by accommodating external institutional pressures. From a resource dependence point of view, performance indicators are introduced mainly to fulfill the requirements of major funding organizations. As this varies across organizations there should be similar variation in the types and numbers of indicators found at local level. Where resources are secure, less attention will be paid to both the collection and interpretation of performance indicators related to that funding organization.

III. EMPIRICAL STUDIES

Public sector performance has often been measured in terms of what the government has done (amount of funding provided, number of kilometers of road paved, number of new hospital beds). Such measures focus on how “busy” the government has been rather than on what it has achieved. They highlight means rather than ends. This is not to say that keeping track of means (as opposed to ends) isn’t important. The greatest challenge for performance measurement is integrating financial and performance information to give board and managers a complete and insightful view of their business. The Governments sector needs to measure how much they spend and do. But when performance measurement focuses too heavily or exclusively on how much is spent “inputs” or done “outputs” as opposed to impact on society “outcomes” the result is often that public sector organizations lose sight of why they were created in the first place. Public organizations may be very “busy” but be accomplishing little from society’s perspective (Schacter1999). The measurement systems in the public sector often focus on inputs rather than outcomes is no accident. It reflects the fact that performance measurement in the public sector is a difficult
business. Performance measurement works best when there is clarity about what is being measured and why. Furthermore, even if finance is not the main objective, certain financial performance measures still play a central role in most public sector entity performance evaluation.

Various studies regarding the use of performance measurement conducted in local governments suggest that practice of collecting performance indicators is at least at rudimentary level but is fairly well established in many countries including the US, United Kingdom, Indonesia, Malaysia and Australia [ (Broadbent and Githrie 1992; Funnel and Cooper 1998 and Hoque and Moll 2001 and Goddard and Mannion, (2000)]. Behn (2003) “every one is measuring performance” despite this growing practice previous studies found that the development and use of performance indicators in the public sector is problematical. To measures performance in an organisation there is need to select some yard sticks or indicators for each critical success factors or activity. Well the problem may not just be indicators but also the purpose of the assessment and timing of the assessment. The studies confirmed the existence and importance of serious dysfunctional consequences arising from the use of information as a means of control, and concluded that the Performance framework will be successful only if it is used in careful conjunction with other means of control.

Currently, a number of scholars have challenged the traditional performance measurement system. Lynch and Cross (1991) suggest that performance indicators must be made to fit the process flow and to focus attention on casual relationships and team work which enables non value activities or fault to be recognized. The difficulty of measuring the efficiency in the public sector is largely caused by the inability to quantify accurately the effects (outputs) because they are direct but also indirect due to the externalities which they generate, other factors such as lack of clear and accurate non-statement of the objectives.

According to Roy & Wetter (2001) financial measurements failed to provide adequate guidance for long-term strategic development and competitive strategies. A number of problems have been attributed to these measures; missing link between vision and mission of the government agency to actual performance; main focus is on avoidance of misuse of funds rather than efficiency; outcomes of organization may not always be measured in quantitative terms and finally the problem of ex post facto analysis (measures are lagging in nature not indicative of the outcomes). For this reason business leaders began to realize that both financial and non-financial indicators should be considered in measuring performance.

Fitzgerald et al. (1991) in their study of performance measurement in the service sector, based on the premise that there are two basic types of performance measure in any organization, those that relate to results (competitiveness, financial performance), and those that focus on the determinants of the results (quality, flexibility, resource utilization and innovation). The distinction is that it highlights the fact that the results obtained are a function of past business performance with regard to specific determinants i.e. results are lagging indicators, whereas determinants are leading indicators. To support the view, Azzone et al. (1991) developed performance measurement framework, which seeks to identify the measures most appropriate for organizations that have chosen to pursue a strategy of time-based competition. This framework has the potential to respond to diversity or change and takes into consideration the lead performance dimensions to enable a better competitive advantage. The measures basically reflect on efficiency and effectiveness of the organizations.

Parker and Gould (1990) mention four reasons why the public sector cannot be treated the same way as the private sector and why performance measurement cannot be used in the same way in both sectors. They argue: The public sector acts in response to government policy that is ultimately based on collective choices and treats citizens as a group rather than as individual consumers with certain rights. Secondly, the private sector provides goods and services in a certain amount and a certain price in response to supply and demand. But public sector acts in response to consumer demand regardless of his willingness to pay. Thirdly, the private sector acts according to market principles, while the public sector is much more based on principles of social justice and fairness and finally, the private sector emphasizes effectiveness and efficiency, while the public sector is committed to the accessibility of government, fair treatment of citizens, decent implementation of policy processes and compliance.

