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Monitoring Performance in the Public Sector Future Directions from International Experience

John Mayne and Eduardo Zapico-Goni,
editors

With a foreword by Joseph S. Wholey



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Accountability for Program Performance: A Key to Effective Performance Monitoring and Reporting

John Mayne

As we saw earlier in chapter 1, public-sector reform initiatives frequently reference the importance of performance monitoring. And over the past twenty years, we have learned quite a lot about measuring the performance of government programs and services. Yet success is still often elusive, as other chapters in this book illustrate.

In part we are dealing with quite a complex activity—the measurement of public-sector performance and its use in a political environment. There are no simple answers or we would have succeeded long ago. In this chapter, we examine one critical but frequently weak link in organizational use of performance information, namely the reporting of performance information and its use in accountability. On the one hand, rhetoric on reporting of actual performance is frequently weak or absent, suggesting to many that the demand for performance information is symbolic. And on the other hand, meaningful accountability—which might make use of performance information—while always part of the aim of public-sector reform, is acknowledged by many to be the weakest component of public sector reform initiatives.

We suggest that reforming public administration requires reforming the concept of accountability in the public sector. We further suggest that essential to this reform of accountability is the need for practical performance measures and reporting.

We first address the question of the role of accountability in the new public management and suggest the need for a new perspective on accountability. We then discuss the link with performance monitoring and argue that accountability and performance monitoring/reporting are mutually supportive. We conclude by discussing principles for effective performance reporting.

Accountability: The Weak Link in Public-Sector Reform

Public-sector reform efforts have proven weak in one area in particular, an area essential also for effective performance monitoring: that of closing the accountability loop. Public-sector reform almost always calls for enhanced or increased accountability, but is usually either vague on accountability by whom, for what, and how, or offers only a very traditional and ultimately self-defeating view of accountability. In a review of several articles on managerial reforms, Aucoin (1990b: 201–2) notes that “the issue of ‘accountability’ . . . is the major issue raised by these reforms.”

The Canadian experience mirrors that of other countries:

The missing link all along has been effective accountability for the use of authorities for which people have been entrusted. . . . As Public Service 2000 simplifies the Public Service's administration, and more and more stress is placed on a results-oriented and client-sensitive culture, the importance of effective accountability is going to become correspondingly greater. (Government of Canada 1990: 89)

Yet it is clear that effective accountability is essential for successful public-sector reform. Without the closing of the accountability loop, many of the directions of public-sector reform are at best unworkable, and more likely will lead to mismanagement and a loss of control. Indeed, a key issue in the new public management, is how to reconcile the desires of elected officials to remain and even enhance their control over the public service, in Aucoin's (1990a: 115) words, “to reestablish the primacy of representative government over bureaucracy” with the direction of public-sector reform. As managers are given more flexibility and empowerment to manage public funds, we should expect a greater degree of accountability for the outcomes achieved. “Increased public accountability on part of management cannot be escaped without diminishing good politics” (Aucoin 1990b: 204).

Accomplishment Accountability: A Positive Force for Reform

Traditionally, accountability has been viewed as something done to someone. People are held accountable and blame is melted out for failures. Accountability is control, and conjures up the “more traditional concepts of accountability, notably due process, probity, stewardship. In other words, ethical behaviour” (Holmes 1992: 481). Accountability in this view is a rather negative force, something any sensible manager seeks to avoid if possible since no good is likely to come from it. And in an environment where success is staying out of trouble and following the correct administrative procedures, this traditional accountability, besides being an annoyance, is probably seen as of secondary importance to those managers trying to accomplish some public-sector objectives. Most would agree that some amount of regulatory accountability is needed, but are quite content to leave it all to the auditors to handle.

The problem is that the “holding people to account for correct procedures” mindset of accountability appears antithetical to public-sector reform based on a results, empowerment, and service-oriented public sector.

There is, however, an alternative perspective on accountability that is not only quite consistent with public-sector reform but acts as a catalyst to reform. What is needed to complete the accountability loop in a reformed public service, is the incentive to demonstrate what results have been accomplished. The key is to make this *demonstration* the essence of the accountability regime. Accomplishment accountability is the credible demonstration of what one has achieved that is of significance and value. To be of value implies that performance is reported on in the context of preestablished expectations of what was to be accomplished.

