

## THE PERFORMANCE PARADOX IN THE PUBLIC SECTOR IN EU MEMBER STATES. KEY FACTS AND CHALLENGES

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### ABSTRACT

*The aim of the paper is to investigate to what extent public strategies and specific key performance indicators (KPIs) explains differences regarding achieved public performance across European Union (EU) member countries. It is supposed that after almost twenty years, the organizational renewal of public administration should improve countries that are faced with low customer satisfaction, tight fiscal space and administrative constraints and achieve stability, distribution, and economic performance. Our findings provide empirical evidence for the need of developing systems capable to handle contested and multiple performance indicators, striking a balance in the degree of 'measure pressure' and minimizing dysfunctional effects.*

**KEYWORDS:** *performance management, public administration, strategies, performance indicators*

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### 1. INTRODUCTION

Literature and practice, in this historical moment, seem to focus on performance management systems as valid tools to promote productivity also in the public sector. However, the experiences gained in the countries most oriented towards this approach do not seem to offer univocal indications. Three critical aspects - of an institutional nature (the logic for formal procedures), technical (limits for measuring outcomes) and management (difficulties in applying rational evaluation models) - seems to complicate the applicability of these systems in the public context. Based on the experiences analysed and of authoritative scientific contributions, some interesting indications are obtained to promote their diffusion in favour of a better accountability of the public administration and it seems that during the past ten years has increased the concerns for the productivity in the public sector, the main components of this concept started to be analysed and debated. Starting from the point of management, motivation, measurement and the entire process of organizational improvement, the paradox of public performance continue with some mechanisms to eliminate the common barriers to productivity improvement in central and local government.

The concept of performance paradox is analysed according to some authors as a result of a discrepancy between the policy objectives set by politicians and the goals of executive agents (Frederickson et al. 2015; Van Thiel & Leeuw (2002), Smith, 1995a, b) or as a weak correlation between performance indicators and performance itself (Meyer & Gupta, 1994; Meyer & Shaughnessy, 1993; Harvey & Russell, 1970). But even if no one can guarantee the performance of a public service program, in order to ensure with a certainty this desiderate, and to help countries

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which are faced with low customer satisfaction, tight fiscal space and administrative constraints, contemporary period bring into discussion some special characteristics of the public sector and develop systems that can handle contested and multiple performance indicators, striking a balance in the degree of 'measure pressure' and minimizing dysfunctional effects. The practitioner theory underlying that politicians and public sector are the principal actors in macro socio-economic policy, the major advantage of support the vectors of public management is that they have ability to improve infrastructure and to make an architect of an enabling environment for national development (Mayne, 2017; Van Dooren, et al. 2015).

Empirical research into the size and development of the performance measurement in the public sector has grown rapidly, some authors have discussed the history of performance measurement and the value of performance measurement (Bouckaert, 1992; Newcomer, 1997; Wholey, 1999). We find some empirical evidence regarding the obstacles to performance measurement (Ammons 1992; Kravchuk & Schack 1996; Mann, 1986) and in line with above, (Bowden, 1996; Marshall, 1996; Newcomer & Wright 1997b) highlights the experiences of public organizations with performance. To extensively evaluate and discuss the itinerary of this concept, regarding estimation methods (Halachmi, 1998; Hatry, 1999; Newcomer, 1997, Wholey, 1999) relate some methods for promoting continuous improvement through performance measurement (Halachmi, 1998; Hatry, 1999; Newcomer, 1997; Wholey, 1999).

The contemporary periods point out the significance of management strategies as a driver of the place of economic undertaking. As well, The European Union, with the Europe 2020 Strategy, has also adopted a strategy for sustainable and inclusive growth that also imply that policy makers decisions to be capable to improve their performance across all facets to better deliver the outcomes of their respective governments. As far as over many years, across many countries, we find a little improvement in the perception that employee performance is effectively managed in the public sector, it is required that these policies to address some key characteristics such as: efficiency, effectiveness, economy. In line with this, literature highlight the implications of challenges in the provision of adequate feedback, establishment of realistic performance expectations, recognition of the contribution of public private partnership, and a clear recognition of the role of the public manager in optimizing public sector performance (Armstrong & Murlis, 2004; Becker, et al. 2011; Mannheim, 2013; Blackman et al. 2013b). In the context of a grow number of researches on the subject of performance measurement we can suppose that it claims about its effectiveness and we can talk about a movement toward its universal acceptance in support of better government. Instead, the literature show that performance measurement is still not being used in many public organizations, sometimes for good reasons and sometimes not (Hatry, 1999; Perrin, 1998, Mayne, 2017).