In analyzing the relationships, Said et al. (2003) found positive relationship between use of non financial performance measures and financial performance of the firms, but the association was contingent on whether the use of non financial measures would match the divergent characteristics of the public agencies. Kervasdoue (2007) *No
one would disagree that performance evaluation is necessary in public affairs”. Governments and their bureaucrats must be accountable to their citizens about all use of taxes and public funds.

According to a study conducted in Australia, Belly and Kluvers (1995) revealed that the use of performance indicators is not extensive as is theoretically perceived. The finding of the study confirmed what other researchers have found (Midwinter, 1994; Ammons, 1995) few local governments are using performance indicators. Riandi (2003) in his study on performance measurement in the local government in one of 33 provinces in Indonesia found out that not all local government entities in the area developed performance indicators. This showed that there is still an expectation gap between local government authorities and the citizens about public service delivery.

Lee and Fisher (2007) in their study on usefulness and use of performance information in Australia public sector found that most types of information were regarded as some extent of performance measurement use for particular decisions, however it was found that the actual use of performance information was not as high as its perceived usefulness. Similar results were found by Hatry (2002) and Ammons and Rivenbark (2008) in the United States. Mahmudi, (2003) found that public sector managers had difficulties in determining higher level performance measurement indicators such as outcome, benefit and impact; therefore in practice they place more weight on input measures rather than outcome measures.

As quoted by Rinha (2010), the suitability of key performance indicators for measuring results is equally difficult to determine. The governments of Canada, Chile, Tanzania and New Zealand, however, agree on several attributes of effective results measurement indicators. These are relevance, clarity, economy, monitorability and adequacy (Kusek and Rist (2004) found that if any of these criteria is not met, performance indicators will suffer and be less useful. However, the studies fail to come up with a conceptual framework to help enforce the attributes for uniformity. Schacter (2002a) classifies performance indicators into four categories in line with the concept of value for money (input, activity, output and outcome indicators). Boyle (2000) used the logic model to describe how performance indicators work to achieve benefits for the stakeholders. This shows that development and use of performance indicators is not simply a technical task but influenced by a number of factors; behavioural, cultural and political issues.

Julnes and Holzer (2001) studied the factors that determine the use of performance measurement in public agencies. The study was based on the result of a national survey of state and local government officials. The focus was on the adoption and implementation of performance measures. The findings of the study were as follows: level of adoption was mostly affected by technical and rational factors (resources, information access, goal orientation and external requirements). Like Streib and Poister (1999a) findings from Julnes and Holzer (2001) found out that output measurement indicators are used with more frequency in strategic planning, resource allocation, programme management and monitoring and in reporting to internal management, community elected officials and media than are efficiency and outcome measurement indicators.

Kaplan and Norton, (1996; 2001) advocates the use of multiple performance measures in the organization’s performance management framework. Kaplan and Norton (1992; 1993; 1996) are well known for putting forward this idea, which is now commonly known as the balanced scorecard (BSC). Niven (2003) describes a BSC as a carefully selected set of quantifiable measures derived from an organization’s strategy. Taylor and Rosair (2000) noted that the emphasis on performance is problematic in the public sector where there are no universal or ultimate performance indicators as in the private sector. Dixit (2002) stresses two important features of public sector, the first is that management often serve several masters including the users of the service, payers of the service, politicians at different levels of government, professional organizations and secondly, is that the agency often have several ends to achieve. The features hence require different types of performance measurements with well designed systems and integrated performance indicators such as balanced score card developed by Norton and Kaplan (1992).

