

## ORGANIZATIONAL PERFORMANCE IN THE PUBLIC SECTOR

### **Abstract**

The process of measuring performance in the public sector is particularly difficult for many reasons. The work outlines and explains these reasons. The paper contains arguments for generalizing in Romania the performance measurement of public sector organizations and presents a set of indicators to measure it. The author presents the stages of the implementation process of the public sector performance management and explains what they are, and what are the steps for implementing a performance management system in public organizations in Romania. The author proposes a set of key performance indicators that could be generalized and applied in all public institutions in Romania for the individual evaluation of the public managers, as well as the activity of the collective management structures within them. The final part of the paper contains the findings of an author's research. This shows that the implementation of performance management in public sector organizations in Romania is an essential way of action that naturally leads to the reduction of public expenditures and the increase of the degree of satisfaction of the public interest by the Romanian public institutions.

**Keywords:** performance; management; public interest.

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## PERFORMANȚA ORGANIZAȚIONALĂ ÎN SECTORUL PUBLIC

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### **Rezumat**

Procesul de măsurare a performanței în sectorul public este unul deosebit de dificil din mai multe motive. Lucrarea prezintă și explică aceste motive. Lucrarea conține argumente pentru generalizarea procesului de măsurare a performanțelor organizațiilor din sectorul public din România și prezintă un set de indicatori de măsurare a acestora. Autorii prezintă etapele procesului de implementare a managementului performanței în sectorul public și explică în ce constau acestea, dar și care sunt pașii pentru implementarea unui sistem de management al performanței în organizațiile publice din România. Autorii propun un set de indicatori cheie de performanță care ar putea fi generalizat și aplicat în toate instituțiile publice din România pentru evaluarea individuală a managerilor publici, dar și a activității structurilor colective de conducere de nivel superior din cadrul acestora. Partea finală a lucrării conține concluziile unei cercetări realizată de autori. Aceasta arată că implementarea managementului performanței în organizațiile din sectorul public din România este o modalitate de acțiune esențială care conduce în mod firesc la reducerea cheltuielilor publice și la creșterea gradului de satisfacere a interesului public de către instituțiile publice din România.

**Cuvinte cheie:** performanță; management; interes public.



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## 1. INTRODUCTION

Organizational performance is reflected in the results of the organization, these results being measured based on organizational objectives. Performance management is what organizations do to make them more successful and position themselves in front of competitors. In recent years, the business world has known a real explosion in the concept of performance. Most organizations, engaged in a fierce competition, said they wanted to improve their performance and to use methods to measure the level of performance they achieved. Processes and terms associated with performance management include: strategic planning, financial planning and budgeting, performance measurement and monitoring, human resource management, project and program management, business process optimization, knowledge management, reporting, risk management, scoreboards, metrics, performance key. Modern performance management approaches combine all aspects mentioned in an integrated framework to addressing past approaches that limited performance management to staff management status or to collecting and reporting organizational performance indicators (Andrei et al., 2016). According with the view points of some specialists there are three sequences of performance measurement: First is represented by BSC (Balanced Scorecard) systems. The 1980s and the early 1990s saw a real burst of specialist work criticizing the systems used by organizations to measure performance (Antošová et al., 2017). The experts argued that traditional accounting methods for organizational performance assessment were overcome because they had been introduced at a time when organizations created value through workforce rather than knowledge or technological applications (Acosta, 2017). Organizations have begun to accuse an acute need for new and better methodologies to measure organizational performance. In response to criticism and the appeal of organizations, academics and consultants have begun to make efforts to develop new methods of organizational performance assessment (Androniceanu, 2017a; Siekelova et al., 2017). Thus, some authors have attempted to refine methods of measuring financial performance by developing and implementing concepts such as activity-based management, economic profit, cash flow analysis, or stakeholder analysis (Shin, 2017; Shaefer et al., 2017). Other authors have opted to supplement traditional financial measures with non-financial measures, leading to the development of comprehensive frameworks for measuring organizational performance, the best known of which being the Balanced Scorecard (Slavinskaitė, 2017; Shpak, et al., 2017; Strielkowski, et al., 2017; Tvaronavičienė et al., 2017). Second generation was represented by the Systems based on flux correlation and transformation. Second generation measurement systems have made an important step forward, through dynamic approach to value creation, focusing on resource transformation (Upadhyay, 2017; Wegner et al., 2017; Zurga, 2017). The performance measurement systems of this generation include strategic maps, successful and risk maps, or the IC-Navigator. Strategic maps have been

developed by BSC creators and, while complying with the logic of the scoreboard, provide a different view of the four perspectives included in the scoreboard, reflecting the relationship between organizational goals and the perspectives of the scoreboard. Over time, most organizations have become more complex by considering a much greater number of perspectives than the four included in the BSC picture and strategic maps (Becerra-Alonso, et al., 2016) In addition, organizations need to meet the needs and expectations of a much greater number of stakeholders. Third generation: systems based on correlating financial and non-financial aspects. Measurement systems of this generation require organizations to clearly define the links that exist between the intangible (non-financial) dimensions of organizational performance and their consequences on cash flows. The new models have to satisfy three essential conditions: to reflect reality, to provide the right information, and to provide practical recommendations that the organization can apply.

