

PEFORMANCE MANAGEMENT IN GOVERNMENT:
A COMPARATIVE STUDY OF THE UK AND KOREA

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Abstract

Performance management, which is a core element of the New Public Management (NPM), has maintained its significance both in academic and practical perspectives for many scholars and governments, although enthusiasm for the NPM has waned since the late 1990s. There have been debates on the universality of the NPM, and the divergence argument regards the practices and trajectories of specific reforms as being shaped by the different characteristics of politico-administrative and cultural systems. Through the comparative study of performance management based on the case studies in the UK and South Korea, this thesis demonstrates that the processes of a NPM-type reform can be similar in spite of differences of politico-administrative and cultural characteristics. It examines performance management systems in the two countries in terms of the speed and nature of reform, resistance to reform, use of performance information and importance as a control mechanism. The comparison is also useful for lesson-drawing for the improvement of current systems. This research has been conducted by undertaking a wide literature review, including journal articles and government papers, and by conducting semi-structured interviews.

To undertake analysis and comparison of performance management systems, the thesis looks at the Public Service Agreements (PSAs) in the UK and the Government Performance Evaluation (GPE), Financial Performance Management System (FPMS) and Performance Agreements in Korea. Case studies have been carried out with the Department of Health in the UK and the Ministry of Government Administration and Home Affairs in Korea. The PSA system has problems generated by excessive central control and lack of participation of professionals and front-line staff. In Korea all three performance management systems are based on evaluation. Departments used evaluation as a tool of exercising control, which resulted in duplication of evaluation and excessive bureaucracy. Focus on the process-oriented evaluation has undermined the value of the systems for improving public services. Whilst the two countries display differences in the fundamental approach to performance management, there are similarities in the detailed practices and trajectories in the operation of the systems. The reason for these similarities may be attributed to the strong leadership of top politicians in both countries.

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List of Abbreviations

ALB	Arm's Length Body
AME	Annually Managed Expenditure
BAI	Bureau of Audit and Inspection
CBE	Commander of the British Empire
CEO	Chief Executive Officer
CHAI	Commission for Healthcare Audit and Inspection
CHI	Commission for Healthcare Improvement
CJS	Criminal Justice System
CSC	Civil Service Commission
CSCI	Commission for Social Care Inspection
CSR	Comprehensive Spending Review
DCMS	Department for Culture, Media and Sport
DCSF	Department for Children, Schools and Families
DEL	Departmental Expenditure Limit
DIS	Departmental Investment Strategy
DSO	Departmental Strategic Objectives
FMI	Financial Management Initiative
FOI	Freedom of Information
FPMS	Financial Performance Management System
GAO	Government Accountability Office
GCSE	General Certificate of Secondary Education
GDP	Gross Domestic Product
GP	General Practitioner
GPE	Government Performance Evaluation
GPEC	Government Performance Evaluation Committee
GPEFA	Government Performance Evaluation Framework Act
GPRA	Government Performance Results Act
HRD	Human Resource Development
HRM	Human Resource Management
IMF	International Monetary Fund
IT	Information Technology
KDI	Korea Development Institute

LDP	Local Delivery Plan
MBO	Management by Objectives
MOD	Ministry of Defence
MOGAHA	Ministry of Government Administration and Home Affairs
MOHW	Ministry of Health and Welfare
MPE	Major Policy Evaluation
NABO	National Assembly Budget Office
NAO	National Audit Office
NHS	National Health Service
NICE	National Institute for Health and Clinical Excellence
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
OGPC	Office for Government Policy Coordination
OMB	Office of Management and Budget
PAR	Programme Analysis and Review
PART	Programme Assessment Rating Tool
PCGID	Committee on Government Innovation and Decentralisation
PCT	Primary Care Trust
PES	Public Expenditure Survey
PESC	Public Expenditure Survey Committee
PFO	Principal Finance Officer
PMDU	Prime Minister's Delivery Unit
PMSU	Prime Minister's Strategy Unit
PPBS	Planning, Programming and Budgeting System
PSA	Public Service Agreement
PSX	Public Services and Public Expenditure
SCS	Senior Civil Service
SDA	Service Delivery Agreement
SHA	Strategic Health Authority
ZBB	Zero-based Budgeting

Chapter 1

Introduction

1. The Purpose and Significance of Research

Performance management can be defined as an instrument or a process of using resources more efficiently and effectively for the purpose of improving services through a series of activities such as setting objectives and targets, measurement and monitoring. With the growing interest, especially since the 1980s, many scholars and experts have suggested various theories and prescriptions in the field of performance management. Some of them are related to the theoretical aspects of performance management, others are more related to the practical aspects of performance management. Discourse on the reasons for measuring performance and ideal model of performance management reflects the theoretical aspects of performance management, and the explanations and suggestions for designing performance targets and indicators are the examples for the practical efforts to improve performance management. Influenced by such theories and prescriptions, many governments are now adopting performance management systems in order to improve efficiency, effectiveness, accountability and the quality of public services. Phrases such as performance-related pay, performance bonus, performance indicators and performance budgeting indicate the increased interest in performance.

One important point in this trend is that the approach taken by many governments and experts seems to have been more focused on the practical aspects of performance management whilst they are less interested in seeking to build desirable system with the consideration of theoretical elements to find the right way. Indeed, there has been very small number of academic literature containing theoretical discussions on performance management, although it has increased recently. Academic discussions on the Public Service Agreements (PSAs), which is the main performance management system in the UK central government, are also rare despite the important position and impact of the system. Although theories cannot always be helpful in solving the practical problems and sometimes they might be irrelevant, pondering on the meaning and implication of theories can be a useful way of approaching current problems. In this regard, this thesis generalises theoretical discussions and applies them to the case

studies. Then it tries to find solutions to the problems discovered in the processes of performance management.

Comparison of Performance Management between the UK and Korea

Performance management in the public sector has been one of the core elements of the New Public Management (NPM) (Pollitt 2007b: 150) and is important to ensure the effectiveness of other NPM-type reforms. In the UK, various NPM-type reforms have been introduced by the Conservative government in the 1980s and 1990s such as using performance indicators, agencification through the Next Steps, market testing and privatisation. Thus, the UK has been presented as one of the countries where the NPM-type reforms were most substantially implemented (Bouckaert and Halligan 2008: 131). In Korea, however, it was only in the late 1990s that the introduction of the NPM-type reforms was seriously considered. In 1997 the bankruptcy of conglomerates or *chaebol* quickly influenced the stock market where international funds withdrew and foreign exchange rates soared. This economic crisis facilitated reforms in both the private sector and the public sector. The introduction and application of the NPM-type reforms in Korea was an urgent attempt to remedy inefficiencies in the public sector and overcome the crisis. In this background, there was not enough time for the Korean government to systematically consider the theoretical basis of the NPM and performance management before the introduction. As a result, the introduction of performance management system in the Korean government is quite different from that of other countries and the operation of performance management contains serious faults as shown in the later chapters.

It has always been the question of the author, who is a mid-level civil servant of the Korean government, ‘why the Korean government has such a performance management system?’, ‘how such a system has developed and how can we remove the problems and improve the system?’ The answer may be found from the comparison with one of the developed countries where performance management is in operation for far more years. Because the UK is thought to have a strong tradition of the NPM and well-established performance management system, the comparison between the UK and Korea is expected to suggest some useful ideas to Korea. The problems in Korea might be originated from the intrinsic nature of the political and cultural traditions which are not favourable to the NPM-type reforms. It might be due to the shortage of consideration of the theoretical aspects of performance management including the very

basic question such as ‘what is performance management?’ The analysis and discussions for the comparison to find the answers to those questions would be useful not only for illuminating the problems and solutions which are the primary concern of the practitioners but also for developing and strengthening theories of performance management in the wider public administration and political science.

Testing the Theories of Divergence of the New Public Management

As explained in the next section, there have been debates on the convergence and divergence of the NPM-type reforms. Up until now it seems that the advocates of the divergence argument are holding a dominant position. Their arguments that the detailed practices in each country are affected by the politico-administrative and cultural elements are quite reasonable and persuasive. However, this thesis examines their theory with more convincing examples from performance management in the UK and Korea. Depending on the results of the comparison in this research, one of the theories would be supported by strong evidence.

To examine the divergence theory, some hypotheses are drawn under the assumptions of the divergence theory, and data on the detailed practices are gathered through the empirical case studies in both the countries. The data of each country are compared with each other with the consideration of the theoretical model of performance management explored in Chapters 2 and 3.

The Significance of Research

This thesis analyses the operation of performance management systems in the UK and South Korea to discover the similarities and differences in the design and implementation of NPM-type reform in these two countries, which would be useful for solving problems in any country. Finding the reasons for the similarities and differences expands the range of discussion to the theoretical debates concerned with the convergence and divergence of the NPM-type reforms. The implication of the similarities and differences between the two countries, which have quite different political and cultural backgrounds, would be useful for testing the theories of both convergence and divergence of the NPM. In addition, the theoretical review conducted before the case studies to collect empirical data for the comparison will add the value of this research in that it integrates many fragmented and scattered discussions surrounding the theme of performance management into one comprehensive set of explanations.

Summarising the purpose and objects of research, this thesis compares the performance management systems between the UK and Korea to find some practical solutions for the problems of performance management. In due course, it includes testing the divergence theories of the NPM which is the key element of performance management. Through these theoretical and practical considerations, this thesis tries to find out the measures to remove problems and make the performance management system more close to the ideal type. The thesis also seeks to contribute to the literature on UK performance management and its integration with public spending. This research reveals that there has been surprisingly little applied work on the PSA system and the chapters that deal with the evolution and operation of the PSAs seek to provide an original perspective. As the first step, this introductory chapter looks at the history and the elements of the NPM briefly, and then presents the framework of analysis and comparison applied to the whole thesis.

2. The Development of the New Public Management

The Advent of the NPM

The NPM is a label attached to a series of new management techniques commonly found in the public sector of some OECD countries since the mid-1980s. Features of the NPM have been most salient in New Zealand, Australia, the UK and the US. The main idea of the NPM is to transform the public sector into a more efficient and effective managerial system by focusing on results, customer-orientation and value-for-money. Several factors explain the advent of this paradigmatic shift. The first is the political rise of the 'New Right' represented by Thatcher and Reagan (Homburg *et al.* 2007: 4; Pollitt 2003: 36). Both of them became heads of their governments during the same period of economic downturn characterised by high public sector debts with rising expectation on the part of the public for high quality public services with less costs (Pollitt 2003: 35-36). In response to this situation they introduced reforms to improve the efficiency of the public sector based on the ideals of a minimal state and mechanisms which would ensure the freedom of the market. The second is the influence of the 'new institutional economics' – which has prevailed since the mid-1970s with theories such as transaction cost theory and principal-agent theory – and public choice theory (Hood 1991: 5-6; Gruening 2001: 5-7; Homburg *et al.* 2007: 4). Academic

proponents of public choice theory argued that bureaucracy is intrinsically inefficient, wasting resources. They argued that the principles of the free market should be applied to cure it. The third is 'managerialism' which favoured the application of private business management techniques to the public sector (Hood 1991: 5-6; Gruening 2001: 1) so that one characterisation of the NPM is simply that it involves emulation of the private sector. However, none of these factors can alone explain the advent of the NPM. In fact, the NPM was the result of the aggregation of theories and practical movement in that particular period of history. Moreover, the NPM did not start as a coherent theory or systematic movement. There were disparate, and sometimes contradictory themes in the practices described as the NPM (Ferlie *et al.* 1996: 10; Homburg *et al.* 2007: 2).

In spite of the fundamental weaknesses associated with ambiguity in its origins and definition, the NPM has gathered substantial interest from academics due to its wide prevalence and significance in some countries. Thus, it has been regarded as a global trend of public management by a group of commentators (Osborne and Gaebler 1992; Halligan 1996; Kettl 2000), which invoked the dispute of convergence versus divergence of the NPM. However, the current popularity of the NPM is not as high as it was in the 1980s. Indeed, Olsen (2006: 15) argues that the enthusiasm for the NPM has been waning since the 1990s. More baldly, Dunleavy *et al.* (2006: 468) contend that it 'has essentially died in the water.' Yet, comparing performance management, which is one of the elements of the NPM, between the UK and Korea is still useful for both academic and practical purposes. Despite the exaggerated 'death' of the NPM, performance management is still in its heydays and it will not die as easily as the NPM.

The Elements of the NPM

Although there are variations among the countries where the NPM-type reforms were introduced, some common features can be extracted. Table 1.1 outlines the elements of the NPM suggested by Hood (1991: 4-5) and Pollitt (2003: 27-28). They are based on the problems of traditional bureaucracy characterised by inefficiency, lack of responsiveness and excessive adherence to rules. In spite of the variety of the elements, the main idea of the NPM can be defined as improving the quality of public services through greater efficiency and a focus on results. In other words, the NPM seeks to improve performance in the public sector, which indicates the important position of performance management (Pollitt 2007b: 150).

Table 1.1 The Elements of the NPM

Critics	Elements of the NPM
Hood (1991)	<ul style="list-style-type: none"> ▪ ‘Hands-on professional management’ in the public sector ▪ Explicit standards and measures of performance ▪ Greater emphasis on output controls ▪ Shift to disaggregation of units in the public sector ▪ Shift to greater competition in public sector ▪ Stress on private sector style of management practice ▪ Stress on greater discipline and parsimony in resource use
Pollitt (2003)	<ul style="list-style-type: none"> ▪ Shift towards measurement with performance indicators and explicit standards ▪ Shift in the focus of management from inputs and processes towards outputs and outcomes ▪ Preference for specialised, ‘lean’, ‘flat’ and autonomous organisation ▪ Substitution of contracts for formal, hierarchical relationships ▪ Much wider-than-hitherto deployment of market-type mechanisms ▪ Emphasis on service quality and consumer orientation ▪ Broadening and blurring of the frontiers between the public sector, the market sector and the voluntary sector ▪ Shift in value priorities away from universalism, equity, security and resilience, and towards efficiency and individualism

Convergence vs. Divergence Arguments

Surrounding the issue of the universality of the NPM, there have been continuous debates among many commentators. Those who claim that the NPM is a universal trend emphasise the converging aspect of commonly introduced reforms. Two American consultants, Osborne and Gaebler who initiated the ‘reinventing government’ framework, argued that:

If the rise of entrepreneurial government is an inevitable shift rather than a temporary fad, as we argue, one would expect it to happen in other nations as well. And to a startling degree, it has. A similar process of transformation is underway throughout the developed world (Osborne and Gaebler 1992: 328).

In addition, a British minister of the Treasury said:

All around the world governments are recognizing the opportunity to improve the quality and effectiveness of the public sector. Privatization, market testing and private finance are being used in almost every developed country, and it’s not difficult to see why (Dorrell 1993 cited Pollitt and Boukaert 2004: 201).

More recently, two professors of political science argued:

The argument in this book is that not only is there a new model of public sector management (NPM) but also that this model of public sector management will be more and more accepted in the countries of the world, whatever civilization they adhere to. Thus, it predicts the convergence in styles of public sector management around the world despite all cultural and religious differences that set countries apart (Lane 2000: 2).

The movement has been so striking because of the number of nations that have taken up the reform agenda in such a short time and because of how similar their basic strategies have been (Kettl 2000: 1).

These scholars and commentators regard the universality of the reforms as inevitable in spite of the different backgrounds of the countries as clearly noticed from the argument of Lane (2000: 2).

However, many scholars have been in opposition to their claims (Hood 1995; Pollitt and Summa 1997; Ferlie *et al.* 1996; Pollitt 2001b; Lynn 1998). The critics of convergence emphasise the different background and trajectory of reform in spite of the similarities of the appearance. Among those critics, Pollitt (2001b, 2003, 2006a, 2007a, 2007b) is at the centre of the debate. He argues that in spite of the broad trends in ideas, ‘the interpretation and implementation (and the results from that implementation) have been far patchier, messier, diverse and reversible’ (Pollitt 2003: 38). Through a series of research-based publications he has shown the differences between the NPM-type reforms in European countries (Pollitt and Summa 1997; Pollitt and Bouckaert 2004; Pollitt 2006a, 2007b; van Thiel and Pollitt 2007). In addition to the argument of the divergence of the NPM, he suggests four types of convergence for more refined analysis as displayed in Table 1.2.

Table 1.2 Types of Convergence of the NPM-type reforms

Type of Convergence	Converging Elements
Discursive Convergence	Talk about a particular reform
Decisional Convergence	Decisions to adopt the reform, for example, in a government white paper or Parliamentary statement
Operational Convergence	Implementation, or the actual changes in practice
Results Convergence	Results brought by the changes in practice

Source: Extracted from Pollitt (2001b, 2003, 2007a)

Classifying the aspects of convergence into the four types, he says:

the different experts are actually talking about different things (Pollitt 2007a: 14).

part of the disagreement between experts about the extent of convergence is because they are looking at different stages of convergence. In addition, some of the belief in convergence may arise from the superficial application of labels and terms which turn out to embody both different meanings and different practices when examined more closely (Pollitt 2007a: 16).

His concluding argument is that although the ‘Reinventing Government’ school claim that operational convergence – even results convergence in some cases – is widespread, convergence is typically partial or superficial so that ‘much of the convergence is actually’ of the discursive or decisional types (Pollitt 2001b: 944). He supports those arguments with research on the different trajectories of actual reforms in different countries, and suggests that the different political and cultural systems bring about the differences in actual practice (Pollitt 2006a, 2007b; van Thiel and Pollitt 2007). Such a classification of convergence into four different types and the analyses based on the classification seem to have made the debates on convergence of the NPM more precise and balanced. The next section illuminates the factors causing the diverse practices of the NPM.

3. The NPM and Politico-administrative and Cultural Background

Defining the reason of the divergence of the NPM-type reforms has been the contribution of Pollitt (2004, 2006a, 2007a, 2007b) and Pollitt and Bouckaert (2004). They suggest politico-administrative and cultural differences as the driving forces of the divergence.

Politico-administrative Systems

Borrowing from comparative study, Pollitt and Bouckaert (2004: 40-41) outline five features of politico-administrative systems:

- (a) the state structure including the constitution,
- (b) the nature of executive government at the central level,
- (c) the way relationships work between political executives (ministers) and top civil servants (‘mandarins’),
- (d) the dominant administrative culture, and

- (e) the degree of diversity among the main channels through which the ideas come that fuel public management reform.

Among those features three come out as important elements in explaining the divergence of reform. Their discussion of the state structure is about the degree of coordination within the state including federal or centralised structures. It is expected that reforms of broad scope and uniform practice are more likely to occur in highly centralised states, because new initiatives driven by the central government can spread quickly and widely with less local interference (Pollitt and Bouckaert 2004: 43). The nature of executive government is related to whether it operates in accordance with majoritarian or consensus-oriented systems (Lijphart 1984, 1999 cited Pollitt and Bouckaert 2004: 40). The single-party majoritarian system of government enables reforms to be implemented faster and wider with its procedural swiftness (Pollitt 2006a: 38). The administrative culture refers to the normal and acceptable beliefs and attitudes in public administration and is represented by the *Rechtsstaat* model and the 'public interest' model. According to Pierre (1995: 8 cited Pollitt and Bouckaert 2004: 52), 'Most public administrative systems seem to be guided either by the *Rechtsstaat* model or by the Anglo-Saxon notion of the "public interest"; very few systems fall between these two models.' *Rechtsstaat* refers 'state governed by law' or 'administration by law' which means that administrative action should be based on a law (Zamboni 2003: 22). States like France and Germany are the examples of the *Rechtsstaat* model and the UK, USA, Canada and New Zealand are of the 'public interest' model. In *Rechtsstaat* states, it is expected that the reforms would be slower and more difficult to implement due to the law change process required for the shift to new managerial culture (Pollitt and Bouckaert 2004: 53). The aspects of using performance information in other managerial purposes like budgeting or HRM are also expected to be less ambitious in *Rechtsstaat* states than in the states of the 'public interest' model (Pollitt and Bouckaert 2004: 92).

The Culture of Governance

Cultural difference is suggested as another driving force of the divergence of the NPM-type reforms. Pollitt and Bouckaert (2004: 54-55) and Pollitt (2006a) borrow the study of Hofstede (2001) on the difference of general culture in 50 countries. Hofstede (2001) studied the following five dimensions of culture across 50 countries: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity and long-term versus short-term orientation. He quantified the differences

among countries by scoring each dimension of culture. Although his study does not specifically treat the culture of politics or public management, it still provides useful insights for analysing the reforms implemented in a broad sense (Pollitt and Bouckaert 2004: 55). Pollitt (2006a: 28) points out that uncertainty avoidance and individualism versus collectivism are the factors that cause the different trajectories of reform. He concludes that a culture with high uncertainty avoidance and high collectivism is likely to be less acceptable of the NPM-type reforms, which are, by nature, risk-accepting and individualistic (Pollitt and Bouckaert 2004: 55; Pollitt 2006a: 28).