Adams & Neely (2002) stated, “While accounting clearly has a role, these financial measures are not sufficient on their own to steer organizations through difficult times. Ittner &Larcker (2000) gives a number of challenges such as; time consuming, expensive to develop an appropriate measure for the divergent stakeholders as it requires a lot of investment in information systems to enable the entity to draw information from multiple data bases. Secondly, non financial data are measured in many ways as there are no common denominators, hence it becomes difficult for many public sector entities to monitor and report on common and acceptable terms to the
stakeholders. Organizations have tried to overcome perceived limitations in accounting profit-based performance measures by using non-financial measures for decision-making and performance evaluation (Ittner & Larcker, 1998: 205). Measuring performance is a fundamental part of every organization, whether it is run by private sector or governmental sector. Performance system shows whether the organization is on track in achieving its desired goals (Lynch and Cross 1991; Kaplan and Norton; Simon 2001). A performance management system is meant to be interactive (Neely, 1998; Kaplan and Norton, 2001) since its main roles are to facilitate the implementation of the business strategy and to question strategic assumptions.

(Ruzita, Azhar and Hasan 2012) in their study focuses on adoption on performance measurement in the public sector with an objective of determining to what extent performance measurement indicators are designed and linked to strategy and balanced score card approach as a means of measurement. This study was a survey conducted to senior civil servants. This was in pursuit of the goal of performance improvement within the public sector, New Public Management emphasizes on the adoption of private sector practices in public institutions (Balogun, 2003). Kenya introduced performance contracting not only to improve service delivery but also to refocus the mind set of public service away from a culture of inward looking towards a culture of business as focused on customer and results. However, there still seems to be only limited empirical research on ambiguity, uncertainty and performance measurement.

Another important issue regarding public sector performance measurement is; productivity concerns and how to measure it? Productivity can be measured in a number of ways. The interpretation of productivity growth is greatly dependent on the way in which productivity is measured. Public sector productivity is most often measured as labour productivity. A major problem in the interpretation of single factor productivity is that it attributes all increases in efficiency to one factor, even though the increased production may be partly or even completely due to changes in other factors. Ammons (2004) points out that many government managers are inclined to focus on their department’s activities or workload (its outputs), rather than on the bigger picture of whether their efforts lead to positive changes in the lives of citizens or produce other results they were designed to bring about. In measuring service productivity, conceptual, technical and strategic problems may be distinguished (McLaughlin and Coffey, 1992). The implication here is that most governments need to employ proper model or indicator design which is comprehensive to their varied objectives.

According to Propper and Wilson (2003: 254) the public sector performance tends to be measured using three main ways. Firstly, administrative data, secondly, qualitative reports and finally, measurement can be through ‘user report card style data’, which applies data collected from users of service through surveys. The most commonly used data is administrative, which is generally quantifiable and therefore the easiest to collate and compare. But this may not be comprehensive measurement. Streib and Poster (1999a; 1999b) studied the validity, legitimacy and functionality of performance measurement in Municipal governments. The study was basically a survey on 1218 municipalities of Georgia State. The findings and conclusion of the study was that output performance measurement indicators are used more frequently in many functional areas as opposed to nonfunctional areas in the central governments. Their general conclusion was that over 70% of the municipalities consider that output performance measurement improves the quality of service delivery in a significant manner. The implication is that there is over dependence in one type of indicators at the expense of thus leading to performance paradox.

Dooren (2005) studied the demand and supply of performance information, where the study majorly focused on causes and conditions of measurements. The interest was on measurement practices, data and targets available and the use of performance information. The findings of the study found a positive correlation between the adoption and implementation of performance measurement systems based on arrange of factors except political interest. The conclusion therefore was that implementation and adoption was high in government agencies with more observable outputs, low ambiguity and high routine and normally in large organizations. However, other studies also indicate that some of the problems with performance measurement are attributable to the flaws in the design, implementation or operation of the Performance appraisal schemes in organizations. Evidence from surveys consistently shows that managers spend little time on the measurement process of individual performance.

Chan (2004) and Ho and Chan (2002), based on a sample of 132 American municipalities and 52 Canadian municipalities, found that only about 40% of the chief administrators have some perception and knowledge about the BSC features and objectives; only 7.5% of the municipalities (11 American and three
Canadian) implemented the BSC. They also found a positive relationship between the size of municipalities and the perception of BSC among chief administrators; so, it is understandable that American municipalities, which are larger municipalities, have a greater level of its implementation. This is an indication of low usage of outcomes performance indicators.