In local public administration, performance means the continuous improvement of the parameters of the service provided both in terms of efficiency and effectiveness, but also the needs and expectations of citizens (Androniceanu, Ohanyan, 2016). Performance management means assuming a high standard of service (not necessarily the least cost), reforming or improving the methods and procedures used, but also actively and creatively involving the beneficiaries, staff and higher hierarchical levels. Measuring performance in public institutions and services is the continuous process of collecting and analyzing relevant information on how to carry out the administrative process (at the level of the central public administration at the territorial level: common, city, county, region), by reference to national or local standards. From this perspective our work analyzes and develops a system of performance indicators. Performance indicators are quantifiable measures, established in time, reflecting critical success factors. They depend on the organizational level (hierarchical system) and the strategies and objectives that reflect a medium and long-term vision. The indicators do not change frequently and measure the effects in relation to the objectives and efforts of the human resources.

The performance measurement ranges are:

1. Efficiency - the degree to which a particular product or service achieved or result meets the requirements
2. Efficiency - the degree to which a particular service and process produce the result according to the requirements with minimum effort
3. Quality - the degree to which a particular service and / or product or outcome meets the expectations of the beneficiaries

4. Timing - if a service or a unit of product or result has been done correctly and on time
5. Productivity - value added to process related to the value of labor or capital consumed
6. Safety - the characteristics of the organizational environment.

## 2. LITERATURE REVIEW

Managerial performance has been defined by Day and Klein since 1987 as the result of performing tasks according to performance criteria as a result of the delegation of authority. Guidance has existed since 1982, when the UK Audit Commission established attributions in the evaluation of efficiency and effectiveness within the central administration (Androniceanu, 2017b; Ključnikov et al., 2017; Kot et al., 2017). At that time a new thinking in the public sector was developed, namely "Value for money", thus expressing the value created by using the financial resources attracted in the management and execution processes of the institutions and the administrative authorities ( Gorb, 2017; Jakab, 2017; Kovács and Kot, 2017).

The new Value for Money approach is most simply defined as the economic way of purchasing the resources and their efficient use in the process of achieving the objectives of public management under the simultaneous observance of the three E, namely: Economics, Efficiency and Effectiveness (Bratu, 2017; Greblikaite et al., 2016 ; Kasperowicz et al, 2017 ).

A few years later, Selim and Woodward, in 1992, added another considered value: equality, and a year later Jackson and Palmer included other elements, namely: excellence, entrepreneurship, practical ability and discernment (Belás et al, 2017; Gavurova et al., 2017),

The process of measuring performance in the public sector is, as recognize most specialists, a particularly difficult one for several reasons:

- the multitude and diversity of stakeholders in a public institution: current and potential clients, voting citizens, elected representatives, nonprofit organizations, professional groups, trade unions, public managers, the state, etc .;
- differences in performance values and perceptions of different stakeholders;
- the lack of a competitive environment in which certain services are offered precisely because of the monopoly position for certain services that some public institutions or administrative authorities have;
- the nature of the public service offered;

- the complexity of the socio-political environment that generates a series of risks with a direct influence on performance;
- the influence of political values.

Based on these general considerations, in 1994, Stewart and Walsh appreciated that performance measurement in the public sector is based on political reasoning that defines the coordinates for identifying performance criteria. Beyond this reasoning, but in close correlation with it, five categories of performance can be identified in public institutions: financial performance, budget performance, managerial performance, political performance (Leskaj, 2017; Machan, 2017; Macháček, 2017). Performance-based public management can be implemented in any system, and therefore in public institutions in Romania, if at least the following aspects are taken into account and addressed as fundamental premises (Meyer, N, et al., 2017; Mihaila and Mateescu, 2017):

- the existence of a general reference framework containing a number of common definitions of performance, performance indicators and their application methodology, without which comparable measurements would not be possible;
- customizing the approach in every field of the public sector and identifying general and specific indicators of performance measurement;
- adapting the methods of analysis to the diversity of contextual services and particularities at central and local level;
- continuity in the application of the performance indicators system;
- developing a system of indicators of unitary performance, but also diversified at national level according to the cascade approach and its customization for each local public institution;
- development of a national and regional monitoring, assistance and consultancy system for the evaluation of public management performance.

The performance management system comes to solve many of the problems faced by Romanian institutions and authorities, such as:

- Ambiguity of tasks - "What do I do?"
- Translates the objectives of the institutions into objectives for each post
- Develop employee competencies for public institutions and authorities
- Improves team communication

- Motivates employees

The Performance Management System brings together the objectives of the institution with the objectives of each individual. The main fields of performance indicators in the public sector are the following:

1. Populație
2. Workforce
3. Quality of life and social assistance
4. Health care
5. Education
6. Culture and art
7. Agriculture, forestry, environment
8. Economic development
9. Equipping the territory
10. Safety and public order
11. Local Finance
12. Control of administrative activity.