Summary

As explained above, Pollitt and Bouckaert (2004) and Pollit (2006a) suggested the factors affecting the trajectories of reforms. They are summarised in Table 1.3, which divides those favourable to the NPM and those unfavourable to the NPM. The next section considers the politico-administrative and cultural characteristics of the UK and Korea to examine whether the two countries are in similar or different settings. Then it suggests working hypotheses on the ground of their similarities or differences in the settings.

Table 1.3 Features Causing the Divergence of the NPM

	More favourable to NPM	Less favourable to NPM
Politico-administrative Systems	Centralised state Majoritarian 'Public Interest' model	Fragmented state Consensual <i>Rechtsstaat</i> model
Culture of Governance	Low uncertainty avoidance Individualism	High uncertainty avoidance Collectivism

4. Applying the Framework to the UK and Korea

Politico-administrative Systems

The UK has been one of the leading countries to implement NPM-type reforms. The Conservative government in the 1980s and 1990s introduced various NPM-type reforms such as agencification with the Next Steps, internal market and privatisation. In

the New Labour government, extensive use of performance targets reinforced the NPM-type measures. The wide range of rapid and vigorous reforms in the UK is attributed to its political and cultural characteristics which fit the NPM-type reforms. Accordingly, the highly centralised, majoritarian and ‘public interest’ model of government of the UK has promoted rapid and widespread reforms as shown in the implementation of the Next Steps. The reform agenda was set by the Prime Minister, developed by a unit of the central executive and forcefully implemented with central direction without any need for Parliamentary approval or legislation which would be essential in a *Rechtsstaat* model. Although agencification happened in different countries, the practices of the UK show substantial differences from that of the countries with different political and cultural background (van Thiel and Pollitt 2007: 68-70).

Contrary to the UK, the politico-administrative systems in Korea have been rather consensual, less centralised and based on a strong *Rechtsstaat* model. Korea has a presidential government which is characterised by the separation of power followed by ‘checks and balances’ among the executive, legislative and judicial branches. Important decisions in the government are made in agreement with the National Assembly, which indicates the consensual nature of administration. Government structure and organisation is clearly specified by law. The administrative duties of each department is also defined and limited by the administrative law system. Thus, in most cases to introduce reform of the government structure or management practices, a new Act is first drafted, and then it is sent to the National Assembly to be discussed and agreed before it is put into practice. The process may be time-consuming due to possible political disputes. Indeed, the introduction of new policies through legislation has often been delayed in the National Assembly due to disagreements between political parties. Consequently, it can be said that the UK and Korea have very different politico-administrative systems.

The Culture of Governance

The UK and Korea also have different cultural characters. Yoon (2001: 50) argues that NPM-type reforms may be rejected in Korea due to the unsuitable cultural preconditions. According to Hofstede’s study (2001), the two countries are placed at opposite ends of the spectrum. Table 1.4 displays the difference in cultural dimensions among several countries by index. As shown in the table, the culture of Korea shows stark difference from that of the European countries including the UK. The degree of

difference between the UK and Korea is far higher than that of the UK and the other three European countries examined by Pollitt (2006a).

Table 1.4 Index Values of Cultural Characters among Countries

	Great Britain	Finland	Netherlands	Sweden	Korea
Uncertainty Avoidance	35	59	53	29	85
Individualism	89	63	80	71	18

Source: Extracted from Hofstede (2001)

The individualistic and risk-accepting culture in the UK is thought to have enabled performance-related pay and public reporting of performance to be used more widely and extensively under the central control (Pollitt 2006a: 38). On the contrary, a consensual and collectivist culture, like that in Korea, is claimed to make the practices of performance management gentler and more negotiable.

The Framework of Comparison

One of the major purposes of this research is to show the relationship between the political and cultural differences and the trajectories of the NPM-type reforms. To test the relationship between them, the state structure (centralised or fragmented), nature of executive government (majoritarian or consensual), dominant administrative culture (*Rechtsstaat* or public interest), uncertainty avoidance and individualism indexes are set as the independent variables. The dependent variable is the trajectory of the performance management, which is a core element of the NPM. Depending on the result, this research may provide further evidence to support the research and argument of Pollitt (2006a, 2007a, 2007b) and van Thiel and Pollitt (2007), or it could provide counter evidence for the divergence argument. Pollitt (2006a) concluded that the difference of political and cultural characters between the UK and other countries (Finland, the Netherlands and Sweden) resulted in the difference in the nature of performance management. It is clear that there is difference between the UK and the group of other European countries he considers; however, the comparison with Korea shows much more difference as shown in Table 1.4. In this regard, the comparison between the UK and Korea would suggest more convincing evidence. Considering these differences, if the evidence from this comparison does not match the previous research,

it would be very interesting and it can be strong counter evidence to the argument of divergence caused by the differences of politico-administrative and cultural systems argued by Pollitt (2006a, 2007a, 2007b) and van Thiel and Pollitt (2007). Based on the premise that the UK and Korea are different in their politico-administrative and cultural systems, the comparative hypotheses to be tested through this thesis are suggested as follows:

- H1: The introduction of performance management in Korea would be less rapid and radical than in the UK.
- H2: There would have been more resistance to the introduction of a performance management system in Korea than in the UK.
- H3: The use of performance information for other management purposes (e.g., financial management, human resource management) in Korea would be less vigorous and widespread than in the UK.
- H4: Ministers in Korea would be less interested in performance management system as a tool of control than ministers in the UK.

Hypothesis 1 is related to the politico-administrative features which are expected to influence the introduction processes of performance management systems. Hypotheses 2, 3 and 4 are related to both the politico-administrative and cultural features. The core elements of hypotheses 3 and 4, the use of performance information and control, reflect the major roles of performance management, which are discussed in Chapter 3. They are suitable to demonstrate the detailed practices and trajectories of the operation of performance management systems. We come back explicitly to these hypotheses in Chapter 9, but the expectations that they generate influence the structure of the intervening chapters and the empirical evidence collected and reported in them.

Lesson-Drawing

Comparing the operation of performance management in the two countries is useful for policy transfer or lesson-drawing as well as testing the above hypotheses. The idea of lesson-drawing was developed by Rose (1991), but he did not discriminate lesson-drawing from policy transfer. Dolowitz and March (1996: 344) discriminate the former from the latter and define policy transfer as ‘a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used

in the development of policies, administrative arrangements and institutions in another time and/or place.’ They point out that sometimes lessons are drawn but not transferred to policy change and that sometimes a policy transfer is forced by a government or a supra-national institution, such as the IMF and EU. Thus, they divide policy transfer into three types: voluntary transfer, direct coercive transfer and indirect coercive transfer (Dolowitz and Marsh 1996: 346-349). Voluntary transfer occurs when there is a ‘dissatisfaction or problem with the status quo’ or an effort to find solutions for existing problems (Dolowitz and Marsh 1996: 346). In this sense, voluntary transfer may be regarded as the same as lesson-drawing (Evans 2004: 11), whilst lesson-drawing does not always follow the route to policy transfer. Direct coercive transfer occurs when one international actor forces policy transfer. For example, the IMF requires the implementation of specific economic policies as a condition of obtaining a loan; the EU also forces policy transfer through its directives and regulations (Dolowitz and Marsh 1996: 348). Indirect coercive transfer is the result of interdependence between countries, globalization or international consensus (Dolowitz and Marsh 1996: 348-349).

As we will see later, elements of policy transfer in recent development of performance management in Korea are clearly evident. In Korea there have been a number of cases of benchmarking from the other OECD countries, mainly the US. As a country that is introducing a performance management system in the post-NPM era, policy transfer through benchmarking may be an efficient way for establishing a performance management system. In addition to learning from the US, comparison between the UK and Korea in this research is expected to provide another useful insight for lesson-drawing and refining the current systems in Korea.

Concluding Remarks

Since the early 1980s, the NPM has been dominant in some European countries. The trend has spread to other distant countries such as Korea and Japan. Informed by the similar pattern of the NPM-type reforms in different countries, some commentators argued the convergence of the NPM, which is mainly represented by ‘reinventing government’. However, in opposition to the argument of convergence, many critics argued the divergence based on the different trajectories of similar types of reforms. Pollitt (2001b, 2003, 2006a, 2007a, 2007b) has been at the centre of the divergence argument and suggested four types of convergence as a measure of analysing the convergence aspects. He concludes that the different politico-administrative and cultural

background of each country results in different practices even if the theme of reform is similar. Based on a similar framework as Pollitt's research (2006a, 2007a, 2007b), this thesis compares the performance management practices in the UK and Korean governments. Because the differences of politico-administrative and cultural backgrounds between the two countries are much wider, this research will provide additional evidence for the divergence or convergence argument of the NPM. In addition, it will provide some implications for lesson-drawing with regard to the operation of performance management.

5. Scope and Methodology of Research

Scope of Research

The main objects of this research are the PSAs in the UK and the Government Performance Evaluation (GPE), the Financial Performance Management System (FPMS) and the Performance Agreements in Korea. They are instruments of performance management at the departmental level. The PSAs in the UK were introduced in 1998 by the New Labour government as an integral part of the Comprehensive Spending Review (CSR). The PSAs, coupled with the Spending Review, suggested what the government would achieve for the next 3 years through a set of performance objectives and targets. Up until now there have been five sets of PSAs published, and the latest publication in 2007 has significantly changed the framework. As the PSAs set the plan for the next three years, the 2007 PSAs cover 2008 to 2011. At the time of writing, they have not come into effect yet. Even if they come into effect, it is difficult to collect meaningful data from them for this research. During the past 10 years, there have been quite a large amount of accumulated data and it is sufficient to allow for analysis of the operation of the PSA framework and to draw conclusions for this research. Moreover, as explained in the relevant chapters, the 2007 PSAs did not fundamentally change the operation of performance management. In this regard, the focus of the analysis on performance management in the UK remains on the operation of the PSAs before 2007. But this does not exclude the possibility of analysing the new aspects of the 2007 PSAs where appropriate.

As mentioned above, there are three performance management systems in Korea to be analysed. They are different from the PSA system, which is linked to

resource allocation whilst setting targets for specific public services. Overall, performance management in Korea is somewhat fragmented as displayed in Table 1.5.

Table 1.5 Three Performance Management Systems in Korea

Performance Management System	Area of Focus
Government Performance Evaluation	Policy Processes
Financial Performance Management System	Resource Allocation
Performance Agreements	Individual Performance

The first predecessor of the GPE was the Evaluation and Analysis introduced in 1961. Since then, there have been several reforms of the system and the current GPE was established in 2006. The GPE has a very complex structure composed of many areas of evaluation, as will be explained in greater detail in Chapter 6. Due to the large size of the system, this thesis focuses on the Major Policy Evaluation (MPE), which is the core part of the GPE. The FPMS has three elements: Performance Monitoring, Programme Review and Programme Evaluation. It is useful especially for examining the link between performance and resource allocation. The Performance Agreements were introduced in 2006 for the purpose of performance management of individual civil servants on Grade 4 or above. They are useful for examining the use of performance information for personnel management.

Additionally, this research undertakes case studies for discovering the aspects of the operation of performance management system. The case study of the UK is carried out with the PSAs of the Department of Health. Studying the PSAs of the Department of Health essentially requires research of the performance management system operated within the healthcare organisation, the National Health Service (NHS), owing to the structure of the PSA system which premises the cascade of targets down the delivery chain. In addition to the main case study of the Department of Health, some aspects of the Home Office are considered where it is relevant. The case study of Korea looks at the Ministry of Government Administration and Home Affairs (MOGAHA) of which the remit is overlapping with the Home Office in some parts. The MOGAHA was renamed in March 2008 as the Ministry of Public Administration and Security (MOPAS) as a result of the reorganisation which merged the Civil Service Commission (CSC) and the Emergency Planning Commission into the MOGAHA. This merger did not affect this research as the research of the MOGAHA was already completed before

the merger. In addition to the case study of the MOGAHA, some aspects from the Ministry of Health and Welfare (MOHW) will be also considered where relevant. Regarding the unique structure of case studies, the following sub-section of methodology provides explanation.

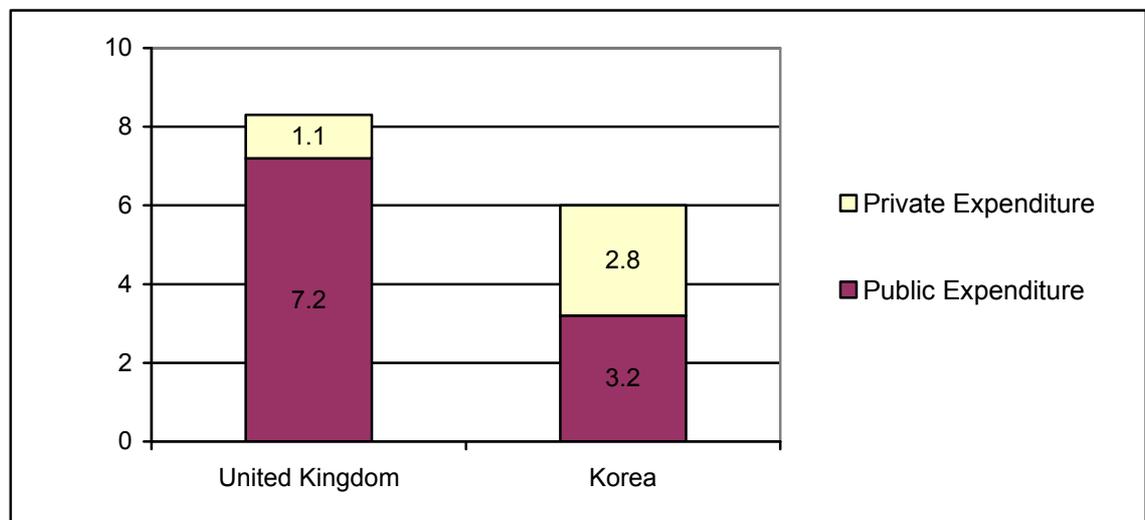
Methodology

The foremost purpose of this research is to find out whether the UK and Korea show similar practices and trajectories of performance management or not. As part of that process the thesis undertakes a thorough examination of the background and development of performance management based on the secondary literature and explores the ‘models’ that are available to the two administrative systems. It builds on the work of leading scholars working in the field and especially on the work of Pollitt, Bouckaert and Halligan. In order to test the comparative hypotheses formulated on the basis of their theoretical frameworks, which suggest that different politico-administrative and cultural backgrounds result in different practices and trajectories of the NPM-type reforms, this thesis deploys the method of comparison through case studies. Rhodes (1997: 83) said that ‘the comparative case method is a complementary research strategy to quantitative methods in the study of comparative government.’ Generalisation from case studies is analytic generalisation, which is different from statistical generalisation commonly used with surveys (Yin 2003: 32). When the theory is compared with the empirical findings of the case studies, analytical generalisation becomes possible (Rhodes 1997: 81; Yin 2003: 32-33). The case studies in this research have been conducted within two different organisational boundaries in each country. The Department of Health is the main organisation for the UK case study, and the Home Office is also considered as a complement to it. In Korea the MOGAHA is the main organisation to be examined, and the research is supplemented by some evidence from the MOHW. Such a structure might be a multiple case design within which ‘compiling a number of case studies is directly analogous to conducting a series of experiments’ (Rhodes 1997: 82). However, considering the relatively small number of findings in the complementary cases, it is more proper to characterise the case studies as a heuristic approach rather than as a multiple case study. At any rate, looking at two organisations in each country is expected to provide more chances to collect relevant evidence.

There might be a question why the organisations with the same function have not been selected for the case studies. The reason for this is, firstly, the comparison in

this research is about the national operation of performance management system regardless of the character of tasks. Secondly, the structures of providing healthcare in the two countries have very few elements in common and the institutions of regulation and monitoring are also very different. This fundamental difference between the healthcare systems could cause confusion and inaccuracy in interpreting the detailed data and information on the practices within the performance management framework. For example, the proportions of public spending in total health expenditure in the two countries show substantial differences as displayed in Figure 1.1. However, comparing the proportion of public spending in health cannot be used to draw a judgment that health is not a priority of the government in Korea compared to the UK, as private hospitals play a significant part in the provision of healthcare due to the institutional structure of healthcare provision in Korea.

Figure 1.1 Health Expenditure as a Share of GDP in the UK and Korea in 2005



Source: Extracted from OECD (2007b: 89, 95)

Data for the case studies has been collected from a number of sources. One of the most important sources is interviews with civil servants, academics and professionals; these have not only provided core data as a source of primary data but also identified other data sources and suggested some valuable insights for refining the arguments in this thesis. Ten face-to-face semi-structured interviews with the British officials and professionals were conducted between June 2007 and March 2008. Each interview took approximately one hour except for three, which were shorter. Six interviews were recorded and converted to electronic files, which can be heard on personal computers. Then four of them have been fully transcribed in the light of the significance of each of these interviews. A few senior officials in Whitehall, who were

asked to have an interview, sent responses to the questions by email whilst declining an interview. In these cases, generally the quality of information they provided did not match expectations, but they were still useful. Interviews with Korean officials were a mix of five face-to-face and eight telephone interviews because the distance between the UK and Korea prevented frequent visits to Korea. Four of the face-to-face interviewees were selected from the civil servants studying in the UK with the Korean government scholarship. There were more than 90 Korean civil servants from central government departments studying in the UK at the time of writing. Further details of both the UK and Korean interviewees are provided in Appendix 1.

Before commencing the case studies, a wide literature review – both in English and Korean – was carried out with various academic texts, journals, reports, newspapers and governmental reports and documents. Government White Papers and reports were useful for understanding the basic framework and process of performance management, but less useful for the analysis of wider effects of performance management due to the bias in their view and the shortage of critical information. Reports from the National Assembly in Korea and the National Audit Office (NAO), which is an independent organisation accountable to Parliament, were helpful because they hold an impartial view. Reports from Parliamentary Select Committees also provided a critical review of the performance management system. The NAO conducted two surveys of the civil servants in 2000 and 2005 regarding performance measurement issues within the PSA framework (NAO 2001a, 2006). As secondary data, the findings of these surveys provided highly relevant information for the case study as well as answers to many questions which arose during this research. Among the survey data, responses from the Department of Health and the Home Office in 2005 could be obtained under the Freedom of Information Act 2000. There were separate surveys for Finance Directors and target owners. Response from the Finance Directors of the Department of Health and the Home Office are attached in Appendix 7. Regarding the survey of target owners, only the questionnaire is attached due to the complex structure and volume of the answers. Some of the information in the articles from journals (e.g., British Medical Journal) and newspapers was very useful in capturing the hidden aspects within the performance management framework.

Finally, it is difficult to deny that some of the discourse and arguments in this thesis have been influenced by nine years of personal experience as a civil servant in Korea. However, as far as the personal experience is concerned, great care has been taken to remain neutral in interpreting and applying this experience to the formulation

of argument whilst checking and confirming it through other data sources such as interviews, newspapers and websites.

6. The Structure of the Thesis

This thesis is organised into nine chapters including this introductory chapter. It can be divided into three parts: theoretical review of performance management in government (Chapter 2 and Chapter 3), performance management in the UK (Chapter 4 and Chapter 5) and performance management in Korea (Chapter 6, Chapter 7 and Chapter 8).

Chapter 2 first looks at the history of performance management in government and defines performance management considering other related concepts such as performance measurement, performance monitoring, performance indicators and performance evaluation. It draws on a model of performance management based on previous works. This chapter concludes with a discussion of the different contexts in which performance in the public sector is placed; this discussion will provide some important insights for the focus of performance management in Korea.

Chapter 3 deals with the more practical aspects of performance management. It explores the various purposes of performance management in government such as improving resource allocation, enhancing accountability, exercising control or providing a useful symbol for the government. The problems arising within the performance management framework are also considered. It is important to understand the nature of these problems and to design appropriate measures to overcome them; only when performance management is successful will all the stakeholders and the public receive benefits. After considering the benefits and problems of performance management, this chapter identifies some common characteristics of good performance management systems that constitute a set of criteria to analyse the practices of performance management in the two countries.

Chapter 4 focuses on the PSAs, the representative performance management system in the UK government. This chapter begins with a brief review of important reform initiatives such as the Fulton Report, the Financial Management Initiative (FMI) and the Next Steps. Then the PSAs are thoroughly examined in terms of the structure and process, and reviewed critically on some important issues including accountability and control. This chapter also looks at the recently changed PSA framework. It

concludes that whilst the PSA framework has been praised for bringing some visible improvements to public services, it has been criticised for too much central control and micro-management, which is the major problem with the regime.

Chapter 5 examines the PSAs of the Department of Health and related performance management practices in healthcare. Some useful information from the Home Office is also considered in analysing the PSA framework. The case study in this chapter is the major tool for testing the hypotheses that different politico-administrative and cultural backgrounds result in differences in the operation of performance management. While the practices and trajectory of the operation of performance management in the UK have already been presented in the previous works of Pollitt (2006a, 2007b) and van Thiel and Pollitt (2007) at the level of executive agencies, the case study in this chapter is significant because it examines the aspects of performance management covering central departments as well as delivery agencies.