A recent paper from the Organization for Economic Cooperation and Development (OECD) points out the shift occurring from regularity to performance accountability (1992). And a recent evaluation of the Australian public-sector reform experience comments on “a perceived tendency of various review bodies (and the public) to interpret accountability primarily in the negative sense of: to hold to account or punish failure.” It goes on to compare accountability as “blame apportionment” vs. as “answering for” actions and as an essential link to future planning (Task Force on Management Improvement 1992: 506–7).

We suggest that public-sector managers would welcome the occasion to demonstrate to their superiors, their clients, and the public what their programs are achieving, and where achievements are less than expected, not to shy away from explaining what went wrong and what they are doing to improve things in the future. Such demonstration might be done internal to the organization. But it is just such demonstration to the public which is also needed for a service-oriented public service to become a reality.

Barzelay (1992: 127-28) makes the point this way:

[T]he most effective way to hold employees accountable is to make them feel accountable. This route to accountability is attractive, in part, because employees want to be accountable. They want to be accountable because it is the only way for them, as for us all, to be important.

He goes on to argue that we feel important when we are having an impact (are accomplishing something) and when we are being paid attention to.

Thus a reform-minded accountability regime would be one that provided the opportunity for managers (and ministers) to demonstrate to appropriate persons and bodies what has been accomplished in relation to what is expected with the resources and authorities entrusted to them. And, of course, it is reasonable to expect that public servants and ministers getting and using public money have such an obligation to answer on what they have accomplished. In this regime, "being in control" means:

- knowing what you are supposed to achieve;
- knowing in a timely manner the results that have been achieved;
- being able to credibly demonstrate what was achieved;
- constantly striving for more cost-effective ways of achieving the results; and
- being able to show that you acted wisely on this knowledge, i.e., that the decisions and actions you took were reasonable in light of what happened.¹

Accomplishment accountability based on this positive act of demonstrating performance puts accountability in the hands of managers and would be a further incentive to pursue reform initiatives (and indeed to manage better). It allows managers to demonstrate that they are in control. Furthermore, it makes sense. "The ethic of constantly seeking more cost effective outcomes is worthy of at least equal bill-

ing with the more traditional concepts of accountability." (Holmes 1992: 481). We are not suggesting that probity and prudence can be neglected but that accomplishment accountability is what is essential for effective public-service reform.

Several things are required for an effective accomplishment accountability regime, such as a management regime which demands accountability and pays attention to the information.² In addition, the following requirements are of interest here:

- a clear understanding and agreement (preferably in writing, if only as an aide-memoire) of what is to be accomplished and what authorities and resources are being conferred;
- enlightened and informed judgment to effectively hold someone to account for their actions; and, of course,
- credible performance information of what actually has occurred.

Accomplishment accountability is directly or indirectly called for by most public-sector reform initiatives. It suggests that the accountability should not be seen as "blame apportionment" or reporting on compliance with procedures but rather as a useful and essential management process for

- *understanding* the performance of programs, services, and operations;
- *agreeing* on performance expectations;
- *improving* performance through supportive assessment and corrective action aimed at creating a continuous learning environment; and
- *demonstrating* to others, including the public, the levels of public-sector performance attained.

A Requirement for Accomplishment Accountability

With this revised concept of accountability, we can close the accountability loop so often left open or incomplete in a logical and consistent manner: pursue accomplishment accountability and get a buy-in from managers. Make the demonstration of what has been accomplished the responsibility of managers, that is, managing should include an individual responsibility for accounting for performance. Requiring managers to demonstrate what they have accomplished will be seen as an opportunity for all but the most recalcitrant managers. A requirement for accountability becomes a responsibility to account for performance attained. It also provides a smart manager in this age of

frequent challenges to programs with evidence on what value has been obtained for the public resources spent.

And, of course, requiring the demonstration of performance provides just the realistic and practical demand for performance information that is needed to foster effective performance monitoring. To manage well and be able to give a credible demonstration of their performance, managers would need good performance information. "Thus, performance measurement reinforces efforts towards modernization and enables an organization to demonstrate its results and their value to politicians, customers and the public" (OECD 1994: 19).