Although efficiency is a common term used in performance evaluation, there seems to be little agreement about its definition. Efficiency is generally understood to be minimizing inputs for a given level of output. Klassen, Russel and Chrisman (1998) stated that when this concept is converted into a measure, the definition becomes one of comparing performance to a standard such as actual output in units times standard hours per unit divided actual hours, or more simply, hours earned divided by hours paid. They stressed that most definitions of efficiency involve comparison of actual to a standard. The studies of efficiency are more prone to performance information from the financial perspectives. Admiral et al. (2009) stated that public sector stakeholders are especially interested in nonfinancial information that shows the results and abilities of government policies thus, making nonfinancial information highly relevant to public sector organizations.

The concept of organizational effectiveness has been the most extensively researched issue since the early development of organizational theory (Henri, 2004, Rojas, 2000). Neal (2007) stresses that the concept has long been used as an indicator for organizational success with not for profit organizations. However, there is a significant lack of agreement regarding the definition and operationalization of this concept (Cameron, 1986).

Ray (2004) argues that performance of public enterprises and quest for meeting the citizen needs should progressively be measured to determine attainment of these goals. There must be appropriate tools for monitoring the progress of targets being proposed. However, there is need for further investigation on factors affecting formulation, implementation and interpretation of key performance indicators of public enterprises to meet citizens’ needs.

In a study carried out by Akaranga (2008), revealed that all government ministries and state corporations in Kenya had formally implemented performance contracts. However, Akaranga argues that for it to have impact on the populace, the evaluation of this improved performance should be done not only by the government but also by the service users.

### Table 1: Summary of Selected Empirical Literature Gaps Identified

<table>
<thead>
<tr>
<th>Researcher&amp; focus of the study</th>
<th>Research questions</th>
<th>Research findings</th>
<th>Research gaps</th>
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</table>
| (Ruzita, et al. 2012). Performance measurement practices of public sector in Malaysia. | 1. How is performance measurement being designed?  
2. How is performance measurement implemented and used?  
3. What is the benefit and important aspects of successful implementation of performance measurement system? With an objective of determining to what extent performance measurement is designed and linked to strategy and balanced score card approach as a means of measurement. | The findings revealed that design of public sector performance measurement system is moderately developed but on the use of balanced score card there was an overall lack of balanced indicators on financial and non financial such as input and output indicators. The survey was conducted to senior civil servant in Malaysia public sector. The measurement was mainly for managerial functions. | The research design was an exploratory in nature organized into three levels of management-divisional, sectorial and organizational level. The study population comprised 900 Federal & state agencies and 77 ministries &state agencies having their head office in Putrajaya. Study sample was 73 selected through convenient sampling based on time and resources. It was not clear on how the number of respondents were to be shared among the three levels of management. Data collection was purely primary and collected via questionnaire. This could not be inclusive in realizing the study |
### An Attempt to Align Public Sector Performance Measurement: A Global Perspective