Chapter 6 looks at performance management in the Korean government. As already mentioned, this thesis considers three performance management systems in Korea. This chapter focuses on the GPE with some basic description of the Korean political systems and history of performance management. Although the GPE has nearly 50 years of history, there are many problems to be settled before it will bring real improvements. Too much focus on process management, bureaucracy and the ambiguity of purpose are pointed out as the major problems with the GPE.

Chapter 7 deals with the other two performance management systems this study is considering from Korea, the FPMS and Performance Agreements. These two systems were introduced recently by benchmarking the systems of some OECD countries. The FPMS is focused on the efficiency of resource allocation and contains very explicit and strict rules on resource allocation. The Performance Agreements are concerned with individual performance. The operation of the Performance Agreements indicates the change of the orientation of personnel management from the traditional seniority rule to the actual performance.

Chapter 8 is the case study of Korea. This chapter highlights the practices of performance management to derive meaningful evidence for testing the hypotheses. Different from the findings and implications of the previous research of Pollitt (2006a, 2007b) and van Thiel and Pollitt (2007), the operation of performance management in Korea shows a similar picture to that of the UK. The aspects of radical and speedy changes, high integration of performance information with other internal management systems, important role of performance management systems for the President and

ministers to control the organisation and a low resistance to change are found to be similar to what is found in the UK.

Chapter 9 finalises the comparison of the practices between the two countries and draws conclusions; it also summarises the problems of each country and suggests remedies. It returns to the hypotheses advanced above and provides some surprising and revealing areas of disagreement. It also suggests a provisional explanation for the finding, which should be tested by further research, that the Korean example does not match the assumption on the relationship between the politico-administrative and cultural backgrounds and the practices and trajectories of performance management. Going beyond the comparative analysis, the conclusion also seeks to be useful for both countries in the process of lesson-drawing by reviewing what goes well and what goes wrong in each country. It presents some applied conclusions about learning and constructive adaptation of systems and also offers some more abstract conclusions about the importance of leadership, administrative culture, measures of success and levels of accountability.

Chapter 2

The History and Theory of Performance Management in Government

1. Introduction

Performance management was first introduced in the private sector and, therefore, some principles of performance management may be shared between the private sector and the public sector. The wave of the NPM, of which the basic approach and prescriptions are in line with the management theory of the private sector, has opened a renaissance of performance management in government that began in the 1980s. However, due to the fundamental differences between the public and private sectors, performance management in government needs special treatment to secure important values protected by the government as well as to improve performance. Different from the private sector, the public sector, where performance management in government is structured and implemented, is characterised by variety; in the public sector because there are many stakeholders performance means many things and there are multiple values being protected. Implementing a performance management system in government is not as straightforward as in the private sector where the definition of performance and the agreements on the aims of performance management are relatively consistent. This chapter starts by looking back on the history of performance management in government. It reviews and defines various concepts related to performance, and seeks to theorise what the ideal process of performance management should be. Then this chapter examines the differences between the private and public sectors with regard to performance management, which should be considered for the design and implementation of a performance management system in government.

2. The Development of Performance Management

The origin of performance management in government can be traced to as early as the 1960s, though it has been more widely used since the emergence of the NPM in

the 1980s. The development of performance management in government can be explained by dividing the period into three stages, the Early Stage, Mid-stage and the Present Stage focused on the history of public management in the UK. The Early Stage is from the 1960s to the mid-1970s when the new managerial tools such as the Planning, Programming and Budgeting System (PPBS) born in the US were first applied to the management of government departments. The Mid-stage is characterised by the introduction of the NPM-type reforms such as the Financial Management Initiatives (FMI) in 1982 and the Next Steps in 1988, and increased use of performance indicators with them. The FMI was a milestone for the new era of performance management as suggested by many scholars. Carter, Klein and Day (1992: 5-24) regarded the FMI as an important turning point in the history of performance management, which represented an attempt to institutionalise efficiency movements and to boost the managerial culture within the UK government. Pyper (1995) divided the eras of managerialism and performance management into 1961-79 and post-1979. The movements in the post-1979 period are characterised by greater scale and robust attempts to change organisational culture, processes and techniques (Pyper 1995: 50-57). Finally, the Present Stage dates from the late 1990s, when the Public Service Agreements (PSAs) in the UK and the Government Performance Results Act (GPRA) in the US came to be applied government-wide.

Early Stage: Experimental Attempts until the mid-1970s

The early efforts to manage government performance are found in such attempts as cost-benefit analysis, PPBS, Zero-based Budgeting (ZBB) and Management by Objectives (MBO), which aimed at improving rational approach in budgeting and public management. At that time, the service, quality and performance matters in the public sector were dominated by the 'public administration paradigm' which emphasised the due process and impartial administration characterised by ideal bureaucratic procedures (Rouse 1999: 81). Within this mechanism, public accountability was secured by observing predetermined rules and procedures. Finance and budget processes were dominated by incrementalism, and the strict one-year spending plan failed to reflect the changing priorities of the public services, being captured by political negotiations rather than rational assessment of results (Rouse 1999: 82). Incrementalism refers to the tendency to add small amounts of resources to the budget of the last financial year. These insufficient conditions for cultivating the root of performance management were

again represented by a lack of understanding of the different nature of public sector, and the complexities of performance in different contexts.

Consequently, those early attempts are thought not to have succeeded in making real changes (Bovaird and Gregory 1996: 239). Most of them ended as just one-off exercises. The complexity of the system, with its narrow focus on efficiency and insufficient consideration for organisational contexts made the PPBS fail (Borrow and Dryzek 1987; deLeon 1988, both cited de Lancer Julnes 1999: 48). Besides, the rational approach underpinning it could not overcome the political nature of the budget process (Nutley 1999: 177). Overall, the failure of those early initiatives can be attributed to ‘the lack of technical research, complexity, the difficulties of avoiding mechanistic reviews and an inadequate emphasis on training’ (Hepworth 2002: 119). Moreover, the socio-economic environment at that time was not so much demanding the improvement of performance in terms of efficiency and value-for-money for the public sector as it was in the next stage, the early 1980s. In short, the characteristic of this early stage of performance management is that various attempts faded away with few visible effects, due to an unfavourable political culture and environment, the lack of public sector wide enthusiasm and the support necessary for the systems to develop positively. It might seem that the mood of performance management would fade away with those unsuccessful attempts, but the era of real challenge of performance management was just around the corner.

Mid-stage: Dominance of the NPM from the early 1980s to the early 1990s

Those unfulfilled attempts in the 1960s and 1970s were not the end of performance management; there was one more opportunity for their revival thanks to the changes in the economic and political environments. The world-wide economic recession originated by oil shock in the 1970s made both the public sector and private sector very conscious of costs and efficiency. The beliefs of Keynesians that government could and should control the economy and deliver full employment and growth through intervention and fiscal policy were severely damaged. The failure of Keynesians to explain the crisis and suggest solutions turned the focus of attention to the liberal market controlled by the ‘invisible hand’. This resulted in less intervention and less spending in the public sector as well as the dominance of neo-liberal theories in politico-economic science. The interest in better performance of government grew higher and higher.

The Thatcher government, which started its terms of office in this situation, aimed to cut costs and improve efficiency in the public sector. Until her resignation, Prime Minister Thatcher planned and carried out many initiatives to improve public services and performance. Those new trends of governance focused on economy and efficiency were pursued not only in the UK, but also in many other countries such as New Zealand, (actually, New Zealand is claimed as the leading country in the field of performance management (OECD 2005: 60)), Canada, Denmark, Finland, Sweden, the Netherlands and the US. The similar style of reforms in different countries constituted the birth of the NPM. The NPM's managerialism was inseparable from public management (Rouse 1999: 76). The proliferation of the NPM has boosted the interest in the management performance, and performance measurement has become an important element of explaining the NPM. Indeed, Massey and Pyper (2005: 133) call it 'the spinal cord along which NPM's values are transmitted.' Similarly, the Treasury emphasised the importance of performance measurement because it was 'intrinsic to the whole process of management, including planning, monitoring, evaluation and public accountability' (HM Treasury 1992 cited NAO 2000: 10).

The first reform initiated by Thatcher was the Efficiency Scrutiny, undertaken by the Efficiency Unit established at No. 10 Downing Street headed by Derek Rayner from Marks and Spencer; the unit focused on cutting costs in the government. The most important innovations of this period are the FMI and the Next Steps in terms of accelerating the use of performance indicators. The Next Steps reform separated the duty of implementation from policy making by creating executive agencies that operate at arm's length from their parent departments. The relationship between the parent department and the executive agency was managed through the performance contract between the Chief Executive of the agency and the Secretary of the State embodied in the framework document. Thus, various performance indicators came to be used to measure the performance of each executive agency. In healthcare, the first set of performance indicators was developed with the publication of 123 indicators in September 1983 for local health authorities for the purpose of helping managers to assess the efficiency of the services. The number of indicators increased to over 450 in 1985 to broaden the coverage of evaluation (Carter, Klein and Day 1992: 107-108).

The reforms made by the Conservatives were characterised by cost control and efficiency within existing structure, and the notion of performance was very narrow; it controlled costs by sacrificing service quality (Pollitt 1993: 59; Rouse 1999: 82-83). The early flourishing of performance indicators in health reflected this emphasis on

controlling the National Health Service (NHS) with the hierarchical managerial use of the data (Smith 2005: 216). Despite their inherent problems, the FMI and the Next Steps were both important steps for the performance management in the UK government, although both of them have been criticised in some aspects.

In a discussion of the initiatives taken through the mid-1990s, Bovaird and Gregory (1996: 242-254) argue that performance indicators did not lead to as much change as promised. They analysed four managerial roles of performance measurement: strategic direction, allocation of resources, exercise of control and encouragement of learning. They conclude that there is no clear evidence of improvement. Instead, they argue, performance indicators were more successful in a symbolic role, and the 'one-dimensional view' of the government on performance measurement is claimed to have led to an impoverished model. The main paradigm under which performance measurement operated was financial control. Too much emphasis on financial control ignored the other important aspects of performance management such as staff development, encouragement, morale and leadership (Pollitt 1993: 60). Rouse (1999: 88-89) holds a similar view on the role of performance indicators. He argues that the crude indicators and emphasis on inputs and efficiency limited the notion of performance to the detriment of real priorities. The main cause of this problem was the complex nature of public services and the contexts in which they are delivered. It was too difficult to shape a perfect set of performance indicators in the public domain with multiple values and stakeholders related. In summary, the Mid-stage is characterised by the more vigorous use of performance indicators, which were, in a sense, forced by the changed socio-economic environment. The focus of performance management at this stage was on efficiency savings with tight control on spending which undermined other important values of public services.

Present Stage: Refined Performance Management since the mid-1990s

Following those earlier attempts and failures in developing performance management, more refined and comprehensive performance management systems begin to emerge from the mid-1990s. The paradigm of performance management at present is different from the previous one in that more emphasis has been placed on the accountability of government to the public and delivery of higher quality of services. Embracing such a paradigm, the Government Performance Result Act (GPRA) of the US government was introduced in 1993, which takes into account the lessons from the

PPBS, MBO and ZBB. The system was piloted for six years, and finally the US government fully enforced the system throughout the government in 1999. In the UK the PSA system, reflecting experience of more than 30 years, was introduced in 1998. Both the GPRA and the PSA system are more refined and well organised in their structures than previous performance management systems. However, they are still criticised in some aspects although the governments do emphasise the positive side of what they achieved. Detailed examination of the framework and aspects of the operation of the PSA system is undertaken in Chapter 4.

Conclusion

The history of performance management in government demonstrates generally positive developments. The early attempts of performance management such as cost-benefit analysis, PPBS and MBO brought limited success due to insufficient support, and an overly complex structure. The changing socio-economic circumstances followed by the NPM brought a second chance for performance management to strengthen its influence over public sector management. Indeed, the use of performance management instruments supported by strong leadership in the second period was much more radical and had visible effects in cost cutting. However, some commentators are sceptical about the improvements brought by initiatives narrowly focused on economy and efficiency in this period. The recent instrument of the PSAs was introduced with the aim of improving public services and accountability through the focus on results with a wise use of resources. The PSA system has had various impacts on public services and management. Some of them show good signs of improvements, whereas others demand more a prudent and cautious approach to the design of performance management. This thesis tries to find out those various impacts of the PSAs.

3. The Meaning of Performance Management

There are many concepts related to performance such as performance management, performance measurement, performance monitoring, performance evaluation, performance targets and performance indicators. Sometimes scholars do not clearly differentiate among these concepts. For the consistency of the discussions and arguments in this thesis, this section reviews and defines important concepts related to

performance in order to remove the potential confusion of related concepts. Above all, it seems necessary to make the relationship clear among performance management, performance measurement and performance monitoring.

The Definition of Performance Management

Performance can be considered in two dimensions. One is individual and the other is organisational. Generally there is a close relationship between organisational and individual performance, as organisational performance relies on individual performance in some degree. Therefore, it may be difficult to improve organisational performance without improving individual performance. In this respect, although the main object of this research is organisational performance management systems, aspects of individual performance will also be considered where appropriate.

Performance can be defined in various perspectives such as inputs (e.g., financial or human resources, time and political/bureaucratic support), activities or processes to convert inputs to outputs and outcomes (e.g., compliance with the rules and implementation guidelines), outputs (e.g., the direct services or products delivered to customers), outcomes (e.g., the final effects of the services or products such as a reduced crime rate or a cleaner environment), the quality of services and the social fairness (e.g., support for a deprived area) (Wholey 1999: 289-290). However in general, it is perceived in terms of the level of achievement secured by intentional actions to fulfil the organisational objectives including the provision of services (Lee *et al.* 2006: 18). The OECD (2005: 57) refers to it as ‘the yield or results of activities carried out in relation to the purposes being pursued,’ and states that the objective is to ‘strengthen the degree to which governments achieve their purposes.’ Management is responsible for achieving results in an efficient way (Hughes 2003: 6). It can be said that management is the intentional behaviour of organising resources and activities to produce the best results within the given objectives.

The definition of performance management may be deduced from the definitions of performance and management. In the first sense, performance management can be defined as the efforts to achieve organisational objectives in an efficient and responsible way. Holloway (1999: 240) defines it as ‘the managerial work needed to ensure that the organisation’s top level aims and objectives are attained.’ Yet, there are many different definitions of performance management from different commentators. The OECD (1995: 158) defines it as a regular management cycle under which:

- (a) programme performance objectives and targets are determined;
- (b) managers have freedom over processes to achieve them;
- (c) actual performance is measured and reported;
- (d) this information feeds into decisions about programme funding and design and organisational or individual rewards or penalties; and
- (e) the information is also provided to review bodies.

This definition by the OECD is reiterated in the recent publication, *Modernising Government: The Way Forward* (OECD 2005: 59). Meanwhile, Bouckaert and van Dooren (2003: 132) say that ‘Performance management can be broadly defined as “acting upon performance information”’, and Poister (2003: 12) refers to it as ‘the process of directing and controlling employees and work units in an organisation and motivating them to perform at higher levels.’ Another definition presented by Ko *et al.* (2004: 39) is that performance management is the process of establishing strategic objectives and performance targets, designing a programme to achieve the objectives, implementing the programme, monitoring the results and determining whether the objectives and targets have been met, and reflecting the results in decision-making. This definition is different from the others in that it includes the design and implementation of a programme that actually is the object of performance management.

Since the late 1970s, one of the motives of the development of performance management has been the pressure from the public for better services with less cost under the changing socio-economic environment. Accordingly, governments had to equip themselves with a suitable system to secure accountability to the public. This provided the momentum for governments to refine and redesign their performance management system. In other words, accountability to the public has had great significance in the formation of performance management systems, and it has been placed at the heart of the discussions about performance management. In this regard, accountability has become one of the important aspects of the operation of a performance management system. Frederickson and Frederickson (2006: 186) similarly state that ‘the word “accountability” is the key feature of the language of performance management as it is of the language of performance measurement.’

Concluding from the many definitions provided by different commentators, performance management can be defined as a systematic process to improve the quality of services and public accountability through measurement against targets, utilisation of performance information for other internal management purposes and publication of performance reports. Throughout this thesis, the issues of accountability, target setting

and the utilisation of performance information will be at the centre of the discussion and analysis.

Performance Measurement and Performance Monitoring

Performance management overarches performance measurement in its process (Pollitt 2001a: 17). It can be said that performance measurement is the core activity in performance management. Kang and Kim (2004: 10) suggest the same view about this. Many of the benefits and problems of performance management come from the practices of measurement, which will be discussed in Chapter 3. The Audit Commission (2000: 5) describes performance measurement as ‘the essential foundation on which performance management can be built.’ According to Poister (2003: 10), performance measurement is a series of activities to create performance information that will be used for a variety of managerial purposes such as programme management, performance management, quality improvement, development of budgets and financial management. He defines performance measurement as ‘the process of defining, monitoring, and using objective indicators of the performance of organisations and programmes on a regular basis’ (Poister 2003: 1). This definition is somewhat broad and blurred in that it includes target setting, and may cause confusion with performance management, which has been already discussed. Performance measurement needs to be more clearly defined in relation to performance management. Some scholars regard performance measurement as the same as performance monitoring (Ko *et al.* 2004: 40). Performance monitoring is the activity of measuring performance indicators and comparing them with arranged performance objectives and targets. In the literal sense of its expression, performance measurement refers to the activity of measuring the status of performance, and performance monitoring refers to the activity of observing the performance in comparison with the objectives and targets. Thus, performance monitoring may include performance measurement. It seems that what is important is not the discrimination between measuring and monitoring, but whether the structure of performance management includes those necessary functions of measuring and comparing. In short, performance measurement is the specific activity of measuring the results against targets, and performance monitoring is the act of collecting measurement data and comparing them with targets for making judgements about performance results.

Performance Indicators

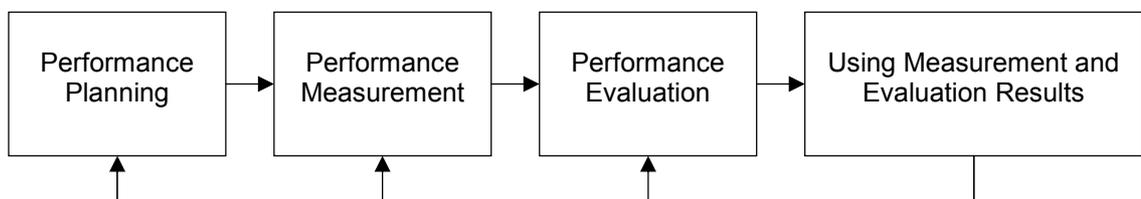
It can be said that the purpose of performance measurement and performance monitoring is to produce performance information based on the comparison between the performance targets and the performance results. Performance indicators play an important role in this process as they operationalise performance objectives in order to make it possible to judge achievement against targets. There are four types of performance indicators: input, process, output and outcome indicators. Examples of input indicators are the number of people or the amount of resources used. Process indicators include the progress of construction. Output indicators include things such as the number of patients who received treatment in hospital or the number of arrests made by police. Examples of outcome indicators are the employment rate in economic or labour policy or life expectancy in health. Performance indicator is an important element of performance management as it forms the fundamental basis of performance measurement.

4. The Process of Performance Management

Defining the Process

Performance management comprises various activities such as planning, measuring, monitoring, reporting, rewarding and sanctioning. There is no clear consensus on a unanimous process of performance management among scholars. Nevertheless, the differing views of scholars have much in common and do not have significant differences in the main idea. What differs among them is whether some of the activities are included in the framework or not. Lee *et al.* (2006: 20) explains the stages of performance management as shown in Figure 2.1.