This paper aims to analyse the performance paradox in the public sector, more exactly to illuminate the paradoxes of introducing different performance management systems with specific KPIs used in the literature and to corelate their implication with the statute of progress in public sector performance. At the beginning of this theoretical approach some questions were asked: at what point is, after almost twenty years, the organizational renewal of public administration and what judgment can be given, what is or has not been done?

## **2. METHODOLOGY**

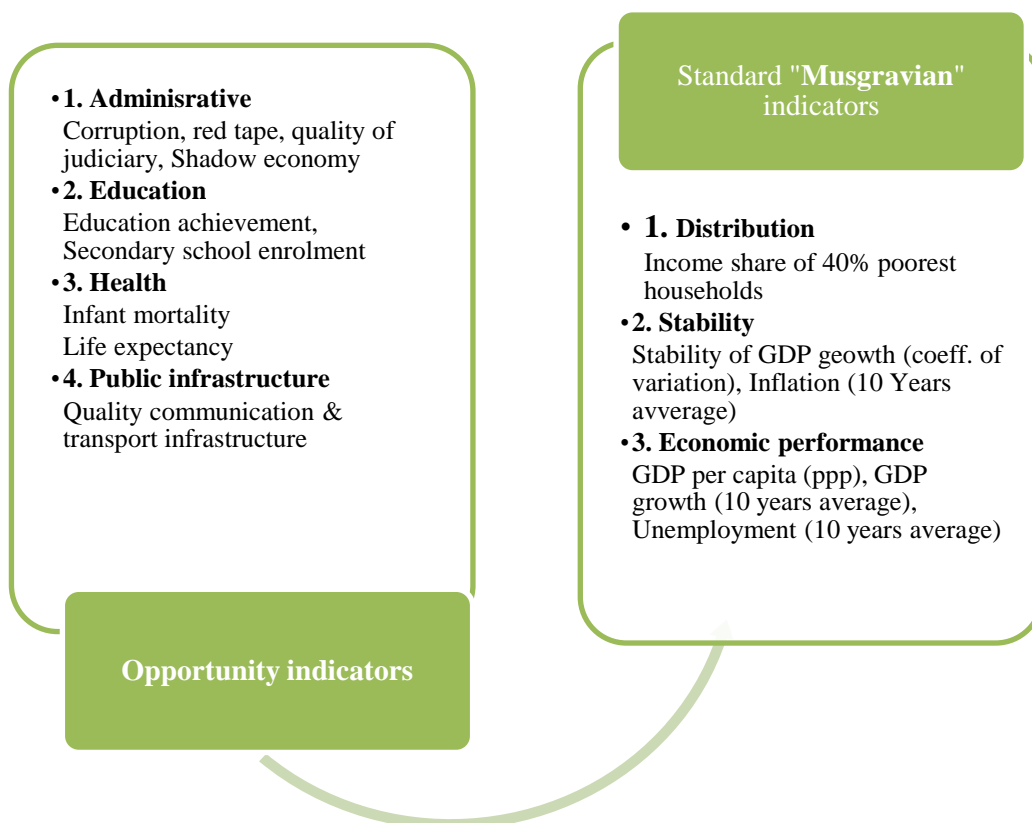
The mechanism of scientific research is based on the use of qualitative research methods, referring to the fundamental and applicative investigation of the situation of public management strategies and the procedure for the selection of performance indicators (KPIs). The paper will also be carried out with the help of documentary analysis, referring to the national and international literature and

comparative analysis. Starting with public performance indicators used in the literature and continuing with a comparative overview of public administration characteristics and performance in EU28, the paper illustrates that public administrations deficiency it could not be that the system of public administration moved, to his internal, not homogeneously, at different speeds. Too many variables intervene to influence the outcome of a change management process, and these variables they also take on very different characteristics from one entity to another. Waiting for research capable of confirming or denying it, the most plausible hypothesis on which it is it could be betting is precisely that of an extremely panorama differentiated, made up of entities that have changed substantially and others who are there they have tried succeeding only marginally, from entities that are only themselves "Changed clothes" and others who have totally missed the appeal.