We have been silent on to whom the demonstration of performance is to be done. This will vary among jurisdictions. But be it internal accounting, formal accounting between government and Parliament, or an accounting to the public, the same principles can apply.

To date, most public accounting for performance has involved governments reporting to legislative bodies. Both Canada and Australia, for example, have established formal means for this annual reporting.

But there is an additional element at work. It has been argued that a form of accountability reporting directly to the public will be established in a service-oriented public service. Carter and Greer (1993: 416) suggest that the Citizen's Charter in the United Kingdom will lead to a "broader form of accountability; not just to the Department and to Parliament but also to consumers and service users." The public is likely to see it as such. *The Economist* argues that "Now accountability is also to customers through the Citizen's Charter" (*The Economist* 1993: 57). Many countries are establishing and publishing service standards to inform service users of what services are available and the level of service delivery they can expect to receive. In many cases this includes a requirement to publish service delivery performance against the standards, so as to directly inform clients how well they are doing.

In a parliamentary system, this "accountability" might more accurately be described as a reporting relationship, since formally, public servants are only accountable to the public through ministers and Parliament. However described, the intent is that managers assume a responsibility to demonstrate to their publics what services and benefits are being delivered.

An enlightened administration might require just such accounting from its managers. In Norway in 1982, a Plan of Action for a User-

Minded Public Service was begun which emphasized that "organizing contact with the public is a management responsibility" (Eriksen 1987). In Canada, the government's policy on review (evaluation, internal audit and performance monitoring) requires managers "to account for performance and to inform clients of the level, quality and cost of services provided," and the service standard initiative requires the publishing of performance against standards (Treasury Board of Canada 1995).

The Auditor General of Australia has stressed the need for effective public reporting:

Taxpayers have a right to know:

- the real goals of government programs,
- how effective these programs are in achieving those goals,
- what unintended effects result from the programs, and have a right to expect the government to put effective measures in place to do this.

(Taylor 1992: 460)

Making public service managers responsible for demonstrating to their ministers, governing bodies, and their public clients what is being accomplished would close the loop on public-sector reform. It would ensure a responsive public service. It would also ensure that performance monitoring would become an integral element of good management in the new public-sector management.

Building Common Performance Expectations

The motivation to establish realistic and challenging performance expectations is often the weakest part of an accountability regime. To be most effective, the process involves consultation, discussion, and probably debate over just what is expected to result from the resources and authorities provided. Agreement of expectations implies a shared

vision of what is to be accomplished and what will be viewed as success. Whether or not it includes detailed performance targets depends on the nature of the accountability regime being established. Typically, the higher up one is in an accountability chain, the more performance expectations are stated in terms of broader results rather than quantitative output targets, and less direct control exists in accomplishing the agreed performance expectations. Where long-term outcomes are part of the accountability agreement, lower-level perfor-

mance indicators are usually provided to show progress towards the desired outcomes.

Further, in the public sector we must allow for multiple and perhaps conflicting objectives. Working towards agreements on performance expectations in a constructive fashion may result in the resolution of this multiple objectives problem. If not, agreement can still be reached on specific expectations for the several objectives being sought. Performance monitoring will provide evidence on the extent to which these differing goals are being attained. In light of this information, decision makers may choose to modify one or more of the objectives.

The value of agreeing on performance expectations was highlighted by the recent review of administrative reform in the United Kingdom:

Departments and Agencies were more likely to express satisfaction with their working relationship where the [performance] targets were clear and realistic and were accepted by both parties. (Efficiency Unit 1991: 13)

Setting targets is a good message for those who want to be sure their efforts are taken seriously and their work is meaningful.

Effective External Performance Reporting

Most governments have limited experience in reporting performance. Certainly, much reporting of performance is not effective communication. In the United Kingdom, for example, the Treasury and Civil Service Committee (1991, x-xi) commented that "the welter of performance measures and indicators are often poorly related to departmental aims and objectives."

In this light, some of the lessons learned from performance measurement are relevant. Effective performance reporting has two main principles.³

1. It must be of significance and value for those to whom the reporting is being done.

"Significant" means it makes a difference to decisions. This implies in most cases that the performance information will be presented in relation to expectations previously established. Gaps between what is expected to be reported on and what is actually reported on will guarantee loss of credibility. This often is the result when rather than reporting on whether outcome objectives are being achieved, the amount of activity carried out in relation to the objective is reported on.