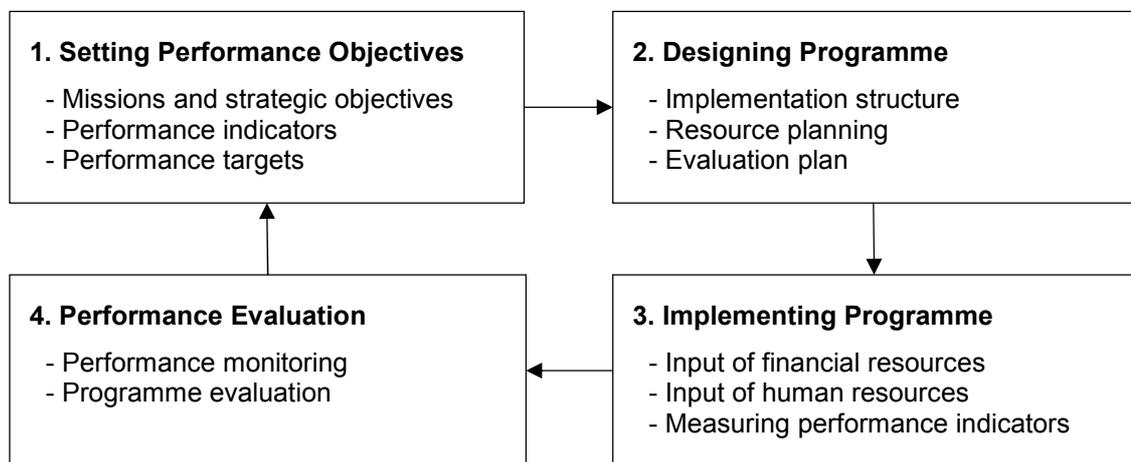
Figure 2.1 Process of Performance Management (1)



Source: Lee *et al.* (2006: 20)

A slightly different model is provided by Ko *et al.* (2004: 40). It has four stages: setting up performance objectives, designing the programme, implementing the programme and evaluating the performance, as shown in Figure 2.2. A distinctive feature of this model is that it includes programme design and implementation. Strictly speaking, they are not factors of performance management itself, but they are the intrinsic duty and task of organisation. In this sense it is more proper to say that this model is not of a performance management system but of a model of the operation of a performance management system in practice.

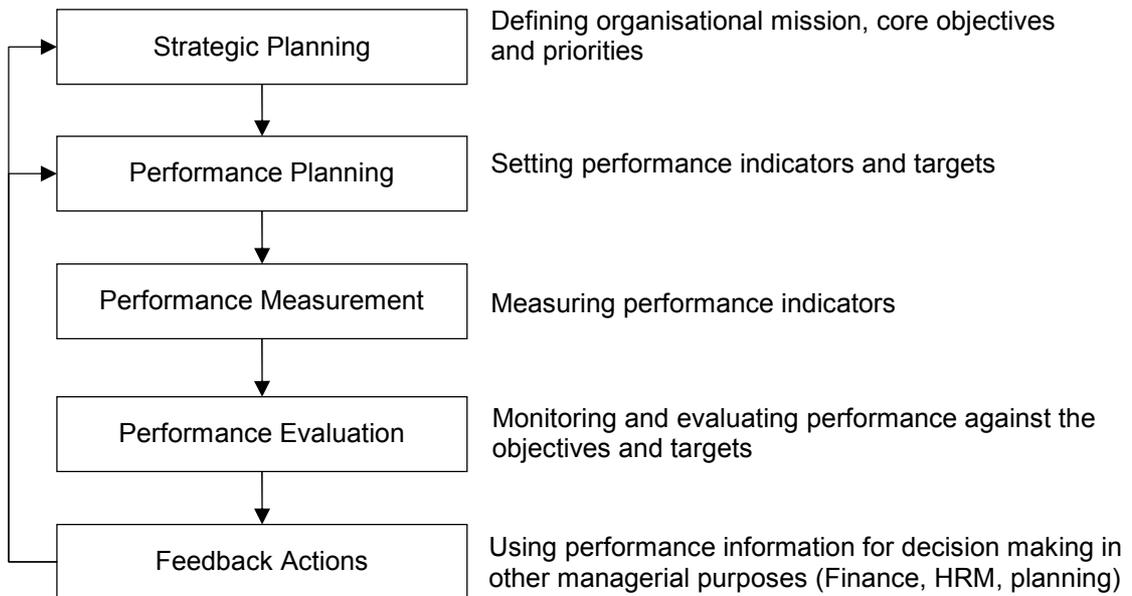
Figure 2.2 Process of Performance Management (2)



Source: Ko *et al.* (2004: 40)

Integrating the above models and the views of Pollitt (2001a: 17), Kang and Kim (2004), OECD (1997: 8-9), Park and Han (2004: 25) and Rouse (1999: 80), the model of performance management used in this thesis is structured as in Figure 2.3. It consists of five stages: strategic planning, performance planning, performance measurement, performance evaluation and feedback actions. This process may be repeated with the relevant cycle institutionalised by the actors. It can be implemented every one, two, three years or more depending on the situation. Considering the nature of the public sector in which the end results take a long time to see, it may be more natural that the system be designed with a cycle of three or more years on a mid-term basis – which is the case with the PSAs – rather than one year. However, as looked at in the relevant chapters, the actual cycle in practice seems to be a one-year base. Furthermore, the cycle is not clear in the case of the PSAs of which the targets are agreed every two years, and performance results are published twice a year with continuous monitoring throughout the period.

Figure 2.3 Process of Performance Management (3)



When the first cycle comes to an end with appropriate actions or feedback, the second cycle may start from strategic planning, the very first step, or from performance planning if the agreed organisational missions and objectives do not need to be changed. The image of the process of performance management presented in Figure 2.3 is somewhat smooth and straightforward. However, in actual public management and politics, it may not be as straightforward as displayed here. There might be a constant process of renegotiation and redefinition of targets within the cycle. Sometimes it may proceed backwards by amending targets and indicators after measurement. If it is found to be difficult to meet the targets after performance planning for any reason, target owners may want to renegotiate the level of the targets or change the definitions of related variables on the measurement side. On the contrary, if the level of targets is too low due to a change of circumstances, it might be reset to a higher level. Consequently, the model in Figure 2.3 should be understood as one illustration of the theoretical model of performance management, while the real practices in various different political settings may show deviations. Detailed explanation of each stage of the process follows.

Strategic Planning

The starting point for performance management falls into strategic planning. It is the stage that defines the strategic objectives and priorities on which the organisation should concentrate. They set out the activities on which the organisation should focus,

and formulate the basis for creating more specific targets. The mission and strategic objectives of the organisation should be the ones that can be agreed not only by the individual members of the organisation, but also by the customers of the organisation. It would be best if the representatives of the public participated in the process of setting objectives and targets, but it seems that normally ministers responsible to Parliament play a significant role in this, instead. As found in the cases of many countries, neither Parliament nor the National Assembly intervenes in defining the missions and strategic objectives, whilst they usually do intervene in the evaluation of performance. The missions and strategic objectives should reflect the core value of what the organisation pursues by considering all the activities and functions of the organisation. They should be able to show the outcomes, which will eventually come true by the expenditure from the taxpayers' money. The organisational mission is not changed frequently, unless there is a significant change of policies or organisational structure. While the strategic objectives cannot be as continuous as the mission, they still have some degree of continuity unless there are changes of policy priorities. Therefore, in the practice of performance management usually they remain consistent, though sub-objectives or targets are changed as the cycle goes on. At this stage, participation of individual members is highly encouraged to set up the agreed aims of the organisation and derive the cooperation needed to achieve the aims.

Performance Planning

The second stage is performance planning. Here, the detailed plans to achieve the aims and objectives of the organisation are drawn up and performance indicators and targets are specified. With regard to targets, many scholars and critics say that they should be 'SMART'. There are some variations among commentators regarding what 'SMART' stands for – for example, whether the 'R' is *relevant* or *realistic* – but here 'SMART' is defined to mean that targets should be *specific, measurable, achievable, relevant* and *timed*. Defining the principles of data collection and analysis leading to the production of useful and meaningful performance information are also undertaken at this stage. This is the most crucial stage during the whole process of performance management in the sense of politics as well as management, because the matter of setting indicators and targets can be highly political in several aspects.

The actors who set the targets can affect the nature of performance. There are a number of actors related with policies and their interests cannot be the same. Different

actors may prefer different targets to be selected. However, the number of targets cannot be large enough to accommodate all those interests because of the inefficiency of management and the inability to achieve numerous targets. Too many targets may not only cause an overload of information that raises the costs of performance management, but also induce ambiguity of priorities (OECD 2005: 77). Depending on the contexts, some targets can be achieved easily, whereas some targets are difficult to meet. Targets also vary in their significance over the policy area according to the political situation. All these variables can affect the results of performance in the end. In this regard, the matter of setting targets remains critical. The same logic can be applied to the selection of indicators. As the achievements of targets are measured through the use of indicators, there would be similar political dynamics surrounding the matter of selecting indicators. This issue of who sets targets could be addressed from another perspective. It is about the ownership of targets. If those who will be primarily responsible for meeting targets, the target owners, are excluded from the process of target setting, and if they think those top-down targets are unrealistic and meaningless, it will be a major obstacle for the success of the overall performance management system. This is supported by the goal theory of motivation explained in Chapter 3. It suggests some crucial points to motivate people and derive better performance from them, one of which is that the participation of the employees is necessary in goal setting.

The second issue is the level of the targets. Those who select the targets can intentionally set them high or low for specific purposes. For example, if the targets are selected inside the organisation which is going to own them, then the level of the targets would be set not higher than the level decided by the outside actors such as Parliament or the public, because they would consider the achievability as very important in order to avoid potential blame for missing the targets. And in some exceptional cases, some difficult targets might be abandoned (James 2004: 410). Whoever sets the targets, the level of the targets should be challenging enough to motivate and encourage target owners to endeavour to improve the *status quo*, but not so high that it is virtually impossible to meet them, which only causes frustration.

The third issue is the period for achieving the targets. Once the targets are selected and the levels are decided, it must be decided by when they should be met. Some, for example, may want them to be met quickly and set the time scale short, especially politicians when an election is pending. Indeed, the rapid introduction of performance management in Korea, which is shown in the case study, may be understood as originating from the political imperatives to achieve goals quickly that is

inherent in the single term of the President. However, it may be more appropriate to have more time before making decision about the results, because the outcomes of the public services usually happen across a longer period of time. All of these matters are significant in that they can affect the performance ratings.

One important point not to be missed in this stage is that there must be a mechanism in place in order to ensure that the organisational performance objectives and targets are adequately owned by individual members of the organisation in question. This is important because the achievement of organisational performance depends on how the individuals perform. One possible mechanism for this may be the systematic cascading of the objectives and targets through the hierarchy with the operation of individual performance management system. In the UK the high-level PSAs are cascaded down to the organisation through the departmental business planning; also the performance management framework for the Senior Civil Service (SCS) includes individual objectives which are connected to the departmental PSAs. Details are reviewed in the case study.

Performance Measurement

The third stage is the measurement of the actual performance. As already discussed, performance measurement is the activity of measuring the results against the performance targets. Performance indicators play a vital role in this process since performance is measured through the specification of indicators. From the measurement process and to the evaluation process, performance information is produced and it is an integral part of the performance report. Performance information can be used for future decision-making and other managerial purposes. The importance of performance measurement comes from the fact that it provides managers with indispensable information for judgements of performance against targets, in other words performance evaluation. From this viewpoint, the fundamental issue in performance measurement is the accuracy of measurement. There are numerous factors that affect the accuracy of measurement. They are the amount and quality of information, the relevance of performance indicators, the character of business such as how specific and measurable activities are, the cooperation of the related actors, the competency of those who measure and so on. These factors influence the quality of performance report produced after performance measurement and evaluation. As mentioned already, many problems undermining the benefits of performance management are related to performance

measurement. Therefore, it is crucial to pay great attention to those factors not only to maintain the appropriateness and accuracy of performance measurement, which will finally decide the performance results, but also to secure the benefits of managing performance. Problems related with measurement are discussed in Chapter 3.

Performance Evaluation

Prior to making final decisions about the status of performance, or performance evaluation, collected data about the performance indicators should be verified to ensure that the information is accurate and reliable. Issues that arise here are related to questions such as who does this job, who writes the reports and what degree of information the report should contain. Ideally the verification of performance data and information should be carried out by an independent external organisation to secure the fairness and accuracy as is done by the NAO in the case of England.

Performance evaluation is the process of making decisions and producing information on how well organisations have performed in achieving their objectives and targets. According to Ko *et al.* (2004: 39-42), there are two types of performance evaluation. One is performance monitoring and the other is programme evaluation as shown in Figure 2.2. Performance monitoring refers to the activity of measuring performance indicators and comparing them with the performance targets. Programme evaluation is more complex than performance monitoring. It analyses how a programme contributed to the achievement of performance objectives together with its primary elements of success or failure. Performance monitoring can only indicate what happened and whether targets have been met or not. It is unable to provide important information about the complex nature of the services and targets in question. In other words the information generated by performance monitoring can show only one aspect of performance and cannot explain why such results occurred or what to be done to improve poor performance or replicate good performance. However, programme evaluation can provide detailed information on the reasons of success or failure and the appropriateness of performance indicators, not just what happened (OECD 1995: 36). It enables thorough and comprehensive understanding of performance, which would be more useful for addressing poor performance, repeating successful performance, reviewing and improving the overall results as well as making managerial decisions. But it comes at a cost of both time and resources, and therefore, it is difficult to conduct

for every programme. Thus, programme evaluation is usually applied to a small number of programmes of great significance and priority.

When performance evaluations are completed, they are reported through an official report. A performance report could be best written by the same organisation that verified the performance data and information, or at least another external body within Parliament such as the Select Committee to maintain the accuracy and objectiveness of the view. Next, it goes without saying, that the report should contain relevant information for making judgements regarding the achievement of every target. In detail, there should be a series of short phrases illustrating the degree of achievements (e.g., met, not met or on course), and these judgements should be supported by in-depth explanation with practical data and information. Then the plan for fixing problems, and planning future measures and actions should follow for the improvement of performance in the future rounds of evaluation. These practices of reporting and following feedback, which constitute the next stage, are important tools for improving accountability in a modern democracy.

Feedback Actions

The final stage, feedback, is to take necessary actions in accordance with the results. These actions consist of, for example, decision-making about policies, allocating resources and giving penalties or rewards. One of the issues at this stage is the allocation of resources in accordance with the performance. Linking performance to resource allocation is the basic idea of a performance budget, and it is a useful mechanism to enforce a performance management system as examined in the case studies. However, as discussed later, it is neither always proper nor possible to directly link resource allocation to performance.

With regard to the provision of rewards and imposition of sanctions, there is also an issue. To enforce rewards and sanctions, it must be decided to whom they would be enforced, units of organisation or individuals. If target owners are divided into a number of persons or units of organisation, there should be a pre-judgement on the degree of contribution by each unit or person. The problem here is that many public services are provided through a chain of several actors and the co-operation of related stakeholders, and it is not straightforward to assess individual contribution to the success or failure of a project. This is a very delicate matter especially when the significance of rewards and sanctions is high. If anyone feels that he or she has not been treated impartially at this

stage then he or she may feel demoralised, which could cause organisational discord; this will in turn worsen overall performance of the organisation. Such a situation has actually occurred in the recent operation of performance management in Korea according to the case study.

5. Applying Private Sector Models of Performance Management to Government

Since public administration took a significant position in the field of social science, the question of whether or not it can share the principles and techniques of private business administration has been one of the major topics of debate. After the vigorous debates in the 20th century and the early attempts to apply the techniques from the private sector to the public sector with little consideration of the differences, now it seems that there is a consensus as to the intrinsic differences in characteristics between them. Indeed, it is important to take note of the fundamental differences between the public and private sectors when adopting private sector management techniques into the public sector. This is because some of the models and techniques developed in the private sector may not work well when applied to the public sector where the contexts are different. It is an important point to consider when introducing any NPM-type reforms. In line with this, Wilks (2007: 453-457) suggests ‘potential pathologies’ of boardization, a corporate governance model developed in the different institutional setting of the private sector, in the public sector. James (2001b: 245-247) also presents the introduction of business-like agencies in Japan as a potential area of conflicts and incongruity, taking note of the different contexts between the Japanese and the Anglo-American corporate governance by which the agency model was influenced.

Like other managerial techniques, performance management was originally developed in the private sector and introduced to the public sector. Therefore, to avoid the potential confusion and conflicts which might occur from the impetuous decision of adopting performance management techniques and to attain the best possible results, it is necessary to understand the characteristics of the public sector performance and consider them in the design and operation of performance management systems. This section discusses the specific conditions and circumstances in which performance management of the public sector is placed.

The Concept of Performance

Performance may have different meanings for different actors. The concept of performance in the public sector may be different from that of the private sector. Generally in the private sector, criteria such as the ‘three Es’ – economy, efficiency and effectiveness – related to sales and profits would be enough to evaluate the performance of an organisation, and such criteria can easily be agreed among individuals within the organisation. However, in the public sector there may be different arguments about the suitability of selected criteria, and sometimes these criteria should be complemented by some other criteria because of the nature of the public sector. The legitimacy of modern democratic governments comes from the public and the *raison d’être* of them is to serve the public. In this sense, a fourth ‘E’, equity, is included as an essential value to be pursued in the public sector, which is not the case for the private sector (Holloway 1999: 241; Pollitt 2003: 9). Sometimes public sector organisations should provide certain services which private sector companies are reluctant to provide because they would not yield a profit (Smith 1995: 171). As a result, the performance of the public sector should not be measured solely by the efficiency factor.

Moreover, most of the public sector organisations and managers are surrounded by multiple sets of stakeholders who have different service experiences and different values and ideas about what constitutes best performance (Behn 2003: 600; Law 1999: 96). The difference among the perspectives of political economists suggests more fundamental deliberation regarding the diversity of stakeholders. The welfare economics perspective would look at the achievement of social welfare standards for the public, the public choice perspective would focus more specifically on the utility for the customers of the government, and the Marxist perspective would most value the interest of the working class (Bovaird 1996: 146). This complex situation indicates the possibility of the existence of even more diverse notions of performance within the public sector. Thus, it becomes a difficult and complex task to define and manage the performance and quality of services in the public sector (Rouse 1999: 80).

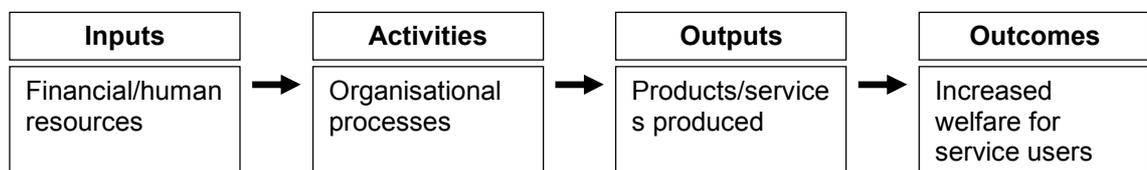
In conclusion, performance in the public sector should not be judged solely by efficiency or effectiveness and it is necessary to consider the contexts in which it is placed (Pollitt 2003: 9-10). Criteria such as fairness, responsiveness and equity should be considered together in making a judgement on the success or failure in the achievement of the targets as well as in setting objectives and targets. The reason for this is that, where appropriate, the government may have failed to meet some targets

because it had to secure other important values, which ultimately contributes to achieving the overall aims of the government. Taking a narrow view of meeting targets and blaming the government for failing to meet them without understanding the nature and contexts of the government's problems will only exacerbate the problem by inducing strategic and perverse behaviours (Moullin 2004: 112). The results of interviews conducted by de Lancer Julnes (2006: 227) suggests that managers and administrators have concerns about the charges when the performance turns out to be bad; these concerns were the main reason for resistance to performance measurement. To alleviate these concerns when the appearance of performance results is not up to the expectation, it is necessary to look beyond the facade and understand the reasons for poor performance. The next step should be devising countermeasures to improve performance.

The Nature of Products

In many cases the products of public services are invisible and difficult to specify when compared with those of the private sector. This shapelessness of products often results in the difficulties in setting clear and specific objectives and targets. For example, objectives set by governments such as 'enhancing the feeling of safety among the public' and 'tackling inequalities across the country' are far less clear than those of private sector companies such as 'top position in market share' or '10% increase of profits'. This ambiguity in goals might seem to be problematic on the measurement side, however, it needs to be thought of differently. Figure 2.4 shows four stages of the process of providing public services. Rouse (1999: 77) refers to it as a 'value adding process' where each stage creates added value to the public.

Figure 2.4 The Value Adding Process



Source: Rouse (1999: 77)

Inputs are resources used to implement policies and provide services, outputs are the direct products of the activities of government, and outcomes are the end results attained by successful implementation of programmes. Outcomes usually take longer to

be realised than outputs. They stand for the ultimate aims that the government intends to achieve. Outcomes are more critical and have much more significance than outputs for government activities. Taking the example of healthcare, the payments for doctors and nurses, the medicines and medical devices used are inputs. Outputs can be specified as the number of operations or treatments. What is important in healthcare is not those numbers but the healthier life of the public, which falls into the category of outcomes. In most cases private sector performance can be explained by the outputs such as the amount of production, sales and profits. However, in the public sector the outputs are not enough to explain the performance as they fail to reflect the ultimate aims that the government intends to achieve, and the outputs should be supplemented by the outcome targets. Inevitably, outcomes are less specific and clear than the outputs. However, this should not be misunderstood as problematic because the aims of the government are less clear because the less specific outcome targets can be supplemented by more specific sub-targets or the effective use of performance indicators (Pollitt 2003: 12). Therefore, choosing appropriate targets and indicators becomes important in the design and operation of performance management.