<table>
<thead>
<tr>
<th>Omoi and Kariuki (2011) <strong>Factors Affecting Implementation of Performance Contract Initiative at Municipal Council of Maua-Kenya.</strong></th>
<th>Analyze factors affecting PC initiatives at Municipal Council of Maua with a view of generating Council’s profile on service delivery both to business owners and employees. Determine the level of employees understanding of the major aspects of performance contract at Maua Municipal Council. Examine the effect of performance contract on service delivery, customers and employees.</th>
<th>Identifies education as a key determinant in provision of services. The study showed that 75% of employees was able to deliver services targeted. This could be due to the fact that performance contract document is designed to cascade the intended purpose of performance contract initiatives using relevant communication methods that were easily understood. This implied that managers did understand performance contract.</th>
<th>The scope of the study was too limiting given the four specific objective of the study. Methodology – the study used cross sectional descriptive design but given that it was only done in Maua in Meru North District-Kenya, it could be more of a case study to provide the answer to the four objectives. On the population of the study on part of the population the 70 employees would have been subject to study without sampling. It is also not clear on the analysis technique the study adopted hence finding are still questionable.</th>
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<tr>
<td>Zahirul and Adams, (2008) <strong>Measuring Public sector Performance: A study of government departments in Australia.</strong></td>
<td>How do government departments appraise their performance in the ‘new’ public sector environment? How is performance measured and reported in the focal organizations? What are the key elements of performance measurement and reporting? In addition to economic efficiency measures, does performance measurement cover social and Environmental issues? How effective are the performance measures that are being used?</td>
<td>The findings reveal a number of facts. First, the performance measures used to a great extent in the departments and agencies that are in the areas of cost efficiency and quality measures and for learning and growth measures. Second, the most common performance measures used were to satisfy community expectations and legislative requirements. Hence performance indicators are designed to meet legal requirements other than having impact on the outcomes. Performance measurement is only carried out in sectors where the inputs and outcomes can be quantified with ease.</td>
<td>Methodology: The study used survey approach with population of 109 departments in the government. Data used is basically primary and administered through mail questionnaires to senior government officers. The returned instruments were 51 a response rate of 46.8% and analysis used t-test. Because of the diversity and complexity of the government sector, the use of survey technique may not help the researcher deal conclusively with the research questions posed. It seems convenient where the number is big but in terms of good results</td>
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<tr>
<td>Rusdi, A., (2008) <strong>Performance measurement in Indonesia: The case of local Government.</strong></td>
<td>The objective of the study was to explore a conceptual model developed to explain the hypothesized relationships between technical and organizational factors and development and use of performance indicators and accountability practices.</td>
<td>Findings based on institutional theory provide an understanding of factors influencing development &amp; use of performance measures. The findings further revealed that metric difficulties had a negative association with development of performance indicators while other three factors- technical knowledge, management commitment and legislative mandate had a positive significant association. The variable legislative mandate had the strongest association an indication of coercive isomorphism in development of performance indicators. This means that indicators are meant to fulfill regulatory requirement than to make their organizations more efficient and effective.</td>
<td>Research methodology/design is survey with analysis technique of partial least square (PLS). Study sample 457 local government. Questionnaires were sent to all senior officers of the 457 units and only 98 (21.4) were returned and analyzed. The response rate was too low to make a comprehensive conclusion despite the analysis technique used. This means that there could be changes in the results if the response increases from 21.4% and analysis technique changes. Based on survey technique comprehensive findings may not be reached. Therefore would recommend a case study for this kind of study in order to determine the relationship.</td>
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<tr>
<td>Joia, L. A., (2008) <strong>Researching for Intellectual Capital Management in New Public Sector Organizations for Effectiveness, Efficiency, and Reputation.</strong></td>
<td>The impact of intellectual capital management on the performance and reputation in the public sector organizations. How does ICM affect effectiveness and efficiency in public sector?</td>
<td>It highlights the significance of managing intellectual capital resources in public sector organizations and the dearth of research areas and trends. The paper presents an analysis of literature for the possibility of managing IC resources to enhance performance (effectiveness and efficiency) and reputation</td>
<td>Methodology/design of the study is an analysis of literature for the possibility of managing ICM. The study is presented as an analysis of literature and it is conceptual and theoretical in nature. No data has been collected to support the findings. A more practicable design such as case study or exploratory design should be adopted for the similar studies. Literature review only provides the direction rather than holistic views about the impact of ICM in the public sector. Since the study relied on other studies and documentation, other research design as exploratory should be carried out to confirm the findings. Data used could be lacking validity because of the time span. Most of the reference statements were based on the past studies. Therefore, further studies are needed to enhance the impact of ICM in the public sector.</td>
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66 | Page
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<th>Dooren (2006)</th>
<th>Which factors determine the adoption and the implementation of performance measurement? Why are organizations measuring performance? What are the system requirements for different purposes of performance information? The instrument used was a questionnaire that asks about measurement practices, data and targets available and the use of performance information.</th>
<th>There was a positive correlation between the adoption and the implementation of performance measurement systems, based on a range of factors: characteristics of the outputs and outcomes measures, political interest, size of the organisation, level discretion of operators, available resources, and goal orientation. The main conclusions of this study appoint for a high level of adoption and implementation of performance measures in organizations that have more observable outputs, with low ambiguity and high routine, and normally in large organizations. Less discretion and the goal orientation correlate positively with implementation; the adoption is not affected by these factors.</th>
<th>Research design used multi methodologies-cases and survey. Each research question had different research design- (unobtrusive and obtrusive methods). Target population 137 sections of the Ministry of Flemish community. No sample was needed. Content analysis was used entirely to identify specified characteristics and making references. For more comprehensive findings; multiple regression analysis should be used alongside content analysis. It’s not clear how the correlation was arrived at with the use of content analysis. With multi methodologies design other studies should incorporate different analysis.</th>
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<tr>
<td>Rodney McAdam, Shirley-Ann Hazlett, Christine Casey, (2005) &quot;Performance management in the UK public sector: Addressing multiple stakeholder complexity.&quot;</td>
<td>To explore the issues involved in developing and applying performance management approaches within a large UK public sector department using a multiple stakeholder perspective and an accompanying theoretical framework.</td>
<td>Staff at all levels had an understanding of the new system and perceived it as being beneficial. However, there were concerns that the approach was not continuously managed throughout the year and was in danger of becoming an annual event, rather than an ongoing process. Thus, the business objectives were not aligned with motivating factors within the organisation. The study used multidimensional measures of outputs and incomes performance indicators.</td>
<td>Methodology used was survey with short questionnaires to determine the perception. In total, 700 questionnaires were distributed. The manner of sampling is not adequate in exploratory studies dealing with multiple shareholder perspective. There is need for Additional research to test the reliability and validity and usefulness of the theoretical model, as discussed in this paper. The study is silent on the total population in relation to the sample selected. This may have impact on the findings.</td>
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An Attempt to Align Public Sector Performance Measurement: A Global Perspective