### **3. RESULTS AND DISCUSSIONS**

#### **3.1. The Main Indicators of Public Sector Performance and Their Implications at the EUs Countries**

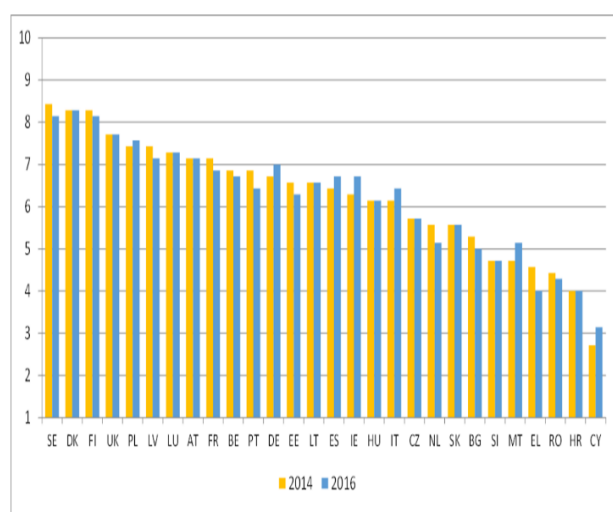
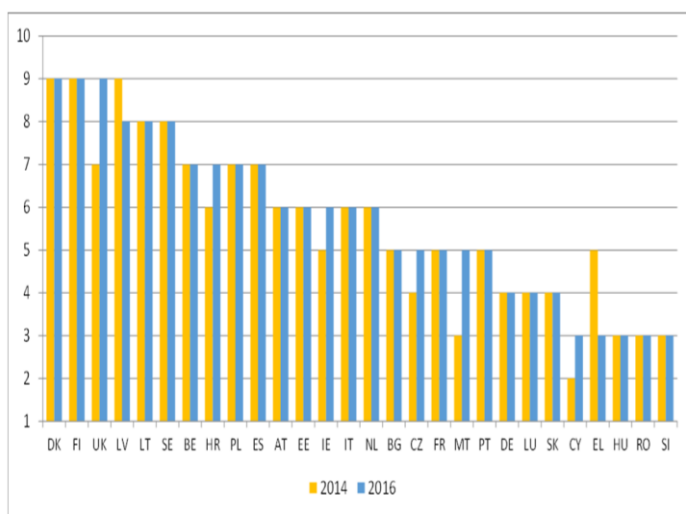
Starting with public performance indicators used in the literature, we first analysed the overview picture of public sector performance (PSP) indicators. Considering the elements found in the literature, with reference to (Afonso, Schuknecht, & Tanzi, 2005) work and the implications of the economic doctrine, we have established the main components for measuring the public performance. Thus, as can be seen in Figure 1, in literature it has been established four sub-opportunity indicators: the performance indicators in education, health, public infrastructure, administrative performance of the government, and others three sub-indicators took from Musgrave, which reflect the goals which should be pursued by any government: stability, distribution, economic performance. The main idea is that the most paper analyse in different manner these indicators and sometimes, at local level, too many variables intervene to influence the outcome of a change management process, and other variables they also take on very different characteristics from one entity to another.