From the perspective of the value adding process, the main problem lies in the relationships between inputs and outcomes. There is a possibility that the causal relationship between them becomes ambiguous because of the influence of the external factors that cannot be controlled by the government. For example, the number of crimes is not only related to the police activities and probation services, but also with the unemployment rate and economic conditions (Rouse 1999: 79). Thus, judgements on performance should include consideration for the variable factors involved in the government activities, rather than depend solely on what appearances suggest. This is an issue of externalities frequently discussed in policy evaluation regarding the distinction between the results of the specific policy and those of the external factors. Organisations in the private sector generally do not face this problem of uncertainty because the dominant objective is making profits and there is a clear causal relationship between their activities and their profits (Carter, Klein and Day 1992: 118).

Non-unification

In the private sector performance can be measured in terms of the improvement of the quality of products, error rate reduction, market share, sales, profits and so on. These criteria are in coherence throughout the normal operating process of the

organisations. Most of the individuals constituting the organisation can share a common goal and they are more easily united under the goal than those in public sector organisations. Performance of private organisations is measured and understood in the light of their unified missions. Performance measurement is directly associated with achieving organisational missions. Whatever the mission is (e.g., maximising profits or improving customer satisfaction), the role of performance management in the organisation remains consistent. Performance management fulfils its normative function: improving the productivity, quality of products and customer satisfaction. In the private sector, performance management systems are almost always used to contribute to the achievement of the organisational missions, this is not always the case in the public sector.

In the public sector the aspects of performance are more varied. Similar to the private sector, performance management can function as an instrument for achieving the aims of an organisation, but due to the nature of government there are many other possible ways to use it in government. Governmental organisation consists of various actors whose political status and interests are not the same. Firstly, politicians including ministers and civil servants are interested in their own objects. The priority of politicians will be winning elections as well as achieving their departmental missions, and the number of votes will be the measure for their performance. Senior officials would be more interested in the effective management of departmental business whilst supporting their ministers. More junior civil servants and front-line staff would regard successful delivery of services as most important. This difference of interests results in the variable meaning of performance and makes it difficult for the different actors to reach a consensus on performance objectives, which is not the case of private sector organisations (Bovaird and Gregory 1996: 244). Secondly, different actors on each level of administrative structure such as central government, local authorities, executive agencies and Non-departmental Public Bodies (NDPBs) may have different conceptions and priorities with regard to the meaning of performance and the relative significance of various targets. Many local authorities do not seem to be satisfied with the target system where most of the targets are centrally imposed (Public Administration Select Committee 2003: 13-15). Consequently, it is quite difficult for them to get united under common goals. They may have different viewpoints on the utilisation of a performance management regime, even if they want to work together in one accord.

6. Conclusion

The early attempts of performance management in government did not yield expected benefits, but thanks to the new trend of the NPM, performance management has become more refined. Performance management can be defined as a systematic process to improve the quality of services and public accountability through a series of activities comprising measurement, reporting and using performance information. Generally, a performance management system comprises five stages: strategic planning, performance planning, performance measurement, performance evaluation and feedback actions. At each stage there are issues to be settled for designing an effective performance management system.

Performance management was first developed in the private sector and then transferred to the public sector. As emphasised by some scholars (James 2001b; Wilks 2007), understanding the different nature of the public sector should precede the introduction of management techniques from the private sector. In this regard, it is essential to understand the distinctive characteristics of public sector performance and take them into account in the design and operation of performance management system in the public sector. Performance management in the public sector takes place within the complex political contexts characterised by multiple values and stakeholders and externalities. There are other factors, not relevant in the private sector, which must be considered in judging the performance in the public sector. It is inevitable that some practices such as setting objectives and targets and feedback are affected by political contexts. Those distinct features of public sector performance imply that the flexibility of measures and criteria is necessary for the judgement of performance. Furthermore, considering the aim of improving public services in performance management, the focus of performance management should be more on discovering the reasons of poor performance and curing them, rather than penalising related actors with narrow views of measured figures. The next chapter looks at how a performance management system can contribute to different purposes in practice and what potential problems can be caused by the operation of performance management, which provides some insights to characterise a good performance management system.

Chapter 3

The Operation of Performance Management in the Public Sector

1. Introduction

This chapter goes forward from the theoretical discussion of the history and the concept of performance management to examine how performance management can be applied to the public sector. It draws on the recent experience of a number of developed countries – with more focus on the UK than others – and on the recent literature. It begins by asking why many governments operate performance management systems. Considering the purposes, roles and benefits of performance management, we come to discover that there is some overlapping among them. Every government that introduces a performance management system has its own intentions for the system. Strengthening central control over the government departments and agencies, improving service standards, or just glorifying what they do; all these could be the purposes of implementing a performance management system. Furthermore, there might be some hidden purposes, which are not officially announced. The various purposes of performance management in 10 OECD countries are well described in the publication of OECD (1997). Table 3.1 presents the summary.

As shown in Table 3.1, the purposes of performance management vary across countries. However, six roles, which are thought to be important and relevant, have been selected for discussion in this chapter. Many of them can also be understood as the benefits of performance measurement, which is the core activity that characterises performance management. The side effects caused by the operation of a performance management system and the difficulties arising during the operation of the system are as important as the roles of the system in formulating the central of argument in this chapter. Putting those arguments together, some necessary features of a good performance management system are suggested on the premise that a good performance management system should be able to serve the purpose for which it is introduced and minimise possible side effects.

Table 3.1 The Purposes of Performance Management in OECD Countries

Country	Purposes of Performance Management
Australia	<ul style="list-style-type: none"> ▪ Improving accountability and results of the public sector
Canada	<ul style="list-style-type: none"> ▪ Ensuring flexible and client-oriented service ▪ Reducing the budget deficit and downsizing public service
Denmark	<ul style="list-style-type: none"> ▪ Improving management capacities of agencies ▪ Improving political control over policy ▪ Focus on clients, service quality and results
Finland	<ul style="list-style-type: none"> ▪ Instilling organisational and cultural changes ▪ More efficient and service oriented administration
France	<ul style="list-style-type: none"> ▪ Improving relationships between management and staff ▪ Improving quality of service ▪ Strengthen responsibility and accountability
Netherlands	<ul style="list-style-type: none"> ▪ Providing information on changes in performance ▪ Improving resource allocation and accountability ▪ Improving the efficiency & effectiveness of service and policy
New Zealand	<ul style="list-style-type: none"> ▪ Higher quality service while maintaining fiscal responsibility
Sweden	<ul style="list-style-type: none"> ▪ Providing information for evaluation and priority setting ▪ Improving the quality and flexibility of public services
United Kingdom	<ul style="list-style-type: none"> ▪ Ensuring clear accountability for performance ▪ Effective delivery of high quality services ▪ Sustained pressure for improvement in value for money
United States	<ul style="list-style-type: none"> ▪ Holding the government accountable to the Congress ▪ Creating a government that “works better and costs less”

Source: Extracted from OECD (1997)

2. The Roles of Performance Management

Improving Organisational Effectiveness

Organisational effectiveness is suggested as a starting point for a discussion of the meaning of and roles of organisational performance (Boyne and Dahya 2002: 181). Organisational effectiveness can be measured by the degree to which the organisation achieves its aims and objectives. If an organisation successfully achieves its objectives, then it can be said that the organisation has secured effectiveness. For most private sector companies the primary objective is maximising profits. For public sector

organisations, especially governments, the aims and objectives are much broader and variable across departments. Generally the overall aim of the government can be achieved by improving the quality of public services and customer satisfaction. Many governments in the world are now setting performance targets and monitoring them for the purpose of improving public services. Setting targets and monitoring them help the organisation to concentrate on its objectives, and those activities ultimately contribute to improving the effectiveness of the organisation. Thus, the overarching purpose of performance management in government can be described as improving organisational effectiveness which is directly related to the improvement of public services.

Securing Accountability

Accountability is one of the features that distinguishes public administration from private business management. In other words, the government is accountable for its spending and policies to the public through Parliament, and there should be a proper mechanism to secure accountability for that. Different aspects of accountability can be analysed from different perspectives and in different dimensions. Considering questions like ‘accountable to whom?’, ‘accountable for what?’ and ‘accountable through which mechanisms?’ may be considered for understanding the concept of accountability within the given contexts (Pyper 1996: 2). Another way of analysing accountability is by dividing it into internal and external accountability depending on the organisational boundary where it matters (Pyper 1995: 118-119). Internal accountability means that civil servants should be accountable to their line managers and ministers. External accountability operates in the domain between organisations and secured through the relationship with Parliament or other institutions such as auditing bodies or regulatory agencies. In the UK there has been a tradition of maintaining the constitutional values of secrecy of civil servants, ministerial accountability and Parliamentary accountability, which mean ministers are accountable for the business of their department to Parliament whilst the civil servants remain anonymous. However, as the duties of civil servants have become more diverse and they now deal directly with services to the public, recent development in the notion of accountability adds public accountability to them. Public accountability includes the direct answerability of officials to whom the public services are provided (Pilkington 1999: 106). Another way of analysing accountability is looking at the nature of accountability in terms of the methods of embodiment as suggested by Massey and Pyper (2005: 151-153). They point out four layers of accountability:

answerability or explanatory accountability, amendatory accountability, redress of grievances and sanctions saying that the fuller version of accountability would encompass all of the four layers. Flynn (2002: 206-208) explains the concept of accountability in relation to performance management. He suggests two dimensions of accountability: financial accountability of public sector organisations and political accountability of politicians. According to him, public sector organisations are accountable for the efficiency and effectiveness of the public expenditure in accordance with prescribed procedures, whilst politicians are accountable for policy decisions and management of their organisations. He claims that performance measurement is required to secure the accountability in both dimensions.

Accountability matters in most of the processes of performance management. However, the core mechanism of securing accountability in performance management is the publication of performance reports containing relevant performance information. Publicising measured performance against targets can contribute to the improvement of accountability in that these procedures make politicians and civil servants more responsible for keeping their 'promise'. Appropriate publication of performance information enables stakeholders including Parliament and the public to demand the improvement of results (NAO 2001a: 13).

This role of performance management in accountability is particularly important in the UK as there have been criticisms regarding the accountability problems caused by a series of the NPM-type reforms in the 1980s and 1990s (Ferlie *et al.* 1996: 8-9; Massey and Pyper: 165-169; Rhodes 1997: 101-103). The Next Steps and other market-oriented reforms such as market testing, privatisation and contracting out are thought to have resulted in the ambiguity of accountability. In the first publication of the PSAs in 1998 they were claimed to bring 'a fundamental change in the accountability of government to Parliament and the public' (HM Treasury 1998b: 2). Examining whether the PSA framework has really improved accountability would be interesting and is dealt with in the case study.

Differentiation of Success from Failure: Rewarding Success

Measuring performance provides the opportunity to distinguish success from failure and reward success. Osborne and Gaebler (1992: 146-154) argue that not rewarding success is rewarding failure. Performance management activities are more effective when they are supported by an appropriate rewards system. Possible incentives

would include financial incentives such as performance-related pay and bonuses, personnel incentives such as higher scoring in the individual assessment and promotion or an improved work environment. The main concern of the incentive mechanism in performance management is to motivate individuals or organisations to work hard and contribute to the achievement of the organisational objectives.

There have been various theories of motivation developed in the literature of organisational behaviours. Theories of motivation are divided into two different approaches according to whether they focus on the motivator or the process of motivation. The first is content theories, which attempt to explain what motivates people, and the second is process theories, which attempt to explain how individuals are motivated in the organisation. Among many scholars, Mullins (1993: 449-474) provides good explanations of these theories. Content theories include Maslow's hierarchy of needs theory, Alferfer's ERG theory, Herzberg's motivation-hygiene theory, and McClelland's achievement motivation theory.

Maslow, a pioneer in the theory of motivation, advocated in 1943 that human needs consist of five levels: physiological needs, safety needs, love needs, esteem needs, and self-actualization needs, which at on the top of the hierarchy. He maintained that once the lower needs have been satisfied, people are motivated to satisfy the needs of the next level. What Maslow's theory suggests is that the manager should be able to find out in which needs the employees have a deficit, because motivation can only work when satisfying the exact needs which employees are short of. This theory has been criticized that it has confined human needs to five specific needs, and it assumed the fixed order of needs. However, Maslow's theory is valuable in that it has drawn attention to the motivators and formed the basis of further research such as that of Alderfer. In 1972 Alderfer modified Maslow's work and suggested ERG Theory. Existence needs are concerned with existence and survival, and includes physiological and safety needs. Relatedness needs are concerned with social relationships and include safety, love and esteem needs. Growth needs include esteem and self-actualization needs. The difference with Maslow's is that Alderfer's assumed that the needs are more on a continuum than in a hierarchical order, and the satisfaction of one need compensates for the dissatisfaction of another. Meanwhile, Herzberg identified factors affecting motivation by interviewing 203 accountants and engineers in Pittsburgh in 1959. He argued that some factors like a sense of achievement, a sense of recognition, a sense of responsibility, a sense of liking the nature of the work, a sense of personal growth and a sense of advancement directly motivate individuals, whilst factors like

salary, job security, working conditions, level and quality of supervision, organisational policy, administration and interpersonal relations do not actually motivate individuals. He argued that factors like pay or working conditions are mere hygienic factors, which dissatisfy people when they are not met rather than motivate people when they are met. The implication of this theory is that it is important to use effective motivators because removing hygienic factors do not actually motivate people. Following Herzberg, McClelland suggested that there are four motives which are related with motivation, the Achievement motive, the Power motive, the Affiliative motive and the Avoidance motive. Individuals have different combinations of these motives and they are motivated by different factors. He insisted that the achievement motive was the most important in the growth and success of an organisation.

Alongside the above content theories, process theories, which focus on the process of motivation, have been developed, such as the expectancy theory by Vroom, and Porter and Lawler, equity theory by Adams, and goal theory. Expectancy theory was first suggested by Vroom in 1964 and further developed in 1968 by Porter and Lawler. Vroom's main argument is that people are motivated when they expect that they are able to achieve good performance and there will be rewards which fill their anticipated needs. Porter and Lawler incorporated other variables such as individual abilities and traits, and rewards. They regard motivation, satisfaction and performance as separate variables, and theorized their relationship to one another. The implication of the expectancy model is that managers should pay attention to the appropriateness of rewards, which means that rewards should be what individuals want, there should be a clear relationship between performance and rewards, and there should be clear procedures for evaluating performance. Next, Adams developed equity theory. The focal point of equity theory is the individual's perception of the fairness of rewards compared with those received by others. When individuals feel there is inequity in terms of their efforts (or inputs) and rewards (or outcomes) compared with others, it causes tension and they are motivated to reduce the tension. Adams identified six types of behaviour to reduce the tension, changes to inputs, changes to outcomes, cognitive distortion of inputs and outcomes, leaving the field, acting on others and changing the object of comparison. Finally, goal theory was developed, which suggests that people are more motivated to perform better when they are given clear goals. Some implications of this theory, which are crucial in achieving better performance, are that the level of goals should be challenging but realistic, employee participation is needed in goal setting, and accurate and timely information and feedback should be given to

individuals. Process theories provide some useful suggestions in designing performance management systems, especially for incentive structure and target setting. In more detail, expectancy theory calls attention to the importance of clarifying the procedure of assessing performance. Equity theory provides a theoretical basis of addressing the issue of fairness in rewarding and sanctioning. Goal theory reiterates the significance of the level of targets and suggests that targets mutually agreed between the manager and the employee would work better than targets decided by the top management team without the input of the employee.

In conclusion, process theories of motivation, especially expectancy theory and equity theory, provide relevant insights to the issue of motivating individuals by rewards based on the performance. The clear relationship between performance and rewards, the clear procedures for evaluating performance and equity of individual efforts and rewards are all related to the fairness of rewards. Consequently, to derive the prospective benefits from motivating individuals by rewards based on performance, the system designers and managers should ensure that transparency and fairness are secured through the process from the evaluation of performance to rewards.

Learning from Success and Failure

Learning from success and failure is possible when performance results – not necessarily all the details – are open to every member of the organisation. To initiate learning, there should be a systematic mechanism. Learning content organised from the performance information should be provided and the individuals should be able to learn from it within the institutionalised setting. To make full use of the learning opportunities from past cases, not only should the organisations create an atmosphere conducive to learning, but they should also encourage the members of the organisations to be eager to learn from the history. With regard to the learning in an organisation, Senge's (1990) concept of 'learning organisation' is worth attention. He defines five business disciplines that help to build a 'learning organisation': personal mastery, mental models, shared vision, team learning and systems thinking. His argument is that to become a successful organisation, individuals in the organisation should have freedom to learn new ideas, theories and practices and to use them to competitive advantage, whilst the organisation should encourage learning. In relation to the value of learning, Garvin (1993: 78) said that 'Continuous improvement requires a commitment to learning.' In this respect, organisations in which performance measurements are

followed by learning through the cases of success and failure will have more chance for future success.

Improving Resource Allocation

When performance management is integrated with financial management, the effectiveness of performance management is expected to improve. Pollitt (2001a: 11-12) maps out the dimensions of integration of performance management with financial management as displayed in Table 3.2. He divides the performance management process into target setting, performance measurement and monitoring and reporting. Financial management is divided into budget making, budget implementation, accounting and audit and control.

Table 3.2 Dimensions of Integration of Performance Management with Financial Management

Financial Management	Performance management		
	Target Setting	Performance Measurement	Monitoring and Reporting
Budget Making	A	B	C
Budget Implementation	D	E	F
Accounting	G	H	I
Audit and Control	J	K	L

Source: Pollitt (2001a: 17)

As seen in Table 3.2, there are at least 12 dimensions where the integration of performance management with financial management can take place. So theoretically 12 different analyses can be undertaken regarding the effects of the integration. Among those 12 interfaces, he suggests A (budget making and target setting), C (budget making and monitoring/reporting), E (budget implementation and performance measurement) and H (accounting and performance measurement) are of great significance. When this framework is applied to the PSAs, interfaces A and C are the most plausible dimensions for integration, as the PSAs are the aggregation of national targets across the government and they are agreed in line with the decisions on budget set in the Spending Reviews. Looking at the aspect of interface A, where resources are allocated in line with targets, we can clarify how many resources are spent for each specific service area. With interface C, resource allocation can be supported by the information provided by

performance monitoring and reporting. An easy example of the integration of interface C might be allocating more resources where the performance was good or improved and allocating fewer resources or implementing counter-measures to tackle the low performance areas. In any case, considering performance information in the budget process has benefits of allocating limited resources for the most efficient and effective use of them.

For a better understanding of the relationship between performance management and budgeting, it is worth looking at the theoretical and practical development of budgeting. Traditional budgeting was dominated by the line-item budget, where the allocation of a fixed amount of resources is made for each specific item or type of expenditure that is necessary for implementing policies and conducting day-to-day business. In this system decisions on the allocation for the forthcoming financial year are usually made through a comparison with those of the previous financial year. Thus, the basic characteristic of line-item budget is incremental, and inputs are its main concern. It is a useful mechanism for controlling expenditure and securing financial accountability, which was the most important aspect in the budget process in the early 20th century. At that time the most serious concern regarding budgeting was to make the government spend exact amounts of resources for the exact items and activities that were approved by the representatives of the public. However, the line-item budget has some disadvantages. First, it provides little information on what the government is going to achieve, and how good the performance of the previous financial year was in spending resources. Second, as it is too much focused on the control of expenditure, there is little managerial discretion, which is necessary for better outcomes to be achieved. In short, the line-item budget hardly provides any chance to consider performance information during the budget process and it is not a suitable form for integration with a performance management system (Gianakis 1996: 136).

Recently, with growing emphasis on results, the line-item budget has been replaced or supplemented by other budgeting systems through the introduction of the elements of programme budgeting or performance budgeting in many countries (OECD 1997: 21-24). The earliest efforts to transform the budget system were the introduction of PPBS and ZBB. Performance budgeting focuses on the results achieved by the allocated resources. It identifies the costs needed to fulfil each specific programme and measures for judging the success of programmes. Thus, it enables users to get information on what the government is going to do, what the priority of the government is, and whether the intended objectives have been achieved or not. This kind of

budgeting can be suitably integrated with performance management. Curristine (2005: 102-103) suggests three types of performance budgeting in accordance with the use of performance information in the budget process: presentational, informed or indirect linkage and direct linkage. In presentational performance budgeting performance information is included in budget documents, but not seriously considered for resource allocation. Performance budgeting with informed or indirect linkage considers performance information seriously in resource allocation, but there is not a strict correlation between the performance and the amount of resources allocated. Performance budgeting with direct linkage can be referred as the ultimate performance budgeting. The allocation of resources is directly linked to units of performance and appropriations are decided by formula or contract. In practice, this form of performance budgeting is rarely used, and performance informed budgeting is more widely used (Curristine 2005: 103-107).

According to the statements in the Spending Reviews and PSAs, it seems that the considerations for the amount of necessary resources for each objective are made together with the judgement about how important each objective is. This could be presented as the UK example of performance budgeting and how performance management can contribute to the improvement of financial management.