2. It must be credible not only to those being reported to, but also, since the information in most reporting situations is widely available, it must be defensible to challenge.

Credibility implies transparency, relevance, reliability, and timeliness. We feel credibility ought to be manifest in the information itself. However, and perhaps more realistically, many argue that credibility is greatly enhanced with an independent check on the information produced. Thus, for example, auditors general are increasingly providing quality checks on performance information provided to parliaments.

Good External Performance Reporting Practices

Within these two basic principles of effective performance reporting, a number of other good practices derived from performance measurement experience can be briefly mentioned.

Comparative Information

In most cases, performance information needs comparative information to be meaningful and credible. "Good" performance is in relation to something. Knowing what level of performance was expected is one way to set up a comparison. Valid and accepted performance benchmarks provide a baseline to use. A valid time series is another way to show performance variations over time and to establish a comparison base. Effective performance reporting should encourage and make easy comparisons among programs or over time. This builds credibility.

Reporting Strategy

To be most effective, a well thought-out reporting strategy needs to be developed to determine which aspects of performance should be reported when, to whom, and how often. In any organization, reporting on performance will and should occur at all levels. Performance reporting is done for several purposes: demonstrating performance, affecting operational management, and as input into strategic decisions. Clearly a key element of the strategy is to have the right kind of information reported at the right time, that is, when decisions are being made and accounting is required.

Annual reporting of all aspects of performance is usually not practical or even meaningful. It is not practical because of the prohibitive cost involved in such comprehensive reporting each year. It may not be meaningful, because some performance results only manifest themselves over a period of time. Other performance information useful for day-to-day management may be outdated soon after it is produced. What is likely needed is annual reporting of certain performance measures and a more in-depth reporting on other aspects of performance periodically. In this way, over a period of time—perhaps three to five years—a full reporting of performance is accomplished in the most cost-effective way.⁴

A cost-effective strategy might be to report annually on a select number of key measures of performance which give a reasonable idea of overall performance. Some of these key measures will be good measures of aspects of performance while others may be rather simple indicators or proximates of aspects of performance (such as key outputs which are assumed to produce the desired outcomes). Then on a periodic basis (perhaps every three to five years), more in-depth evaluations can check the robustness of the presumed link between these outputs and the desired outcomes.

Explanatory Information

Reporting of performance information requires adequate accompanying explanatory information. The Office of the Comptroller General (1991) suggests that:

Meaningful reports of [performance] require you to interpret the results. Simple numbers . . . say very little and may be misleading. Good performance indicators require:

- comparability with other indicators (over time, with other services, etc.) and
- a contextual discussion about the environment and an interpretive analysis of the significance of the indicator, and whether it continues to be valid.

Raam (1992: 24) suggests that three types of explanatory information may be needed:

- Background information about the program . . . [which] provides a context for analyzing what has been accomplished.

- An explanation of what performance aspects are susceptible to measurement, and what presented indicators actually show. . . . It may also be necessary to explain the interrelationships among measures . . .
- An explanation of the reasons for changes in performance. . . . Users will likely want to know the reasons and what action management plans to take.

The importance of explanatory information is highlighted in the Governmental Accounting Standards Board (1992) report on service efforts and accomplishment reporting:

Narrative explanatory information . . . can provide explanations of what the level of performance reported . . . means, the possible effects that explanatory factors might have on performance, and actions that have been (or are being) taken to change reported performance. Explanations are particularly important when comparisons with other jurisdictions or among similar components within the same jurisdiction are reported. They are also important in conjunction with reporting secondary, unintended effects of a service. (1992: 14-15)

In addition to this type of explanatory information, the method of data collection and analysis should be briefly outlined. This helps the reader judge the robustness of the evidence provided.

Relevant Costing Information

Performance reporting needs to be done in relation to the costs incurred in producing the results (the outputs, client benefits, or outcomes). Thus, reporting on performance achieved should directly include relevant costing information or be transparently related to the financial accounting system being used by the organization. In many jurisdictions, costing related performance is not readily available from existing financial systems. The lack of available and good costing information is a significant hindrance to credible performance reporting.