**Figure 1. Total public sector performance (PSP) indicators**

*Source: Afonso, Schuknecht & Tanzi (2005)*

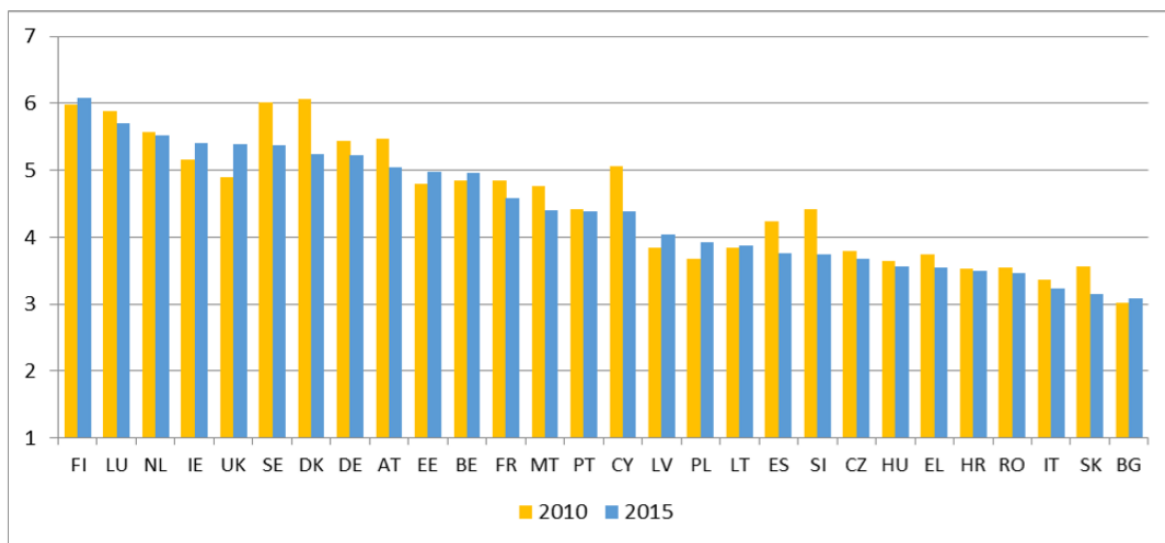
Following the overview of public administration characteristics and performance goals in EU28, it is found that strategic planning units and bodies, correlate with the implementation capacity have a direct influence on government decision-making, so it is really important to include this indicator when we measure total public sector performance, because it is the mirror of sustainable governance and public performance should achieve this objective. On the other hand, as can be seen in Figure 2, this indicator really reflects the situation of EU level from the point of management capacity, with low level on the profile of country like Romania, Hungary or Cyprus's, the idea being supported also by the result related in Figure 3.



(1)

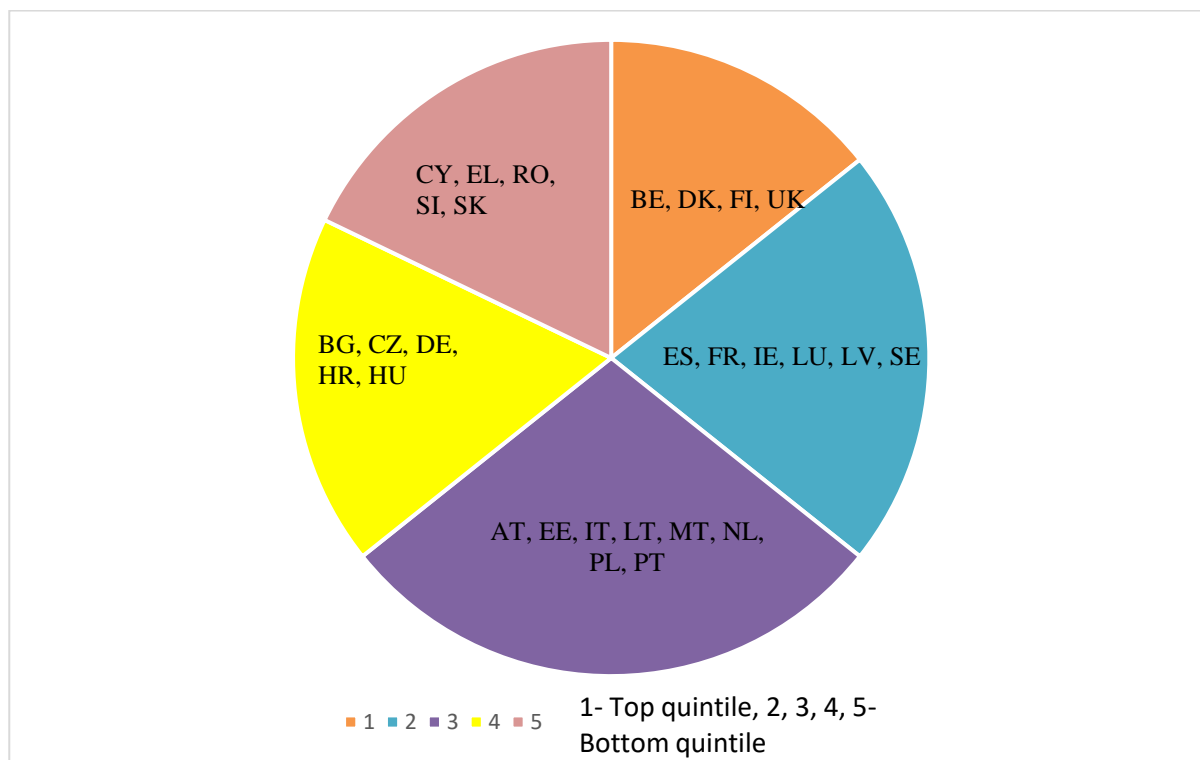
(2)