Exercising Control

Whereas the four roles stated above can be suggested as the neutral purposes of performance management, the two roles, which will be explained now are more biased toward some political intentions and not announced officially as the purpose of performance management. The first is exercising control. According to Tannenbaum (1968: 3), the control mechanism is an inherent feature of an organisation and essential for achieving the ultimate purpose of the organisation. Thus, an organisation existing without any control mechanism is unimaginable. Exercising control has two applicable dimensions (Mullins 2007: 677). One is organisational and the other is individual, which are the same as the dimensions of performance management.

Exercising control in organisational dimensions in the UK government emerges within the relationship between the core executives including the Treasury and other departments. The tension surrounding the issue of the control of the Treasury has long existed and has taken the form of an endless match of tug-of-war. Thain and Wright (1995: 403-408, 504-509) analyse and describe the aspects of struggle and negotiation

between the Treasury and other departments on the control of public expenditure. Another aspect of organisational control can be considered with the relationship between the executive agencies and their parent departments. The formal relationship between them is regulated by the framework document containing performance targets for the agencies on which the status of the Chief Executives of agencies depends. Thus, although the basic idea underlying the executive agency framework is to allow them freedom in their management of day-to-day business and policy implementation, they may not be totally free from the control of their parent departments depending on the contents of the framework documents. Moreover, it is claimed that ministers still intervened in implementation as found in the cases of the Prison Service and Child Support Agency, which caused conflicts and confusion about accountability and the discrimination of implementation from policy (Barberis 1998: 456-459).

The other dimension of control is of the individual. Controlling individual staff is necessary for ensuring the required level of performance in any organisation (Mullins 2007: 678). Generally the power of exercising control belongs to the head of each organisation. For instance, Chief Executives of executive agencies would want to control their staff so as to achieve performance targets effectively since they are also individually held accountable to the appropriate Secretary of State.

Usually it is not officially announced that performance management systems are introduced to exercise control. However, even though such a purpose is not explicitly stated, it is undeniable that performance management systems could function as instruments of control. Mullins (2007: 680) suggests five essential elements in an organisational control system. They are:

- (a) planning what is desired;
- (b) establishing standards of performance;
- (c) monitoring actual performance;
- (d) comparing actual performance against the planned target; and
- (e) rectifying and taking corrective action.

This set of elements is analogous to those in the process of performance management displayed in Figure 2.3. Thus, it is clear that performance management systems could function as control mechanisms (Smith 1995: 165-169). Under the proposition that exercising control was one of the purposes of introducing the PSAs in the UK, they might be understood as an attempt to compensate for the decentralisation of functions and power to departments, agencies and local governments and create a 'joined-up government'.

Symbolic Role

The last role of performance management to be discussed is the symbolic role. Bovaird (1996: 163) argues that the only actual purpose of performance measurement is symbolisation and the results are not of interest to most stakeholders. Furthermore, as mentioned in Chapter 2, Bovaird (1995: 119) and Bovaird and Gregory (1996: 268-270) argue that performance indicators in the UK public sector have fulfilled an important symbolic role by ‘promulgating and sustaining new images and myths about the public sector’ rather than leading to changes in policies and practices. In a sense that it does not have real effects in improving public management, Greiner (1996: 16) also presents a similar role of performance measurement, decorating budget documents, in the US. These are quite disappointing and unacceptable arguments to those who believe that performance management would improve the quality of public services and the efficiency and effectiveness of public management. According to those arguments, performance management is just a political instrument for gaining more support from the public, not really for improving public services or value-for-money in the public sector. However, admitting performance management has a symbolic role, it should not be understood that the role of performance management is limited to that. Moreover, it needs deliberation whether the symbolic role of performance management is a negative feature.

The symbolic role does have its benefits. Through the utilisation of a performance management system for symbolic purposes, the public would be able to perceive what the government is doing, and the government could get more support and trust from the public and fulfil their duty more economically and efficiently without being distracted by offensive moves in the political dynamics. In this way, the symbolic role may contribute to the improvement of economy and efficiency of government activities. Accordingly, it might be classified as another positive role of performance management.

3. Problems in Performance Management: Pitfalls and Limitations

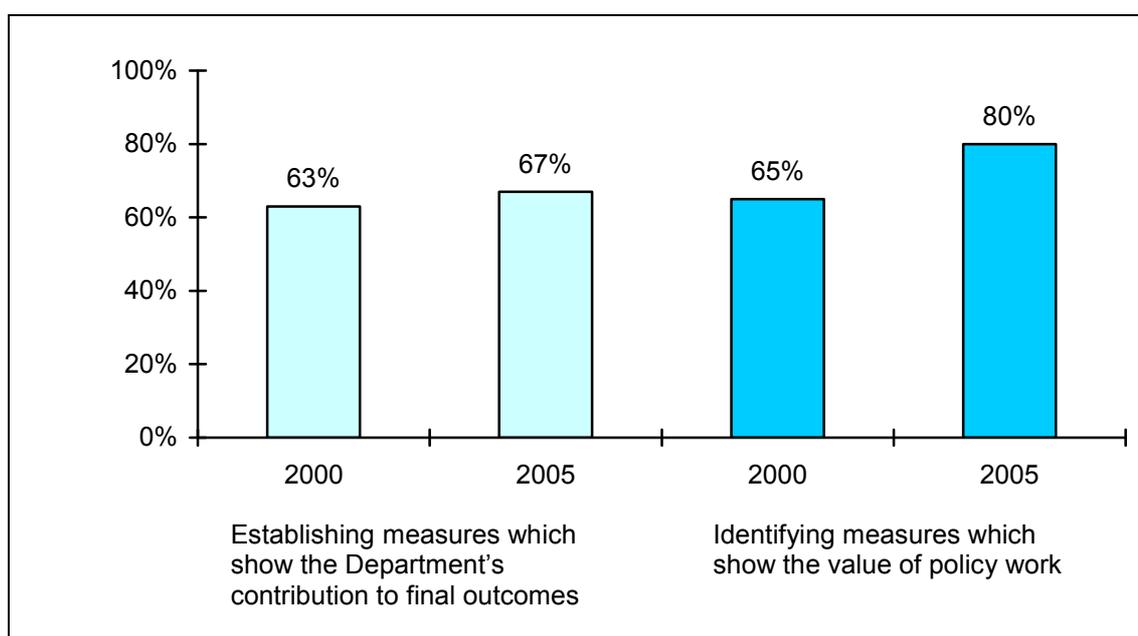
The Difficulties of Measurement

Performance measurement plays a highly important role in the whole process of performance management. If there is no information generated by measurement, the

performance management system cannot work. Yet the problem is that accurate measurement of performance and the creation of high quality performance information are never easy tasks; they require comprehensive consideration of the factors involved in services and a firm establishment of the definitions of terms (Bevan and Hood 2006: 528-529).

Firstly, to carry out performance measurement, it is necessary to set up a series of measures including performance indicators and to clarify the definitions of terms; it is also important to decide how to collect data and how to interpret them. The important point here is that the selected indicators should reflect the core aspects and substance of the services to prevent the side effects of strategic and perverse behaviours. This can be understood in line with the argument that targets should be outcome-focused. This point is especially important in the public sector where many of the services are intangible and unquantifiable. Because of the intangibility of many public services, it is rational to select outcome targets rather than output targets. Then, the critical task is to design suitable indicators to measure the achievements of those outcome targets. However, according to the reports of the NAO (2001a, 2006), selecting and designing high-level outcome-focused measures remains a substantial challenge for most departments. Figure 3.1 demonstrates the proportion of Finance Directors who answered that it was a great or very great challenge to establish ‘measures which show the Department’s contribution to final outcomes’ increased from 63% in 2000 to 67% in 2005. Figure 3.1 also shows that the proportion of Finance Directors who answered that it was a great or very great challenge to identify measures which show the value of policy work increased from 65% in 2000 to 80% in 2005.

Figure 3.1 Finance Director Survey Results on the Difficulties in Measurement



Source: NAO (2006: 6)

The proportion of those who said that ‘identifying measures which show the value of policy work’ was a great or very great challenge increased from 65% in 2000 to 80% in 2005 (NAO 2006: 6; Appendix 7: Q4). Whilst the reason for the increased challenge needs investigation to be clarified, it definitely indicates the enduring difficulties of designing good performance measures.

A different problem might occur with regard to the selection of performance indicators. Depending on the nature of the services and tasks, some of them may be easier to measure than others, or suitable for specific types of indicators. Thus, some services may face less measurement than others and receive less attention (Pollitt 2003: 46). Indeed, potential unfairness and inaccuracy of performance information caused by this tendency have been revealed in Korea as shown in the case study.

Secondly, it is difficult to obtain good quality data in a timely manner, as indicated in the report of the survey conducted by the NAO (2006). The issues surrounding the quality of data are comprised of frequency (whether data are available as often as required), timeliness (whether data are available quickly when needed), relevance (whether data are appropriate to measure the target) and so on (NAO 2006: 6-7). According to the survey results, the biggest problem concerning the quality of data is identified as the frequency and timeliness. These problems of measurement partly originate from the dependency on front-line staff for obtaining data (Smith 1995: 170-171). When the managers or professionals know that performance measurement would affect the league table score, they have a strong incentive to produce it in a way as favourable as possible for them. Such strategic behaviours have been widely discovered so far as suggested later.

The Costs of Performance Management

Designing and operating a performance management system require financial and human resources as well as enthusiasm and effort. Direct costs of developing and operating a performance measurement system should be considered before introducing a performance management system (de Lancer Julnes 2006: 231). In addition to the direct costs, performance management incurs transaction costs of staff training, effort and time spent in producing documents (Talbot 2005: 503). Moreover, there may be resistance to the performance management regime, which would increase compliance costs. Moreover, the side effects of performance management, which are explained later, should all be counted in the costs.

In fact, the activities in the process of performance management itself do not give any direct benefits to the public, although they do increase the total expenditure of the government. Generally, the public are not interested in whether the government is measuring and monitoring its performance or not. They are believed to be indifferent to government performance reports ‘until things go wrong’ (Bouckaert and van Dooren 2003: 133; Pollitt 2006a: 41). What is important to them is the delivery of the services – preferably of high quality – they need. Therefore, if the costs of performance management are too high compared with the benefits it brings, it might not be reasonable to enforce a performance management system (Smith 1995: 177; Moullin 2004: 111; Holloway 1999: 250). Thus, if the costs of performance management are too high and fall short of the improvement of performance, the performance management system should be reconsidered and appropriate countermeasures should be taken to reduce the inefficiency. However, measuring the costs and benefits of operating a performance management system in a meaningful way is highly challenging, and it is difficult to find such a case for comparison between the costs and benefits of performance management in real practice.

Strategic Behaviours

Strategic behaviours are rational behaviours from the point of view of the actors in the given situation. With regard to the target system, strategic behaviours originate from the intention to achieve better results in achieving those targets without considering the core value and ultimate aims of the public services. Strategic behaviours can happen in two different ways: people could focus on measured targets at the expense of unmeasured ones or they could focus on performance numbers at the expense of the agency’s overall goals.

Firstly, people could pay more attention to the tasks where targets are set and progress is measured by indicators, sometimes even neglecting other tasks, which are not measured. Because of the limitation of the number of targets and the imperfection of measures, not all the important activities of an organisation can be linked to targets. Thus, the problematic situation inevitably occurs when some important aspects of the services are not linked to targets and are placed out of attention. A good example for this is found in the ambulance service, as suggested by Heath and Radcliffe (2007). The aim of the ambulance service is to provide emergency transport and first-aid as quickly as possible. For example, performance indicators for the ambulance service comprised

those related to response times, rather than the care provided to the patient at the scene. However, the most important aspect of this service should be whether the patient receives proper care quickly and survives, not how quickly the ambulance arrives. When performance targets of response time are set, naturally more attention will be paid to the response time than to the quality of the care on the spot, which could severely undermine the quality of the accident and emergency service as a whole. Potentially, service quality could be compromised in favour of the promptness of response, for example, by sending out ambulances with paramedics that are not fully trained when there is no time to wait for the fully trained paramedics become available. This example represents the situation of goal displacement, which refers to ‘individuals’ tendency to purposely change their behaviour in the areas that they are being measured so as to improve the performance ratings’ (Bohte and Meier 2000; Mark *et al.* 2000, both cited de Lancer Julnes 2006: 229).

Second, in the case of activities that are measured, the priorities will be put on meeting the numeric targets not on securing the ultimate aims of the services. This tendency is likely to increase when performance measurement is linked to monetary rewards, sanction or other succeeding decisions that have great significance to the actors (Public Administration Select Committee 2003a: 25-26). Several good examples of this type of strategic behaviour which undermine the quality of public services are found easily in police, health and education (de Bruijn 2002: 23; Public Administration Select Committee 2003a: 17-26). For instance, when the target is related to the number of arrests, the police forces may try to arrest more minor offenders like shoplifters who are easier to arrest than a few serious and dangerous criminals who cause more public terror. Indeed, the PSA target, ‘improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice’ is thought to have stimulated this type of strategic behaviour. Mr Peter Neyroud, Chief Executive of the National Policing Improvement Agency (NPIA) and the former Chief Constable of Thames Valley Police, admitted it saying:

There has been, in the minds of many professionals, me included, a neglect of the serious. Because detecting a stolen milk bottle counts the same as detecting a murder ... you get your points from, not necessarily milk bottle, but certainly in mid-range, volume crime, rather than serious crime (Ford 2007).

This is the first evidence given by a senior officer that the target culture is preventing police from properly tackling serious crimes. It makes the achievement of targets pointless. The results might be adverse to the aim of ‘safe society’, which would be one

of the ultimate aims of the police service. In health it is a well-known fact that some hospitals cancelled appointments or ceased to make future appointments to cut waiting lists and meet the waiting time targets (Hindmoor 2005: 278; Public Administration Select Committee 2003a: 18-20). A similar problem arose in GP practices due to the 2000 and 2002 PSA target, which says GPs should 'guarantee access to a primary care doctor within 48 hours'. This target made GPs stop accepting bookings earlier than 48 hours, which meant patients had to wait until Wednesday to make an appointment for Friday (Department of Health 2006a: 69). The 48-hour target and waiting lists target also meant that less urgent patients were seen ahead of urgent patients (Triggle 2005a, 2005b). Education is not the area of exception of those perverse effects (Massey 2001: 17-19 cited Massey and Pyper 2005: 145). When the results are the basis of resource allocation, as hospital star ratings and school league tables, the system is more liable to influence staff behaviours in ways which could be detrimental to more important values and customer care (Public Administration Select Committee 2003a: 25-26). The solution to this would be to make targets reflect the core values of the services as much as possible. In other words, targets should be outcome-focused to prevent the harm of strategic behaviours.

Cheating: Manipulation of Figures

Cheating or manipulation of figures on performance is a kind of perverse behaviours that may constitute an immoral or illegal behaviour that can be punished. Many cases of manipulation of figures and intentional omission of data have been reported. The most frequently cited examples are in health. It has been discovered that some hospitals manipulated the waiting lists beyond just cancelling existing appointments or refusing to make future appointments. Also in the ambulance service there is some evidence of manipulation of figures of response time and loose interpretation of measurement guidelines (Heath and Radcliffe 2007: 225). In schools, to meet literacy and numeracy targets, some failing students have been deliberately excluded from the examinations. Moreover, cases of deliberate misconduct by teachers have been found. Some teachers helped students get better scores or even altered the final answers given by students in exams (Cassidy 2008a; Pollitt 2003: 47; Social Market Foundation 2005: 23). Police manipulated their performance figures through the deliberate selection and de-selection of the criminals and crimes to be included in the statistics, thus making performance appear to be improved. A more serious example of

police manipulation of figures that has been reported is that some detectives of the Greater Manchester Police Force have inflated their crime clear-up rate for burglaries by persuading convicted criminals to admit to crimes they did not committed (Herbert 2002). In return for the false confession, the detectives provided some favour to the criminals, such as letting them see their families, or letting them out of prison for a moment to have a hamburger. These incidents have been revealed by the decision of headquarters to examine in more detail to draw lessons from the best performing division. After the investigation of the manipulation of the clear-up rate, the inflated figure of 24.7 per cent has fallen down to 7.6 per cent, which is one of the worst in Greater Manchester. Indeed, finding a case of manipulation of figures is not difficult, and there is greater motivation for cheating when the performance is linked to rewards or sanction (Social Market Foundation 2005: 23).

Blocking Innovation and Co-operation

Innovation is regarded as essential to the development of organisations, but it involves risks that, in case of failure, can damage measured performance. Thus, when performance is measured, there is little incentive for innovation. This is because most people would be reluctant to face the risk of poor performance if the innovation efforts fail. Indeed, it is difficult to find an organisation in which performance measurement and innovation coexist and produce good results.

It would not be significantly different even if the innovation itself were a performance objective and target. The reason is that innovation is a metaphysical concept and it, in a performance management system, must be embodied in specific and measurable targets. Once the objects of innovation are turned into specific targets, there will be the same problems caused by targets as previously discussed. Examples of this are found in the recent innovation movement in Korea. President Roh Moo-Hyun, whose term ended in early 2008, emphasised 'innovation' of the government. He ordered every department to innovate in their work processes and tasks and report the progress and results. So each department managed to draw a plan for the 'innovation' with lists of objectives and targets. However, as the President did not clarify what 'innovation' meant, even his advisers and ministers, let alone the civil servants, found it difficult to produce the detailed 'innovation' plan called for by the President. Thus, the 'innovation' plans were not up to the expectation of the President, according to the advisors to the President. Nevertheless, those plans have been implemented. Some of

the objectives have shown positive results, but some of them have not because they have met with resistance and disputes surrounding the appropriateness of the objectives. For example, the policies of balanced national development which contained the plan of moving major public corporations and industrial facilities from the Metropolitan area to other small cities around the country has been heavily opposed by the local councillors and mayors of the Metropolitan area. The process of designing and implementing an 'innovation' plan was focused on meeting the targets rather than finding the right process of innovation. Once those agendas for innovation were transferred to objectives and targets, the creativity and various experimental attempts needed for the real innovation were hard to find. This case of the Korean government shows innovation is difficult to achieve even when innovation is set as a performance objective and target due to the problems caused in a performance context.

Co-operation is also important for the success of policies and co-development of government organisations. However, performance measurement may bring about problems in co-operation when the institutional setting creates a situation of competition. Under the performance measurement systems such as school league tables or hospital star ratings, all institutions would want to get higher scores than others. No institution would share special know-hows or best practices that could help others get better scores (de Bruijn 2002: 28). Pollitt (2003: 46-47) suggests the case in which the strategic behaviour of schools, which excluded 'disruptive' students, caused negative effects on the targets of police due to the increase of young offenders. James (2001b: 248) presents an example of the Social Security Benefits Agency, which concentrated on its own performance targets, hampering the overall efficiency of the administration of welfare payments provided by all of the agencies that were supposed to be working together. It illustrates the negative 'public sector externalities' caused by each organisation focusing on its own goals and not considering the effects in the wider perspective (James 2004: 400). The implication from these examples is that an effective co-operation is difficult when a performance measurement system is in operation. Even if co-operation takes place, the interactions between institutions are liable to become too formal to produce real benefits. Consequently, the role of the coordinators, the Treasury or Cabinet Office in the case of the UK, becomes important for effective co-operation. However, the issue of the control of the Treasury is not a simple matter and there have been continuous debates on this as reviewed in the next chapter.

4. Defining a Good Performance Management System

The Difficulty of Defining a Good Performance Management System

The designers of a performance management system or those who plan to introduce it may want to define what a good performance management system is. Halachmi and Bouckaert (1996: 3) argue that the question ‘what is good performance measurement system?’ is doomed to fail. They suggest two reasons for this. One is that the performance measurement system is affected by factors such as information technology and philosophy of science, which have nothing to do with organisational performance. The other is that different organisations need different measures because of the different characters of their services. The underlying idea of these arguments is that it is difficult to secure the accuracy of performance measurement because of the factors outside the control of the organisation, and a good system for one organisation may not be a good system for other organisations. However, with all these obstacles for defining and designing good performance measurement systems, it is still necessary to find out the characteristics that good performance measurement systems must have. Furthermore, if the obstacles can be controlled or removed, defining good performance measurement systems would be easier.

It is difficult to agree to the first reason suggested by Halachmi and Bouckaert (1996: 3) and it cannot be presented as a reason for the impossibility of defining good system. Information technology and philosophy of science are just factors to be considered in designing a performance measurement system. The designer can make a performance measurement system as good as possible under the preset conditions. Even though those conditions make it difficult to design a good system, it is a matter of controlling outside factors. It is not proper to give up thinking about what good a performance measurement system is because of the outside factors. It is possible to design system that minimises outside effects and maximises intended effects with the consideration of outside factors. The second reason is not appropriate, either. There is no doubt that different characteristics of services in different organisations prevent defining one system of good performance measurement for all the public services. However, this should not mean that it is impossible to define a good performance measurement system for each service or organisation. Because different organisations will need different measures, the designer’s task would be to create different sets of best measures for each organisation. Many commentators argue that different measures are

needed for the different purposes of measurement (Behn 2003; Halachmi and Bouckaert 1996: 5; Hughes 2003: 159; Poister 2003: 15; Talbot 1999). Similarly, It can be understood that organisations of different characters need different measures. Therefore, defining a good performance management system does not remain an impossible mission, at least for a specific organisation or a specific type of service.