Parsimonious Reporting

Perhaps the most difficult aspect of good performance reporting is to identify and display those few pieces of performance information that tell the key elements of the story. The U.K. Efficiency Unit (1991: 3) suggests:

The aim should be for each Agency to have a handful of robust and meaningful top level output targets which measure financial performance, efficiency and quality of customer service, over and above whatever subsidiary performance indicators are required for the Agency's internal management purposes.

The challenge is often to be parsimonious while still ensuring that the information reported is representative of the performance of what is being reported on. A few key indicators are not effective if they do not reflect the operating environment and thereby present a distorted picture.

Purposeful Reporting

While being parsimonious is essential, it is also true that different users will have very different information needs and interests concerning the performance of the same program. These different users might be different levels within an organization (such as service deliverers, middle management, or senior management), or different organizations (for example, a Treasury office, Parliament, or an auditor general). For efficiency in reporting, one usually tries to make one report suit many different users. The result, however, may be that none are pleased. If the purpose of the performance reporting for each user is not clearly thought out, effective reporting will be elusive. In planning for performance reporting it is useful to explicitly identify the various audiences and their issues and concerns which the reporting should address.

Thus one should be parsimonious in reporting for a specific user, but if there are several key users or clients of the reporting, a number of different measures of performance or different presentations of performance may be needed. And with today's information technology, it may be only marginally more of an effort and cost to design careful, purposeful reporting for key users.

User-Friendly Reporting

The better efforts at reporting performance have clearly spent the extra time and money needed to prepare attractive, simple, and clear reporting directed at an intended audience. Raam makes this point well:

An unrecognized challenge will . . . come in finding innovative ways of presenting the performance results. *Narratives and tables of numbers will probably not do the trick.* People not skilled or comfortable with numbers are not likely to be able or motivated to interpret the data. The challenge will be to find ways to present measured performance results in graphs, charts and other forms of visual aids. (Raam 1992:24, italics added)

The performance of a policy or program can be quite complex, with several levels of objectives and sub-objectives required to properly describe what is being accomplished. Often this complexity is carried through to the reporting of performance, making interpretation difficult for all but the expert or the most persistent. An organized and logical display of the various components of performance addressed which is used consistently throughout can help in having user-friendly reporting.

Further, frequently those to whom performance information is provided have limited time to consider it. Providing the information in a concise format tailored to the specific audience will enhance the chance that the import of the information is communicated.

Communicating Performance Information

There is a tendency to assume that performance reporting will occur through reports. This is an appropriate vehicle for some audiences, but in most cases more thought and innovation is needed for effective communication. Oral reports (speeches, town hall meetings, briefings), video, electronic bulletin boards, on-line data bases, newspapers, pamphlets, brochures, and posters all could be more effective than the traditional performance report for some audiences. This is especially true when communicating with the public.

In her report analyzing the quality of performance reporting to the Australian Parliament, Funnell (1993: 1) suggests that an effective performance-reporting regime for Parliament is characterized by:

- A focus on outcomes achieved, including social justice outcomes.
- Clear links between strategies, reported outcomes and program objectives.
- Concise, readily understandable and balanced presentation.

Implementing Effective Performance Monitoring

Much has been written about implementing performance monitoring in an organization (OECD, 1994). Several other chapters in this book, including the final chapter 11, discuss implementation problems and solutions. Here we would like to make only a few points based on the foregoing analysis.

Performance Monitoring Takes Time and Costs Money

The commitment from senior management that is frequently called for, requires more than intellectual agreement. An effective performance-monitoring regime in an organization will require time and perhaps money, resources often thought of as being diverted from direct program delivery. But in saying this, the optics are all wrong. If effective delivery requires performance information and if managers were responsible for reporting to their clients on how well performance expectations were being met—and hence perhaps receive a form of political support for their programs—then effective performance monitoring would be seen not as overhead but as part of modern public management and be budgeted for.