**Figure 2. Strategic planning capacity (1) and Implementation capacity (2) (1-10)**  
 Source: Schraad-Tischler (2014); Sustainable Governance Indicators



**Figure 3. Public sector performance (1-7)**  
 Source: World Economic Forum (Global Competitiveness Index) (2015)

Following the dimension used in EUPACK, through 4 comparative indicators, figure no. 4, relate the overall assessment of management and organisation in EUs countries. As can be seen, starting with Belgium and Denmark, the performing group is joined by the Finland and United Kingdom. Analysing this data in correlation with the results of public performance related by World Economic Forum (Figure 3), it is clear that that the system of P.A. moved, to his internal, not homogeneously, at different speeds and there are too many variables intervene to influence the outcome of a change management process, and these variables they also take on very different characteristics from one entity to another. As a part of public sector performance, the overall assessment of management and organisation put four countries on the top, but only two can be found in top five best public sector performance result (FI and UK).

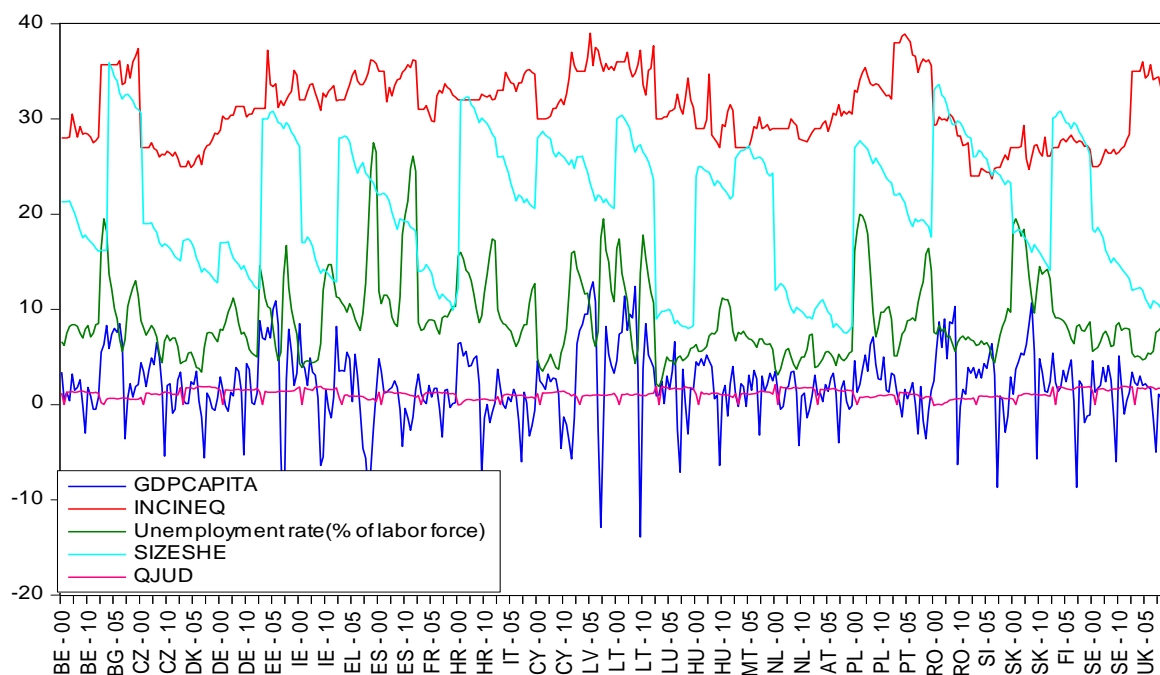


**Figure 4. Overall assessment of management and organisation**

Source: European Commission, EUPACK project (2015)

As expected, performance management systems as valid tools to promote productivity in the public sector show that experiences gained in the countries most oriented towards this approach do not seem to offer univocal indications. There isn't a common line regarding the variables that intervene to influence the outcome of a change management process, and most of the variables are taken on very different characteristics from one entity to another, this may be the reason why the performance paradox in the public sector is deepening and in almost 5 years, the evolution of public sector performance is little yet (as can be seen in figure 3).