Some important elements of a good performance management system can be derived from deliberation on it should be. These elements can be used as criteria to compare the current performance management system in the UK and Korea. By comparing them, it will become clear how close they are to the ideal model of a performance management system and what should be improved for better performance management. In this regard, it is worth enumerating the conditions of a good performance management system rather than necessarily defining it. The next two subsections look at the characteristics of good performance management systems in two aspects.

Fitness for Purpose

Firstly, a good performance management system should be able to contribute to achieving the purpose of introducing it. There are many references concerning the contribution to the purpose. For example, Behn (2003: 587-593) suggests eight managerial purposes of performance measurement and argues that a measure that is appropriate for one purpose cannot be useful to the same degree for another purpose, or even could be completely useless. He says that 'there is no one magic performance measure that public managers can use for all of their eight purposes. The search for the one best measurement is just as futile as the search for the one best way' (Behn 2003: 599-600).

Thus, as indicated by the title of his article, 'Different Purposes Require Different Measures,' if the top priority is controlling the behaviours of agencies and employees, input measures such as implementation guidelines or requirements are most appropriate. When the purpose is improving resource allocation, outputs or outcomes data should be analysed for comparing efficiency among many different policies and programmes. Consequently, to get the best results from performance measurement, managers should select suitable measures for specific purposes. Although other commentators do not provide as detailed an argument as Behn, they are all in agreement in insisting that the system must be designed to serve its intended use by considering the

needs and situations of each organisation and country (Halachmi and Boukaert 1996: 5; OECD 1997: 29; Poister 2003; 15).

Minimising Side Effects

The second requirement of a good performance management system is that it should not have serious side effects. Strategic behaviours, cheating and blocking innovation and co-operation have been suggested as the examples of side effects. Some scholars have commented on those problems. For example, Sanderson (2001: 309) suggests that targets should reflect the core values and objectives of the organisation in order to prevent actions and efforts from being distorted. OECD (2004) emphasises the delegation of responsibility as a pre-condition of the introduction of a performance management system. The freedom to use resources should be given to managers to achieve better results; otherwise the performance management system would only increase control whilst restricting managerial freedom (OECD 2004: 5). de Bruijn (2002: 36) argues that the more compulsory performance measurement is, the greater the possibility of perverse incentives. He suggests three principles of designing performance management systems: interaction, variety and redundancy, and dynamic (de Bruijn 2002: 56-59). The first, interactions are encouraged for the trust between management and professionals. Trust is crucial for preventing perverse behaviours and moderating command and control or the hierarchical attitude of management (O'Neill 2002: 45-53). This can be interpreted as: central imposition of targets with little consultation with professionals or front-line staff, which would undermine the sound relationship between the centre and target owners and induce perverse behaviours. The second, variety and redundancy of performance indicators, way of measurement and appraisal are necessary, because public services are provided in complicated contexts involving a number of conflicting values and interests of stakeholders. These measures will ease the rigidity that might induce crooked performance or strategic behaviours. This second principle emphasises the consideration of the complex nature of public services characterised by conflicting interests and stakeholders. The third, dynamic is also related to the consideration of circumstances and contexts where public services are provided and performance is measured. Because the degree of achievement of targets or the level of production can only present a limited picture of performance, the efforts of an organisation to maintain its service level under difficult circumstances or to make innovations in the process of service provision may degenerate into a dead activity.

Therefore, it is necessary to look beyond the figures to understand the real value of the performance indicated by the figures. The argument here is that the process undertaken as well as the final products should be considered in interpreting performance.

5. Conclusion

Performance management is useful both in the private sector and the public sector as an instrument of steering organisation and achieving organisational aims. Based on the discussions on the distinctions of performance management in the public sector, this chapter has looked at the issues and problems caused by performance management as well as the benefits. There are some common functions of performance management such as improving organisational effectiveness, giving rewards or sanctions and learning from success and failure that can be shared between private and public sector organisations. On the other hand, issues related to accountability or symbolisation need to be addressed with specific consideration for the different contexts in the public sector. Depending on the purpose of performance management, the focus of the operation of performance management system will vary.

To achieve the purpose of introducing performance management, special attention is required to prevent accompanying side effects from undermining the ultimate value pursued by the public services. Indeed, there have been numerous reports of the examples of those side effects, and they have been the main reason of the criticism of the performance management regime. Considering what has happened in the public sector up until now with regard to performance management, designing a system that can minimise those side effects is the most urgent task that confronts public sector organisations.

Considering the benefits and problems of performance management under the principles of a good performance management system, 'make it fit for the purpose' and 'minimise side effects', some general characteristics of good performance management system can be suggested as follows:

- (a) adequate number and level of targets mutually agreed between the top management and the employees and other stakeholders;
- (b) targets reflecting the core value of services
- (c) mechanisms for ensuring the sound ownership of targets of individuals;
- (d) useful performance information used for other managerial purposes e.g., financial and human resource management;

- (e) effective incentive mechanisms including rewards/sanction;
- (f) contribution to the improvement of accountability with transparency of the overall process.

The first three of the above characteristics are related to targets. The number of targets should be appropriate and should not cause priorities to be ambiguous. The level of targets should be adequately challenging to encourage improvement and inspire confidence, but not so high that they cause frustration or resistance. Targets should be 'agreed' rather than imposed with a strict top-down approach. Targets should reflect the core value of services to prevent goal displacement induced by strategic behaviours. There should be a process of consultation or involvement of the potential 'target owners' to secure the sound ownership of targets. This is important to ensure that their perceptions of performance management are positive and to prevent perverse behaviours. Next, performance information should be considered for other managerial purposes to improve the utility of performance management and the development of organisational management. The appropriate use of rewards and sanctions would encourage people to endeavour to achieve the best possible results whilst improving the perception of fairness. Finally, institutionalising the process and publicising performance results would enhance the transparency of the government. This may in turn improve the sense of accountability by making the actors aware that the reports open to the public.

In conclusion, performance management could result in negative side effects, although it can bring some benefits. It is important to recognise the significance of those side effects such as strategic and perverse behaviours, which may have been induced by inappropriateness of target setting and performance measurement. It is expected that a performance management system equipped with the above six features would minimise the occurrence of strategic and perverse behaviours whilst encouraging positive perceptions and vigorous use of the system which will ultimately contribute to improving performance and achieving the purpose of introduction. The six features will be used as a set of criteria to compare the performance management systems of the UK and Korea at the end of the thesis.

Chapter 4

Performance Management in the United Kingdom

1. Introduction

There have been a number of attempts to improve performance in the UK government since the 1960s. Cost-benefit analysis, Program Analysis and Review (PAR), MBO and Efficiency Scrutiny are examples of the early attempts. The Financial Management Initiative (FMI) and the Next Steps in 1980s are more recent ones. The current government-wide performance management system in the UK is the framework of the Public Service Agreements (PSAs). The PSA system was introduced in 1998 as an integral part of the Comprehensive Spending Review (CSR) by the initiative of the Treasury of the New Labour government.

The PSAs have represented the objectives and targets of the public services of each department for the last 10 years with revisions made every two years. Revisions of the framework itself have also been made and the framework seems to have been improved compared with the first version. The discussions surrounding the PSA system have been mainly focused on the positive and negative effects of the target culture created by the system. The general message of the UK government is that the PSA system has been successful in improving performance in terms of the delivery of improved public services. Certainly the performance represented by numbers shows improvements as shown by the famous example of hospital waiting times. However, the problem is that the performance represented by numbers may not properly reflect real aspects of performance. One of the visible impacts of the system is the increased use of performance targets and indicators in the public sector. The attachment to targets, which often generates side effects, has generated substantial criticism about the PSA system; as some cynical critics said, it is an 'obsession with targets'. This is one of the crucial points to be looked at in this chapter.

Beginning with the history of performance management in the UK government, this chapter looks at several aspects of the PSAs, mainly the structure and problems in light of the key points of Chapter 3. During the period of this research, the newest PSAs were published in October 2007. They are in a different format from the previous

versions. The use of targets has been minimised and all objectives have been set in a cross-departmental basis. From a review of them, it seems that the new system has been designed in response to the shortfalls and criticisms pointed out throughout its history. However, it is too late to undertake a complete analysis of this latest iteration in the system because this research began in 2004 and aimed to conclude in early 2008. And also it is too early to analyse the impacts of the new system. For these reasons, if the 2007 PSAs are considered as the fourth generation of the PSAs, the discussions in this chapter are mostly about the PSAs from the first generation to the third generation.

2. The History of Performance Management in the UK

Before looking at the PSA system in detail it would be worth reviewing the previous initiatives, because the experiences and lessons from them have presumably affected the formulation of the PSAs. It seems that critics are generally in consensus that the FMI is the starting point of performance management in the UK government (Hughes 2003: 158; Bovaird and Gregory 1996: 244; Horton 1999: 146-147). However, the Fulton Report had already suggested the main conception of managing performance in 1968, yet many of the significant recommendations in the Report were not accepted and implemented at that time. Despite its failure in realisation, the Fulton Report has provided an important message to those who design performance management systems. In this respect, it can be said that the Fulton Report retains a great significance in the history of performance management in the UK government, and should be a starting point for a discussion of its history.

The Fulton Report

The Fulton Committee started as the Committee on the Civil Service in the House of Commons in February 1966 and completed its report in 1968. In this report Fulton expressed his radical criticism on the civil service and made 158 specific recommendations for its change (Barberis 1996: 2-3). The main criticism of the report was that the civil service lacked management capability because it concentrated too much on the provision of policy advice and showed little interest in the efficiency of the provision of services. Considering that one of the missions of the civil service was service delivery, this shortcoming was regarded as a serious problem (Zifcak 1994: 12).

The main idea of the recommendations was to improve the competency of the civil service and the managerial capability of the government. Among the recommendations, the notion of ‘accountable management’ which was developed by the Management Consultancy Group for the Committee suggests an insight of performance management (Fry 1991). It involved the creation of separate units in departments whose performance in terms of efficiency and effectiveness could be measured (Zifcak 1994: 12). Thus, it was recommended that all civil servants have clear responsibilities for their tasks by distinguishing those whose role was planning from those whose role was policy implementation or service provision, whilst some of the functions of departments would be moved outside to semi-autonomous agencies (Barberis 1996: 4; Efficiency Unit 1988: 32). This idea of the Fulton Report attracted attention for many years with regard to administrative reform. One example of this is that both the FMI and the Next Steps aimed at realising this concept of ‘accountable management’.

Although many of the criticisms and recommendations in the Fulton Report’s were relevant, it was criticised in many points including ‘accountable management’ which was thought not to match the doctrine of ministerial responsibility (Barberis 1996: 5). This is not surprising considering that reform initiatives are seldom welcomed by the civil service. Yet some parts of his recommendations such as the creation of the Civil Service Department and the Civil Service College, and the introduction of PAR – set up in 1970 and replaced by Efficiency Scrutiny in 1979 – had been realised.

As we can see from his recommendations, the reform that Fulton wanted is a structural one in its character rather than just an improvement of managerial technique. Structural reform is often only successful with a strong will of implementation, support and cooperation of the civil service. In this sense, it can be said that Fulton’s recommendations were difficult to embrace. Harold Wilson, then Prime Minister, and some of his cabinet colleagues, supported Fulton, but others did not agree. They were lukewarm or even hostile to the proposed reforms. Wilson was worried about upsetting the civil service by forcing reform, and there were more pressing issues for him than reforming the civil service (Barberis 1996: 4-5). In conclusion, it can be said that although its recommendations were only partly accepted and implemented, the Fulton Report made aware of the concept of performance management in the Civil Service and became the foundation of oncoming reform activities.

The Financial Management Initiative

The Financial Management Initiative (FMI) was the response of the Thatcher government to the recommendations of the report from the Treasury and Civil Service Committee in 1982. Its aim was to improve efficiency in the civil service through changing the system of allocation and management of resources. The main objective of the FMI was 'to promote in each department an organisation and a system in which managers at all levels have' the following elements:

- (a) a clear view of their objectives; and assess and wherever possible measure outputs or performance in relation to these objectives;
- (b) well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money;
- (c) the information (including particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively.

(Prime Minister and Minister for the Civil Service 1982: 21)

In short, the FMI was aiming to improve efficiency through the delegation of budgetary control to departments and line managers, setting clear objectives and measuring the achievement in relation to the objectives. There were three specific areas of attention. The first was introducing a top management system in each department, the second was the delegation of managerial responsibility, and the third was the evaluation of programmes based on measuring the performance and achievement of objectives using performance indicators (Zifcak 1994: 28-29).

The FMI succeeded in making some progress in improving management in government (Comptroller and Auditor General 1986: 11; Efficiency Unit 1988: 22). Its impact was more significant than any of the preceding initiatives. Under the top management system ministers could manage their departments more efficiently and civil servants could do their jobs with the sense of responsibility given by objectives by which the performance would be measured. Under the delegated budgetary system managers could control how to spend the resources allocated to them for improving efficiency and effectiveness (Efficiency Unit 1988: 22-23). Its concern was on the generation of information on outputs rather than control of inputs, which was the characteristic of previous arrangements (Comptroller and Auditor General 1986: 8). Notwithstanding these positive effects, the FMI seems to have been unsuccessful in transforming the fundamentals of management in the government because of the difficulties in getting support from many levels of civil service and dealing with the structural and cultural impediments to reform (Massey and Pyper 2005: 72; Pyper 1995:

64; Zifcak 1994: 69). In the operation of the top management system, it was not successful in delivering its usefulness because of the lack of enthusiasm and competencies of ministers and senior officials. Neither ministers nor senior officials were interested in management itself nor had they been properly trained (Fry 1984: 333; Efficiency Unit 1988: 25). Ministers doubted its utility as a policy improvement tool, and senior officials preferred being policy advisers to being managers (Burham and Pyper 2008: 126). Also, dealing with the large amount of information generated from the system was a burden for those who were busy with other political matters (Zifcak 1994: 44). Thus, the FMI had to hand over its mission to its successor, the Next Steps. However, it did contribute to making departments more cost-conscious and made them recognise the importance of value-for-money. Experiences from the FMI played a significant role in designing and implementing the Next Steps (Massey and Pyper 2005: 73; Choi 1998: 67-68). In this sense, Greer (1994: 9) regards it as ‘the corner-stones for Next Steps’.

The Next Steps

In February 1988 the Efficiency Unit, headed by Sir Robin Ibbs, published its report called *Improving Management in Government: The Next Steps*. It was brief, critical and prescriptive; its main argument was about creating agencies with executive functions hived off from parent departments. This report made its recommendations based on a comprehensive programme of interviews with ministers and civil servants at all levels. The main findings are that some progress had been made like civil servants were more cost conscious, management information systems had been put in place, attitudes had changed and practices were affected by the new budgeting system and manpower cuts, but there were still substantial obstacles to further progress (Efficiency Unit 1988: 21). They were summarised as:

- (a) there is insufficient focus on the delivery of government services (as opposed to policy and ministerial support), even though 95 per cent of civil servants work in service delivery or executive functions;
- (b) there is a shortage of management skills and of experience of working in service delivery functions among senior civil servants;
- (c) short-term political priorities tend to squeeze out long-term planning;
- (d) there is too much emphasis on spending money, and not enough on getting results;
- (e) the Civil Service is too big and too diverse to manage as a single organisation.

(Efficiency Unit 1988: 21)

To eliminate these obstacles and improve management in government, the Unit recommended the separation of policy from administration by hiving off executive functions and creating executive agencies headed by chief executives. The relationships between agencies and departments were structured by the framework document agreed between each agency and department. The framework document specified the budget, objectives, performance targets, results to be achieved and the extent of delegation in management authority. Within this framework, agencies retained the freedom of management. The chief executives were personally responsible for the achievement of the objectives and targets set in the framework document. They were accountable to ministers and the ministers were accountable to Parliament for the operation of their agencies. To ensure the success of these radical changes in organisational structure, the Unit recommended that a permanent secretary in each department be designated as a 'project manager'. The project manager was responsible for planning, supervising the process of change and reporting the progress made by the department to the Prime Minister regularly (Efficiency Unit 1988: 9-13).

The process of agencification seems to have been successfully implemented. By implementing the Next Steps, more than 150 agencies have been created, covering 76% of the Civil Service, which includes almost 390,000 civil servants (OECD 1999). Beyond these quantitative changes, the government contended that '...Next Steps has had a major impact on the shape and culture of the Civil Service' (Prime Minister, the Chancellor of the Exchequer, and the Chancellor of the Duchy of Lancaster 1994: 12-13, cited James 2003: 8). Also, the government stated that the agency model was a success and improved responsiveness and effectiveness of services (Office of Public Service Reform and HM Treasury 2002: 10). Indeed some evidence of the improved services is found in waiting times which have been cut by half for the driving test and by two-thirds for issuing passports (Lim and Choi 2003: 599). However, there has been little systematic assessment to support these contentions of the government (James 2003: 8). Furthermore, James (2003) has shown that the designed and expected transformation and improvement to follow the reform was not fully attained.

Considering all of the evidence, it can be said that the Next Steps reform has been successful at least in implementation, apart from its effects. Zifcak (1994: 80-81, 88-89) suggests seven reasons that the implementation of the Next Steps was successful, but the important ones are the strong commitment of Prime Minister Thatcher and the support of ministers and senior officials. A potentially useful insight for understanding the introduction and successful implementation of the Next Steps reform is the bureau-

shaping model proposed by Dunleavy (1991). According to the bureau-shaping model, rational bureaucrats pursue a bureau-shaping strategy to bring their bureau into 'a closer approximation to 'staff' (rather than 'line') functions, a collegial atmosphere and a central location' (Dunleavy 1991: 202-203). As an example of the bureau-shaping strategies, Dunleavy (1991: 204) suggests hiving off and contracting out undesirable functions.

James (2001a, 2003) provides more sophisticated analysis of the agencification from the bureau-shaping perspective. He argues that the original bureau-shaping model lacks a clear explanation of how the strategies affected the agencification (James 2001a: 171). Through the comparison with the public interest perspective, he offers a new bureau-shaping perspective assuming that the preferred organisational arrangement of senior officials is decided by a combination of policy work time and budget per senior official which are the two major sources of the satisfaction of senior officials (James 2003: 25-28). The role of politicians, which was not considered in the original bureau-shaping model, in this perspective is not to impose a specific form of arrangement but to constrain the level of those two variables. He explains the bureau-shaping strategy, which is to hand over responsibility for day-to-day and routine executive activity to agencies and concentrate on policy work, with the utility maximisation behaviour of senior officials when the constraint setting is changed by politicians (James 2003: 29-30, 2001a: 185). Thus, the Next Steps reform can be explained as a result of bureau-shaping strategy of senior officials. The evidence found in the initiation of agencification supports the explanation of the bureau-shaping perspective (James 2003: 43-55).

Criticism against the Next Steps reform is mostly related with the fundamental framework of the executive agency model. First of all, critics argue that as there is an inevitable overlap in reality, it is not always easy to separate policy and administration particularly in the areas of high political salience, and that creating agencies disregarding this may cause inefficiency and ineffectiveness (Gains 2004: 550; James 2003: 84-85; Zifcak 1994: 78-80). Besides, an artificial separation of policy and administration could bring about controversy about who is to blame for a specific matter by obscuring accountability. Examples of this are shown in the cases of the Child Support Agency and the Prison Service Agency in the mid 1990s (Barberis 1998: 456-459; Gains 2004: 551). Secondly, in conjunction with the first criticism, the ministers still had to intervene in the operation of agencies because they were accountable to Parliament for the operation of the agencies and had to prevent political issues from coming under fire (Gains 2004: 550). Thirdly, the independent management of the

agencies collided with and undermined the notion of the unified Civil Service (Barberis 1996: 8). Lastly, from the bureau-shaping perspective, problems of public sector externalities induced by agencification undermined the overall economy, efficiency and effectiveness of the agencies and departments (James 2003: 32-37).

In conclusion, although conflicting views exist regarding the introduction and effects of the Next Steps reform, it is clear that the reform was successful at least in implementation when looking at many executive agencies working currently. The separation of executive activities from policy work, the accountability system based on the performance targets included in the agency framework, and the step change in transparency through reports and websites constituted a step-forward in the development of performance management.