| Chan (2004) and Ho and Chan (2002), perception and knowledge about the BSC features and objectives in American and Canadian Municipalities. | Determine the perception of chief officers on the use of BSC in their municipalities. Determine the relationship between the size of municipalities and the perception of BSC among chief administrators; | Found that only about 40% of the chief administrators have some perception and knowledge about the BSC features and objectives; only 7.5% of the municipalities (11 American and three Canadian) implemented the BSC. They also found a positive relationship between the size of municipalities and the perception of BSC among chief administrators; so, it is understandable that American municipalities, which are larger municipalities, have a greater level of its implementation. The key performance indicators used were outcomes, output, efficiency, effective and inputs. | Based on a sample of 132 American municipalities and 52 Canadian municipalities. Design used was survey techniques. The study should have been a comparative in design. The study should have used the BSC MODEL to determine to what extent in is applied in the public sector. This will help explain the sensitivity of the model to the size of the municipalities. Data used for the analysis reveal 40% of CEO is aware of the model but only 7.5% of the sampled population implemented the model and that larger municipalities have the highest level of implementation. This finding is not satisfactory if BSC is used as a measurement tool for both small and large and then make a comparison. |
| Jules and Holzer (2001). Promoting the utilization of performance measures in public organization: an empirical study of factors affecting adaptation and implementation. The study was conducted at Local and state Government/USA The Survey was used., based on the results of a national survey of state and local government officials. | 1. Examine the factors that affect the utilization of performance measurement. 2. Which factors affect the adoption and implementation of performance measures? | The process of adoption is predominantly affected by technical and rational factors (such as resources, information access; goal orientation and external requirements), while the implementation process is predominantly determined by political and cultural factors (such internal and external interest groups, risk taking and attitude). 2. Output measures are used with more frequency in strategic planning, resource allocation, programme management and monitoring, and in reporting to internal management, community, elected officials and media than are efficiency and outcome measures. | Research design - survey method used was not inclusive in addressing factors affecting the adoption and implementation of performance measures. The study sample of 934 was drawn from GASB for its study in 1996 five years down the line prior to this study. The sample may not be representative at the time of the second study. Data was basically collected through questionnaire designed in a likert scale. No documentary analysis was done; hence the study instrument was highly opened to bias and manipulation. There is need for documentary analysis to support and strengthen the findings in new studies in this area. A case/empirical study should be adopted for this kind of study. |
| Ballantine and Brignall (1998) | Comparison study between two countries | Findings reinforced the need for trade off in performance | Research design adopted a case study for two countries. Unit of |
Performance measurement and management in public health services: a comparison of U.K & Swedish practice.

measurement system design which can be integrated within the strategic plans of service sectors.
The emphasis was on dimensions of performance in terms of result measures & determinant measures.
The key performance indicators used were output measures a long a number of factors. Being comparative study efficiency and effective performance indicators would have been used to strengthen the findings.