We should be seeking cost-effective performance monitoring, but dollar costs are perhaps not the greatest problem, rather the time required of management and staff. If demonstration became part of a manager's responsibility, the attention and the time by the manager would be there. Further, if staff are involved and are empowered to design and use the performance-monitoring system, then attention will be there. If the results from performance monitoring were used to compare performance among units in an organization or among other organizations ("benchmarking," "encouraging a competitive spirit"), the attention would certainly be there.

Performance Monitoring Requires Enlightened Management and Oversight

Performance monitoring exposes problems and shortcomings with performance. As long as managers and governing bodies see problems and shortcomings as someone's fault, effective performance monitoring will not ensue, it cannot as the incentives are all wrong. We need

to make learning from experience—learning organizations—a reality. One aspect of this is the need for rapid feedback to employees from the performance-monitoring system, so they can do something in response. Providing the information to employees only later on suggests the information is being gathered to punish someone by showing them how bad they were, long after they can do much about it.

Accountability based on demonstration of performance offers an important positive incentive. It requires managers to reward the identification of problems and their resolution. It requires managers to act more like coaches looking for opportunities to praise and encourage empowered employees who are able to demonstrate that they are in control, rather than looking for fault. It requires oversight focused more on results and less on prudence and probity.

Accountability for Program Performance

A recent Australian report states that "By definition, accountability requires assessment of performance. Quality performance information is thus required to properly meet accountability and reporting requirements" (Management Advisory Board and Management Improvement Advisory Committee 1993: 5).

Few would argue otherwise, yet quality performance information is often not forthcoming. A "blame apportionment" approach to accountability is unlikely to change this.

We have argued that accountability should be based on individuals seeking and being provided occasions to demonstrate the actual performance being achieved by their programs and services. In particular, it should be a public-sector manager's responsibility to demonstrate ("account," "report") to their publics on performance being achieved with tax dollars and with parliamentary and other authorities conferred.

Such a perspective would ensure that appropriate performance information were forthcoming.⁵ And the experience gained with performance monitoring over the past twenty years can provide the practical guidance needed for responding to this demand for quality performance information.

This still would not completely solve the problem, since effective accountability for performance is not usually demanded by governing bodies, be they managers, central agencies, or parliaments. But even

this might change if the "accountee" was providing credible, timely, and relevant performance information and demanding that it be paid attention to.

Finally, in light of the widespread public disenchantment with government, it is perhaps surprising that ruling governments have not made more effort at demonstrating through credible performance information their many ongoing accomplishments in terms of the programs and services they provide. Over and above their political and policy actions to convince their citizens of their good governance, routine demonstration to the public on the accomplishments of their programs and services might go some way to restore confidence in government.

Notes

1. Reasonableness allows for a sensible amount of regularity accounting. One is expected to follow laws and basic administrative rules of probity and prudence.
2. A good discussion of the issues surrounding a performance-based accountability regime can be found in a recent OECD (1994) report.
3. Others typically break up these two principles into finer detail. Thus, in providing general guidance to departments and agencies on reporting to Parliament, the government of Canada gives six "principles of disclosure": relevance, reliability, objectivity, completeness, materiality, and comparability (Treasury Board of Canada 1987). A report prepared for the British Columbia School Superintendent's Association (1992) suggests effective reporting must be understandable, credible, and useful. The Governmental Accounting Standards Board (1992) provides a detailed list of quality characteristics of performance information and is developing performance reporting criteria. The Auditor General of Canada (1992) suggested three criteria for reporting to Parliament: relevancy, reliability, and understandability.
4. Modern information technology provides for even greater flexibility in reporting by making performance databases available, so that just the right kind of performance information can be called up.
5. Some argue that performance information will not be forthcoming unless it is tied closely to the budgeting process. This has been the theory behind many previous attempts at institutionalizing performance monitoring in government. We suggest this is an unrealistic goal. Resourcing is the result of many factors (history, politics, social goals, the need to compromise, etc.) and performance information in most cases will not be the deciding factor for reaching resource levels decisions, certainly not at the center of government. In a democratic system, resources should be allocated to areas of government priority. Where expected results do not seem to be forthcoming in a priority area, we might get a better manager, redesign or reengineer the program, but we will usually still allocate resources. There is more hope for a more direct resource link at the operational level, where managers can use performance information to make incremental changes in their programs. Other chapters in this book confirm this view (see also OECD 1994: 46).

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