

# The Origins of Performance Measurement

Many trends and conditions inside and outside of government have driven the current widespread interest in the use of performance measurement to improve the performance of government in general and the individual organisations which comprise it. These factors are discussed at length elsewhere and therefore need only be briefly listed here:

- the stressed financial condition of most governments with accumulated debts and annual deficits, which are only now being brought under control;
- the turbulent and unpredictable environment of today's public sector which requires governments to have both a sense of direction and the capacity to respond expeditiously to unforeseen changes, creating a need to track trends and developments more carefully than in the past;
- the impact of new public management philosophies, which are leading, rhetorically at least, to an insistence on results rather than an adherence to prescribed procedures, to the removal of excessive central agency controls over line departments, the delegation of more authority to public managers;
- the transfer of program and service responsibilities to other orders of governments (usually at the provincial/state or local level) and to the private for-profit or non-profit sectors of society;
- the need to respond to several decades of slow, but steady decline of public trust and confidence in governments by strengthening accountability and improving communication with respect to public programs;
- the need to respond to the growing public insistence that service quality in the public sector must improve; and
- the opportunity to take advantage of the refinements in analytical techniques and new information technologies, which enable more sophisticated tracking of the success of programs and offer opportunities to improve the democratic dialogue over public policy.<sup>1</sup>

The spread of performance measurement reflects and reinforces these trends. From the perspective of this paper, it is important to note that both external, 'political' forces as well as internal, 'managerial' considerations lie behind the recent popularity of performance measurement. This means there is the risk that what began as a managerial tool in the private sector, namely performance measurement, will be mistaken for a solution to essentially political problems that have arisen from the fundamental changes taking place outside and within public sector organisations.

Another way to analyse the emergence of performance measurement is to think of the existence in the contemporary public sector of four types of deficits. During the 1980s and the 1990s, most of the talk, and nearly all the actions of governments, were intended to deal with the 'financial' deficit. However, by the end of those decades, there was a growing recognition of the existence of three other types of deficits. First, there was a 'social deficit', consisting of the unmet needs arising from the cumulative impact of two decades of budgetary restraint and cutbacks. Second, there was a 'performance' deficit consisting of the gap which the public perceived between what they were paying for government in terms of taxes and the value of the programs and services they were receiving, which seemed to be less than in the past. Thirdly, there was the so-called 'democratic deficit' which refers to the declining legitimacy and public confidence in political institutions, such as elections, political parties, legislatures, governments and public services. Empirical studies suggest that the sources of public discontent with the political system are many, including both short-term and long-term factors.<sup>2</sup> This means that a single institutional reform or set of reforms is not likely to completely resolve the problem. Adoption of performance measurement and performance reporting has often been oversold as a solution to all four types of deficits — financial, social, performance and democratic. Realism requires a recognition that its contribution is likely to be limited, especially to the co-called democratic deficit.

In summary, performance measurement achieved popularity in response to the difficult changing conditions of the public sector at the end of the 20th century. However, the concept was not brand new. It had been part of the 'grab bag' of private management techniques — such as planning, programming budgeting, management by objectives and total quality management — applied to the public sector, with generally disappointing results, during earlier decades. Back then performance measurement was being used to guide the expansion of the public sector in an era when money was more available and public services were growing, and public confidence in the capacity of governments to achieve progress was relatively high. Today resource scarcity, downsizing of public services and public scepticism towards the role of government are the prevailing conditions. This makes performance measurement a potentially threatening activity for both the producers and the beneficiaries of public programs. Faced with the stresses described above, beleaguered public sector leaders, whether elected or appointed, have been under intense pressure to improve the performance and the reputations of the organisations they lead.

## ENDNOTES

<sup>1</sup> See Arie Halachmi and Geert Bouckaert (eds.). *Organisational Performance and Measurement in the Public Sector*. Westport, Ct. Quorum Books, (1996) and John Mayne and Eduardo Zapico-Goni (eds.). *Monitoring Performance in the Public Sector: Future Directions from International Experience*. New Brunswick, N.J. Transaction, 1997.

<sup>2</sup> See the discussion and the sources found in Paul G. Thomas, 'The Impact of Information Technology and the Future of Representative Democracy' in Maurice Demers (ed.). *Governance in the 21st Century*. Ottawa: Canadian Centre for Management Development, 2001.