Table 2: Classification of Empirical research on Performance Measurement in the Public Sectors

<table>
<thead>
<tr>
<th>Studies</th>
<th>Sector of the public Institution the study is done</th>
<th>Methodology of the study</th>
<th>Comment /total No of studies%</th>
</tr>
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<tr>
<td>Ruzita, et al. (2012); Joia, L. A., (2008); Rodney McAdam, Shirley-Ann Hazlett, Christine Casey, (2005) Dooren (2005).</td>
<td>The general public sector or organizations. The studies were not carried in a specific sector of the government. These were general studies on performance measurements.</td>
<td>Exploratory/ survey/case studies</td>
<td>Four studies conducted in this area (40%) of the selected studies.</td>
</tr>
<tr>
<td>Omboi and Kariuki (2011); Rusdi, A., (2008); Chan (2004) and Ho and Chan (2002 Julnes and Holzer (2001)</td>
<td>Local government/ municipalities. The studies were quite specific on the local government performance.</td>
<td>Survey/ comparative studies/case studies/cross-sectional methods</td>
<td>Four studies conducted (40%) of the conducted studies.</td>
</tr>
<tr>
<td>Zahirul and Adams, (2008)</td>
<td>The study was conducted specifically in the government departments/ ministries.</td>
<td>The study adopted the survey techniques</td>
<td>One study carried out in this area. (10%)</td>
</tr>
<tr>
<td>Ballantine and Brignall (1998)</td>
<td>The study was carried out in the health sector of the public service.</td>
<td>Adopted a case study and used RDF model for comparisons.</td>
<td>One study conducted (10%).</td>
</tr>
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</table>

IV. SUMMARY, AND CONCLUSION

The findings on public sector performance measurement reveals that there is an increasing need to use more of high powered measurement indicators under the integrated performance measurement models. Every unit or agency of the public sector needs to adopt Multidimensional performance measurement systems. However, these multidimensional models cannot measure better performance with lack of theoretical framework and well developed data bank for information systems. We measure performance because there are seldom market mechanisms to provide such data. Even though there are internal markets in some areas, these are distorted so cannot be relied upon for accurate information. Given that public sector agencies have divergent goals that cannot be measured by market indicators. Moreover, Performance management in the public sector sometimes suffers from a bad reputation. This
might be because of oppressive target regimes (micromanaging individuals, or requiring the monitoring of hundreds of ‘key’ performance indicators) or performance management systems which don’t reflect the public sector’s complex, collaborative and outcome oriented perspective.

The organizational performance measures serve three major functions; institutional measures which provide evidence that the agencies are meeting standards and engage in legitimate activities. Managerial function measures provide information to enable adjustment of activities to better meet standards. Technical function measures provide information on efficiency and quality with which the organization delivers its basic products and services. It’s clear from the entire review that the performance indicators in the public sector should go beyond financial measurement because of the nature of the inputs, outputs, efficiency and outcomes expected which may not be quantified in monetary terms. However, factors influencing the measurement indicators are varied and depend on the nature of inputs and outcomes from each sector.

The attempts to align public sector performance measurement has not been easy given the nature of the public sector as being a monopoly, however, there is good development in the sector towards embracing better indicators for measurements, which if not clearly defined and communicated, can result to dysfunctional and unintended behaviors. The complex nature of the public sector is perhaps viewed as a major contributing factor for the diversity in the public sector performance measurement. Performance management systems can therefore be designed to rely on the higher levels of inherent motivation that exist in many public sector workers.

The critical literature review was meant to achieve three specific objectives; review different performance practices and indicators and finally establish why there is diversity in the performance measurement in most of the public sector organizations. From the review findings it shows clearly that performance measurement is found to be crucial in determining productivity, improve efficiency and effectiveness in service delivery and processing of inputs to desired outputs and incomes and for comparison purposes. Hence it is not easy to identify universal measurement indicators for all the public sector departments. Organizational Performance measures three kinds of functions; institutional, managerial and technical. Different measures are required for these functions which further create contradictions between some of the measurement indicators, hence result into gaps between the constituencies of these organizations.

Performance measurement in the public sector and monitoring systems are beginning to be used in budget formulation and resource allocation, employee motivation, performance contracting, improving government services and improving communications between citizens and government as well as for external accountability purposes. This is a sign of positive development of diversity in measurement and embracing stakeholder and agency theories. Performance measurement indicators can be developed from measures of inputs, processes, outputs, incomes, efficiency and effectiveness. All these depend on the nature of the public sector and the stakeholders’ needs. However, a number of factors have to be considered in selection of indicators to be used.