Examples of performance indicators for local public administration: Infant mortality rate • Natural population growth • Number of registered unemployed at 100 employees • Social protection expenditures per capita • Population access to medical staff • Prevalence of cardiovascular disease (sick per 1,000 inhabitants) • Number of pupils in primary and secondary education returning on average to a teacher • Share of 10 years and over without education (0 graduated grades) • Gross enrollment rate of children in pre-school education • Social-cultural expenditures per capita • Population access to information and culture (libraries / 1,000 inhabitants) • Environmental protection expenditures per inhabitant • Investments for environmental protection per capita • Degree of connection of population to sewerage systems and wastewater treatment • Amount of municipal essays collected per capita • Municipal waste recycling rate • Number of arrivals for tourism purposes averaging per capita • Density of enterprises in the locality • Density of non-commerce enterprises in the locality • Average number of employees from active enterprises, which have their headquarters in the locality, per 1,000 inhabitants • Entrepreneurial capacity (Mura et al. 2017; Nica et al., 2017a; Nica et al., 2017b; Ohanyan and Androniceanu, 2017; Pera, 2017).

Other performance indicators for APL are the following:

Natural growth of enterprises • Share of deceased enterprises in total existing enterprises • Turnover per capita • Net use index of tourist accommodation capacity in operation • Capacity of drinking water installations per capita • Average living area on inhabitant • The amount of drinking water distributed to households for an average household per inhabitant • The amount of natural gas distributed for households that returns on average per inhabitant • The degree of renewal of the housing stock • The share of upgraded urban / communal roads • Share of city / communal roads with water network • Share of city / communal roads with sewerage network • Share of city / communal roads with gas network • Area covered with green areas per capita • Number of cars registered per 1,000 inhabitants • Crime rate • Rate infra • State budget deficit / surplus • Share of expenditures from local revenues in total expenditures in the execution of the state budget • Share of expenditures with investments in total expenditures in the execution of the state budget • Degree of collection of sums to the local budget • Number of inhabitants average on an employee in the local public administration • Reliability of the web page

Local Performance Indicators:

For the first time, economic development indicators are published: - Density of enterprises in the locality - Density of non-commerce enterprises in the locality - Average number of employees in active enterprises, having their registered office in the locality, per 1,000 inhabitants - Entrepreneurial capacity

### 3. PERFORMANCE ORGANIZATIONAL CULTURE

To gain greater clarity about the vision of a performance-oriented culture, we need to consider the following key attributes:

#### 1. The common vision

Effective leadership is essential to any organization. Leaders from the public sector need to be able to communicate vision and inspire employees to share it. Their vision can be a key link that brings and keeps people together, giving them the chance to work as a team.

#### 2. Communication

Intense and effective communication increases employee awareness and understanding of company strategy. This has a direct effect on how they work and can help improve decision quality in alignment with strategic directions.

Decision-making transparency and performance levels provide increased credibility and trust to management, generating interest among employees to understand the impact of their actions on the final results.

### 3. Continuous learning

A performance culture will act as a catalyst for implementing the performance management system within the company (Peters, 2017; Pöläjeva, 2017; Popescu, G.H. et al., 2017; Popescu, CR et al., 2017) . Monitoring results facilitates the development of a constant learning process for the entire organization. A performance-oriented culture does not define only targets but provides employees with the training or guidance needed to achieve the proposed performance standards.

### 4. Improving processes

A common element of performance-oriented organizations is their interest in continuous optimization. Being never satisfied with "good" and always striving for "extraordinary", people adopt a new mental state that always leads them to efficiency.

### 5. Data

In the Big Data era, we need to make sure that both the younger generation and the older generation are based on data in the decision-making process. Modern organizations must have the skills and tools to analyze data.

### 6. Technology

Progress in the current business environment is limited without the support of technology. A performance-oriented organization will invest in technology to support business processes.

### 7. Innovation

Technological development is conditioned by the organization's ability to adapt to market dynamics and the ability to innovate so that it can always face the needs of citizens and business environment. Innovation comes from the employees' sphere, but the difference between two public organizations with an equal talent level is given by how each organization manages manage innovation and implement it (Rajnoha and Lesníková, 2016).

### 8. Rewarding performance

A performance-oriented culture reflects a work environment in which effort and success are recognized and rewarded. Rewards must not necessarily be financial.



#### 9. Involvement

A performance culture should promote employee engagement through its initiatives centered around this factor.

#### 10. Authenticity

Organizations must be able to identify their individuality, to become aware of and to promote it among the parties involved (Rivza and Kruzmetra, 2017; Sanusi et al., 2017; Šebestová et al., 2017). That's what gives that feeling of real and sense to employees, businessmen and business partners.

### 4. CONCLUSIONS

Key Performance Indicators are key elements of the performance measurement and monitoring process. Key performance indicators can be strategic, managerial or operational, measuring three elements - activity, profitability and productivity of public services. KPI helps quantify achievement, delivering visibility in relation to the performance of individuals, teams, departments and organizations. KPIs allow decision makers in an organization to take action to achieve the desired goals. Key performance indicators respond to questions like: "Where are we?", "Where do we want to get there?", "How do we do that?".

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