Figure 5 reveals a brief retrospective of three main dimensions of public sector performance previously listed in figure no.1. Alike figures 3 and 4, there is causality between the three dimensions of public performance. The administrative one, in which case we have the GDP percentage of underground economy (size shadow economy-SIZESHE) and Regulatory quality (QJUD) it is in a long run causality relation with economic performance indicators (GDP per capita and unemployment). Thus, observing that countries with a strong economic performance, namely high GDP values and a downward trend in unemployment, also record positive values for quality of judiciary and size shadow economy. As can be seen, in countries such as Bulgaria, Spain, Cyprus, Romania, the lower the GDP per capita, the biggest the social disparities. The high recorded unemployment or underground economy, then the lowest are the regulatory quality values. This consolidate that we can't talk about stability, distribution or economic performance and public performance need to be improved, being faced with many challenges.



**Figure 5. The evolution of three main dimensions regarding public sector performance in EU countries**

*Source:* Authors' work, using the data provided by World Doing Business, World Economic Forum, European Commission, World Data Atlas.

### 3.2. Performance Management Challenges in Public in Sector

Contemporary period, with the process of globalization and main administrative reforms, highlight that policy makers actually have little idea of what it means to apply public performance management to real functioning public organizations. As in private itinerary (referring to the implications of companies), the public system plays a major role in consolidate economic environment and serve as an engine in the global economy's transition toward sustainable development.

If we started from the point of recommended models and tools in public administration, some challenges appear in the context of consolidate specific strategies capable to succeed in achieving their missions. Even if they're using recommended models and tools, often applying them in the wrong way or wrong context and therefore not seeing the results they would hope for. In line with above, we can judge that a first step regarding challenges move to the motivation, morale and behaviour of human resources. It is very important to emphasize the appropriate motivation, to consider the elimination of the prejudices, and as far as the change comes from the inside, need to continue with the judicious justification of the itinerary of the activity, considering the size of the above-mentioned indicators (those of opportunity and Musgravian indicators).

Given that New Public Management (NPM) theory can improve the low level of managerial culture, we can say that the reduction of bureaucracy can't be possible without a consolidation of the audit society and, in the same time, of independent institutions capable to responsibly decisions makers. On the other hand, following that the policy design and implementation intensity of NPM varies between countries, it is really necessary to recognize a system capable to consolidate a value system and a benchmarking model against common indicators. More specifically, for example, referring to the indicators mentioned in the previous paragraphs, it is necessary to refer to the use of the same measurement unit in the public sector performance dimensioning. If the component of the economic performance, part of the Musgravian indicators, is GDP per capita, then this it should be used, not



another proxy. In this way will be included the idea of a global measure of performance. This point of view is validated in the literature and following Abrahamson, (1996), Arndt & Bigelow, (2000); Arnaboldi & Lapsley, (2008); Pollitt, (2009), it is required that NPM approach to rely to the introduction of benchmarking, the Balanced Scorecard model and lean management into many public services, with mixed results. In this way will give a special attention and linearity of the indicators used and the latest managerial fads and fashions.

There is much consensus that while public service organisations are not in competition and therefore open to sharing performance information, the management of public resources is an important determinant of performance. Focussing on performance and embracing the concept of benchmarking it will be necessary to consolidate solid mechanisms capable to reduce the implications of political stakes to the detriment of judicious management of public finance mechanisms. The final output being the satisfaction of the citizen's interest and create a favourable environment for development that positively affects the standard of living and reduce social inequalities. Overall, performance management is a big challenge facing public services and this lead of course to the identifications of some vulnerabilities: the low level of managerial culture in a sector which experiences many political influences, the pressures for social change, the implication of public reforms.

#### 4. CONCLUSIONS

The present paper examines the implications of extent public strategies and specific key performance indicators (KPIs) on the status of achieved public performance across European Union member countries. Our findings provide empirical evidence for the need of developing systems capable to handle contested and multiple performance indicators, striking a balance in the degree of 'measure pressure' and minimizing dysfunctional effects.

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