The central difficulty in measuring performance of all public organizations is complexity. Public sector organizations are complex since they are collections of visible and invisible, tangible and intangible elements and performance itself is determined by multitude of different internal and external factors and conditions. However, this can still be solved by adopting relevant financial and non financial measures.

Empirical studies show that in practice much of the dissatisfaction with performance appraisal in the public sector comes from the ineffectiveness of the system in achieving some of the problem with performance indicators. It is not easy to determine appropriate indicators to divergent goals in the public sectors if proper goals and stakeholders are not identified. This is because a number of factors play the role in determining the suitability of each indicator identified for measurement. However, the indicators identified will basically be based on; citizens level of satisfaction, operational performance, strategic planning process, and commitment of the public sector, qualitative and quantitative measures. Moreover, qualitative indicators are found to be very difficult to measure. This is due to numerous factors influencing each indicator, but the suitability may be based on compromise between the stakeholders and the institutional framework.

On the diversity experienced in the performance measurement in the public sectors, selecting acceptable yardsticks or indicators for each critical success factors or activities in line with stakeholders demand can be used to reduce the diversity. Different models are necessary for each sector of the government. Performance indicators must
be made to fit the process and focus attention on casual relationship and teamwork which enables non value activities or fault to be recognized. But lack of enough information about measurement system is a major contributing factor for the diversity in the measurement.

The research gaps established from the issues emerging from the empirical review are quite a enormous. There is a lot of literature on public sector performance measurements, however, still seem to be many challenges in coming up with generally accepted standard measurement systems as in profit making organizations. Performance measurement is quite dynamic in nature with many controversy or conceptual disagreement in performance measurement indicators; performance measurement systems and practices; measuring public sector productivity; determinants of adoptions and implementation of performance measures; methodology used in many of the studies reviewed are basically using survey techniques and finally issues relating to performance efficiency and effectiveness. These issues cannot be handled within a single study.

The concept of performance has brought a lot of confusion within the performance measurement and management in the public sector. The performance measures used to a great extent in the departments and agencies in the areas of cost efficiency and quality measures and for learning and growth measures. The most common performance measures used in the public sector were to satisfy public expectations and fulfill legislative requirements. This is an indication that the public sector being open and complex still need more research in areas still not adequately covered like departments dealing with, sustainability, environmental or social responsibilities and difficult to measure services. From the review it is evident that most of the studies are in local government as opposed to the central government or state ministries. This could be an indication that most of the central government ministries provide services (inputs, output and outcomes) which are difficult to quantify. There is need for more studies in the central government.

Public sector managers have difficulties in determining higher level performance measurement indicators such as outcome, benefit and impact; in practice more weight is placed on input measures rather than outcome measures. There is need to cury more studies on how to come up with universal measure on these areas for better measurement and comparison. This will reduce public sector from concentrating on only what is easy to measure.

Public sector organizations being complex entities still have vast areas for conducting further research. There is need to conduct studies on how to develop indicators that measure resources used (inputs) and activities completed (outputs), but also need indicators that provide information on the state of the world outside of the organization (outcomes). However, this could not be achieve in this paper. It is impossible to discuss the ‘global’ public sector, as there are so many variations in the scope and shape of public sectors in various countries across the world.

There is need to include performance measures as part of budgeting process and financial reporting which inevitably would require at least some degree of involvement on the part of the government's independent auditor. However, data verification is essential if performance measurement is to be credible. Public enterprises need to come up with various models which are inclusive of the diversities of the stakeholders. But at the same time there is need to recognize the perennial problem of factors adversely affecting performance measurement indicators. This becomes very rich area of further research in terms of determining various Multidimensional models that will fit the public sectors with the consideration of the technological changes, funding models, political philosophy, public demand for services, economic performance and partnership arrangements with the government.

This paper intended to review literature on the current public sector performance measurement systems, but it has only provided a rough outline of what a broader system looks like. Any future research on the topic would need to focus on the technicalities of measuring performance in different sectors of the government as well as deciding on a weighting system for the subject to make further progress. Finally the future research should focus on both the institutional and individual employees’ measurements, taking into account the dynamics inside and outside the public sector entity. The design of both financial and nonfinancial performance structures and key performance indicators (KPIs) should include all the key stakeholders as this will embrace the stakeholders’ theory.

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