Conclusion

The UK government has 40 years of history of performance management, and there have been plenty of reform initiatives and constant concerns to improve performance. Although many of the past initiatives were unsuccessful, it can be said that they did contribute to the future design and improvement of new initiatives. As seen in the contrasting examples of the Fulton Report and the Next Steps, one of the most important factors in the success of reform is the political support of the top politicians and senior officials. The Next Steps reform was successful, at least in reforming the organisational structure, thanks to the support of senior officials as well as politicians including the Prime Minister and other ministers. This unified support was given to the reform of neither the Fulton Report nor the FMI. In this regard, the most important factor of the success of the Next Steps reform seems to be the support and participation of senior officials and politicians. Considering that Prime Minister Gordon Brown has strongly supported the PSA system since its establishment in 1998, the PSA system seems to have met at least one important condition for its success.

Another point to pay attention to in the history of performance management is the importance of performance information. Performance information is an essential element in performance management. There should be relevant information at relevant times. It should be provided to the managers and auditors when needed, and it should include information that is meaningful for the performance and necessary for decision-making. However, as discussed in Chapter 3, producing such high quality performance information is a difficult task. This was one of the reasons that the FMI failed to achieve

its ambitious objectives, but it has prompted a determination by the Treasury to improve financial information within government. The accuracy of information, timeliness, and quality will remain a critical factor in determining the results of the PSA system.

Finally, the emphasis on ‘delivery’ of the New Labour government indicates a slightly transformed view of public services. Whilst the focus of the past performance management was on structural and institutional reform of the government which is on the supply side, the current focus of performance management is placed on the side of the public, the consumer of public services. The underlying concept of the PSAs as agreements with the public, as noted in the official remarks of the Prime Minister and Chancellor of the Exchequer (HM Treasury 1998b: Foreword by the Prime Minister; HM Treasury 2002: Foreword by the Chancellor of the Exchequer), and the focus on outcomes represent the changed perspective of addressing performance issues. Two documents from the Office of Public Service Reform (OPSR), *Reforming Our Public Services: Principles into Practice* in 2002 and *Putting People at the Hearth of Public Services* in 2005, suggest the principles and vision for the ‘delivery’ agenda. Meanwhile, Blair’s first speech on the civil service in 1998 implies the early focus on delivering outcomes and the role of performance management in delivery.

For the public what matters is what is achieved. They are less concerned with the processes of government ... Across the world a revolution is underway to refocus government on outcomes: cutting crime, cutting unemployment, improving health, improving education. We are already part of that revolution. Few people noticed the radicalism of the CSR in this area - three year deals, letting departments keep savings, public service agreements to focus on outcomes. We are therefore all focusing as never before on implementation and reviewing performance (Blair 1998).

3. The Introduction of the Public Service Agreements (PSAs)

The role of then Chancellor Gordon Brown cannot be overestimated with regard to the introduction and operation of the PSA system. Based on his distrust of departments and officials, he enforced a target system to visualise the improvement of public services (Bower 2007: 271). Despite the criticisms of the failed national target system of the Soviet Union, he introduced the target system of PSAs with the help of management consultants. Underlying this bold plan of managing performance of government departments was his enthusiasm for management techniques to which many

corporate executives were addicted (Bower 2007: 272). Although Blair was in agreement with the use of the target system, Brown favoured it far more than Blair did. Bower (2007: 387-389) describes his 'obsession' with targets leading to the stubbornness of Brown showed in the debate with Derek Wanless who argued about the problems of targets in health in the report for the improvement of NHS performance. It is difficult to deny that Brown's strong belief in the merits and effectiveness of targets has been a powerful driving force behind the PSA system.

The Comprehensive Spending Review

The PSAs were introduced as an integral part of the first Comprehensive Spending Review (CSR) published in July 1998. Since then, the PSAs have been a major and critical part of Spending Reviews and therefore have gained huge influence as a central element in the new system of expenditure control. The CSR 1998 was a new medium-term plan of the New Labour government to spend money from taxpayers more efficiently and effectively, especially concentrating on priority areas like health and education. Successive Spending Reviews were carried out biennially and each review covered three years. The first Spending Review in 1998 was termed a Comprehensive Spending Review because it did its departmental reviews and cross-departmental reviews on a zero-basis to question the spending plans of the previous government. The CSR 1998 was unique in that it set out the priorities in public service areas that would continue into the future. The reviews following the CSR 1998 could not help considering the priorities set in their predecessors, that is to say, they would inevitably adjust future resources incrementally based on past spending.

The CSR 1998 White Paper showed how the Treasury of the New Labour government would allocate the expenditure between programmes to deliver the priorities based on the key objectives such as sustainable growth and development, fairness and opportunity, and efficient and modern public services (HM Treasury 1998a: 9-15). Moreover, the CSR 1998 was claimed to have substantially changed the way government controlled public spending (HM Treasury 2000c: 1). The major process of deciding spending plans of the government before the CSR 1998 was through the annual Public Expenditure Survey (PES). When the Treasury thought it was necessary to impose tighter control on spending, especially at moments of great economic or financial crisis, some new control policies had been incorporated in the PES. The introduction of cash limits in 1976, cash planning in 1983, running cost control in 1986,

the New Planning Total in 1988, and the New Control Total in 1992 were such new policies. Most of these measures were introduced in the Conservative government, which tried to limit the proportion of public expenditure in GDP. The New Labour government, which has been more willing to spend in order to 'deliver' improved public services, introduced a new CSR combined with the PSAs to allocate more resources to priority areas through the link between the achievement of mutually agreed targets and budget allocation. Such a strategy has been inevitably related to the increased role, or interference, of the Treasury in departmental policies, as will be discussed later in detail.

The general changes made by the CSR are based on the following six lessons from the past (Hindmoor 2003: 205-207; HM Treasury 2000c). The first is 'plan for the longer term'. Previously, the spending plan was reviewed annually and it caused poor value-for-money by triggering a 'use it or lose it' mentality. The second is 'be open and transparent'. Lack of transparency in the expenditure process undermined accountability and not publishing estimates of trend growth and adjustments of fiscal balances prevented full and effective scrutiny of performance. The third is 'take a prudent approach'. The assumptions about future economies were somewhat optimistic believing cyclical improvements to be permanent. This resulted in a huge amount of public sector borrowing in the late 1980s. The fourth is 'release resources for public spending priorities'. Incrementalism in expenditure decisions could not guarantee value-for-money and much of public spending has been volatile. The fifth is 'avoid a bias against capital investment'. There was no distinction between capital and current spending, and long-term investment was often cut to meet the short-term financial pressures because the effects of reductions in capital investment took time to be felt. This could lead to an undesirable situation for future generations. The sixth is 'judge success by outcomes, not inputs'. The main concern of spending control was on inputs with little consideration of the results. Data on the policy outputs were hardly considered in the expenditure decisions. This made it difficult to make decisions about the balance of resources among different areas. Also Parliament and the public were not able to judge the possible results of new spending plans and effectively hold the government accountable.

The CSR was designed with the above lessons at its core. One of the most prominent changes made by the CSR process is the abolition of annuality in budgeting and the establishment of unlimited 'end year flexibility' with the expenditure plan over the next three years, which means unspent resources can be transferred to the next year. The end year flexibility scheme had been in place since 1983. It was first introduced for

a limited amount of capital spending, and extended to cover other types of expenditure such as running costs, local authorities' expenditure and nationalised industries finances with the introduction of special schemes for a few departments. (Thain and Wright 1995: 403). However, the scope was limited, for example, at first only 0.5% of total running costs – or £50,000, whichever was the higher – could be carried forward for the departments that agreed three-year running costs settlements with the Treasury. The limit was relaxed to 5% or £2 million after a few years. The major beneficiary of this scheme was the Ministry of Defence, which benefited from the special MOD scheme, whereas other departments benefited less (Thain and Wright 1995: 415-417). More importantly, many departments were still not sure about the possibility of receiving a reduced budget when they carry forward unspent money (Seo 2005: 515). Thus it can be said that the effects of 'end year flexibility' was also limited. The CSR process has ended this chronic issue by the longer cycle of expenditure planning and 'end year flexibility'. The budget under the CSR is divided into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). DEL sets the amount of budget available for departments for three years, and departments set annual spending plans within the DEL. AME is for the expenditure of which the amount is difficult to accurately forecast, and it covers volatile and demand-led expenditures such as social security benefits and tax credits. Under the new scheme of DEL and AME, departments could carry forward unspent money to the next year, and they have been better able to plan how to improve and deliver services. In short, it can be said that the CSR has promoted medium-term planning with the consideration of the priorities, and discouraged departments from spending wastefully at the end of the year.

In addition to this medium-term planning, the new monetary framework and fiscal framework were designed to avoid the instability of the past. The new fiscal rules of the then Chancellor of the Exchequer, Gordon Brown who is now the Prime Minister, were the criteria against which the sustainability of fiscal policy can be judged. One is the 'golden rule' which means the government will borrow only to invest and not to fund current expenditure, the other is the 'sustainable investment rule' that net public debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level (HM Treasury 2000c: 9). On the side of openness and transparency, key assumptions on economic circumstances, which would be prudent and not overly optimistic, were examined by the National Audit Office and estimates of the trend level of output were published with cyclically adjusted fiscal indicators being set out in each

Budget and Pre-Budget Report. These provide useful information for evaluating and assessing performance.

In summary, the CSR 1998 and successive Spending Reviews have been a major reform in the process of resource allocation and spending control in the New Labour government. They have been combined with new ideas and measures to remove the shortcomings of the previous PES and to support the increased role of the Treasury in departmental policy areas. Whereas the nature of the previous spending control mechanism had been direct, top-down and *ex ante*, spending control following the CSR has been *ex post* through the results of agreed PSA targets. However, the link between the achievement of targets and budget allocation, which is an important mechanism for the new spending control mechanism, seems to be missing. Besides, the increased control of the Treasury in departmental business has been frequently criticised. These aspects will be looked at later in this chapter.

The Aims of the Public Service Agreements

The focus on inputs and the absence of an effective performance information system in the previous framework prevented the UK government from leading change or managing delivery effectively (HM Treasury 2000c: 7). The PSAs in the CSR process have been aimed at shifting the focus of planning public spending from inputs to outcomes by setting objectives and targets for each department against which the achievements are monitored quarterly and reported twice a year in detail.

The PSAs are sets of departmental objectives and targets to be achieved within a specific period of time, agreed through the negotiation between the Treasury and each department. The aims of the PSA framework are to raise standards and improve the quality of public services by focusing on results and improving efficiency and accountability (HM Treasury 1998b: 2). One of the roles of the PSAs is to secure that the resources allocated to each department through the Spending Reviews are used in the most effective manner by setting clear and measurable targets against which the results will be monitored. The PSAs specify what is to be delivered in return for the funding that each department receives for the next three years. The public can see on which aspect of services the government will place priority and how the existing services will be improved in return for their money. Parliament is able to use the PSAs to hold the government to account by questioning the progress of the agreed targets. In this respect, the PSAs are not just an agreement within the government but could be

understood as an agreement between the government and the public (HM Treasury 1998b: Foreword by the Prime Minister; HM Treasury 2002: Foreword by the Chancellor of the Exchequer).

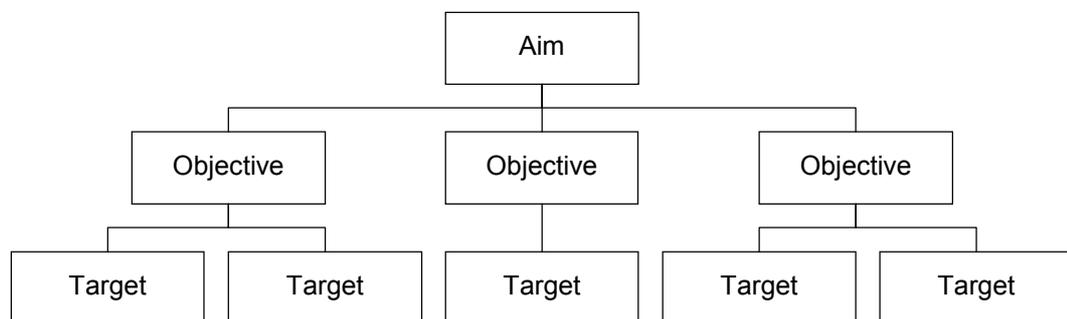
4. The Structure of the Public Service Agreements

As mentioned in the introduction of this chapter, the scope of this research is limited to the PSAs of generations one to three. Therefore, this section will focus on the PSAs before the new 2007 PSAs to form the basis of analysing the practices and impacts. After describing the structure and operation of the PSA framework, the last subsection will provide a brief explanation of the new 2007 PSAs.

Main Elements of the Public Service Agreements

The formal structure of the PSAs has been transformed through successive publication of the PSAs from the second generation published in 2000. The consistent elements that remained through the transformation are aim, objectives and targets. The aim is a high level statement that defines the role of the department in a single sentence, and several objectives are derived from the aim. Objectives are the sub-aims that are drawn out through the various areas of the services of the department. Targets are more detailed than the objectives and are shaped by outputs or outcomes of the public services. The achievements of the PSAs have been measured against the targets. Figure 4.1 illustrates the hierarchical structure of the PSAs.

Figure 4.1 The Basic Structure of the PSAs



Source: Adapted from Ellis and Mitchell (2002: 113)

The first PSAs published in 1998 were composed of five elements:

- (a) An introduction, setting out the Minister or Ministers accountable for delivering the commitments, together with the coverage of the PSA, as some cover other departments and agencies for which the relevant Secretary of State is accountable;
- (b) the aims and objectives of the department or cross-cutting area;
- (c) the resources which have been allocated to it in the CSR;
- (d) key performance targets for the delivery of its service, together with, in some cases, a list of key policy initiatives to be delivered;
- (e) a statement about how the department will increase the productivity of its operations (HM Treasury 1998b: 5).

The Evolution of the Public Service Agreements: From 1998 to 2004

With the publication of the Spending Review 2000, the PSAs have become briefer and more concise. In the case of the PSAs of the Department of Health, they decreased from seven pages including 20 targets to two pages with 9 targets. The PSAs of the other departments also show similar reductions in their number of targets and pages. The streamlined PSAs published in 2000 and 2002 were in broadly the same structure and contained the following five elements:

- (a) aim: a high level statement of the role of the department.
- (b) objectives: in broad terms, what the department is looking to achieve.
- (c) Targets: under most objectives, outcome focused performance targets.
- (d) value for money: each department is required to have a target for improving the efficiency or value for money of a key element of its work.
- (e) a statement of who is responsible for the delivery of targets. Where targets are jointly held, this is identified and accountability arrangements are clearly specified (HM Treasury 2002: 2).

The structure was once more reshaped in the 2004 PSAs, reflecting situational changes. Most of the elements including the aim, objectives and performance targets remained the same as in the previous PSAs, but the 'value for money' section has been moved out from the PSAs to the Spending Review. Instead, a new element, 'standards' was added. 'Standards' represented the targets that were already met or that would soon be met, thus where performance would continue to be monitored to ensure the maintenance of such a high level of performance. Accordingly, the PSAs 2004 were composed of these five elements: aim, objectives, performance targets, standards and the statement of responsibility. The 2004 PSAs of the Department of Health consist of 4

objectives, 8 targets and 4 standards (see Appendix 2). Talbot (2004) argues that the accurate number of targets is not 8 but 13, which is quite agreeable; however, the exact number of targets is not a critical matter. The concern here is that the process beyond the introduction of this new structure of the PSAs can be explained by five changes made through successive Spending Reviews and PSAs.

The most significant change is the number of targets and their nature. The number of targets was reduced from 387 to 160, or by more than a half, in the 2000 PSAs (NAO 2001a: 14). Every time the new PSAs were published, the number of targets was reduced, to 130 in the 2002 PSAs and to 110 in the 2004 PSAs. These changes represent the focus on the highest priorities. Initially there were many PSA targets on inputs or processes as well as on outputs or outcomes. However, through the successive revisions of the PSAs, the proportion of outcome targets has increased, and it was claimed that the 2004 PSAs did not contain any targets that simply focused on inputs or processes (HM Treasury 2004: 4). Focusing on outcomes provides the front-line staffs with more freedom and flexibility in their choice of the methods of delivering services and achieving the targets. Although there is a sceptical view on the actual number of targets decreased and whether targets are focused on outcomes, it seems that generally the PSA framework has been improved. Actually, if we take a look at the first set of PSAs, it is easy to find many input and process targets. For example, the Department of Health PSAs in 1998 contained targets such as ‘increase investment in practice staff’ and ‘establish NHS Direct’. However, since the 2000 PSAs, the number of targets simply focused on input or process has decreased substantially. As one of the mottos with the introduction of the CSR and PSAs was the shift of focus from inputs to outcomes, or results-based management, these changes were a matter of course and those early targets did not coincide with the idea of results-based management.

If we move on to the formal changes to the structure of the PSAs, one of them is that the statement about how to improve the productivity of operations is no longer seen in the main page of the PSAs; it was replaced by the Service Delivery Agreements (SDAs) in the Spending Review 2000, a separate document. The SDAs set out detailed plans for achieving objectives and targets set in the PSAs. They included a lower level set of targets for the PSAs and demonstrated how departments would meet their PSA targets. Inherently, the nature of the SDAs was input and process control, which is not consistent with the keynote of the PSAs that focus on results and outcomes. Subsequently the 2003 Pre-Budget Report announced the abolition of the SDAs representing a reduction of over 500 inputs and process targets contained in the SDAs.

Although Talbot argued that the abolition of the SDAs exacerbated the monitoring problem of the PSA targets (Treasury Committee 2004: Q32), it would bring about a positive effect on the improvement of the flexibility in the delivery of services by providing front-line managers with the freedom to choose the best method of delivery (HM Treasury 2004: 5; Scheers *et al.* 2005: 155). Consequently, the complex structure of the first PSAs and the introduction of the SDAs may be regarded as a trial and error on the way to result-focused management and more a refined PSA system.

The second formal change is the elimination of the section in the Spending Review about the resources allocated to the department for the achievement of the targets. The resources section was a duplicate of what had already been announced in the CSR 1998; by removing this, the PSAs became briefer documents.

The third formal change is the transfer of the ‘value for money’ targets from the PSAs to the Spending Review in 2004 to form a new efficiency programme. The new efficiency programmes and targets in the SR 2004 are based on the recommendations of Sir Peter Gershon’s report: *Releasing resources to the front line: Independent Review of Public Sector Efficiency* (2004). He undertook this review of public sector efficiency at the request of the government. His recommendation was to save £20bn including the gross reduction of more than 84,000 civil service posts and the additional relocation of 20,000 public sector posts away from London and the South East (Gershon 2004: 23; HM Treasury 2007b: 3).

The fourth and final formal change to be mentioned is the introduction of the new section on ‘standards’. This was concerned with the areas where the targets have been achieved or would soon be achieved. This was introduced for the areas where setting far more ambitious or stretching targets was impossible or unnecessary, but it was necessary to ensure that the high levels of performance were maintained. This is no wonder, because when some of the targets were achieved through the consecutive PSAs, there would be a ceiling that limited the higher performance. For example, the 2002 PSAs target of the Department of Health to ensure a maximum four hours wait in Accident and Emergency from arrival to admission, transfer or discharge, has been set as a national standard in 2004 PSAs, to secure a minimum level of service quality (HM Treasury 2004). This is quite rational, considering the pitfalls of target setting in performance measurement, as those being monitored may set the level of targets intentionally low to avoid possible blame for failing to meet them as suggested in the previous chapter.

Consequently, the structure of the PSAs became much simpler than when compared with the early stages. The 2004 PSAs are composed of key departmental aims and objectives, outcome-focused performance targets, standards where applicable, and the description of responsibility of achieving those targets. The number of targets has been reduced and the service standards have been introduced to maintain the achieved level of targets, which can be understood as a step toward a good performance management system, as discussed in Chapter 3. It can be said that those changes in the structure and elements would enable targets to be achieved more efficiently and effectively. To help the understanding of those changes explained until now, a chronology of the developments of the PSAs is presented in Table 4.1.

Table 4.1 Chronology of the Developments of the PSAs

Generation	Year	Developments
1st	1998	<ul style="list-style-type: none"> ▪ The PSA system introduced in the CSR 1998 ▪ Each department had their set of PSAs ▪ Total 387 targets
2nd	2000	<ul style="list-style-type: none"> ▪ Service Delivery Agreements and Technical Notes introduced ▪ The number of targets reduced to 160
	2002	<ul style="list-style-type: none"> ▪ The number of targets reduced to 130 ▪ Additional report on the progress against targets in Autumn Performance Report
	2003	<ul style="list-style-type: none"> ▪ Launch of the PSA performance website
3rd	2004	<ul style="list-style-type: none"> ▪ Value for money section deleted and Standards included ▪ Service Delivery Agreements abolished (Announced in 2003 Pre-Budget Report) ▪ The number of targets reduced to 110
4th	2007	<ul style="list-style-type: none"> ▪ All PSAs turned into cross-departmental PSAs ▪ Focus on performance indicators rather than targets

The Continuity of Targets

One of the crucial features found in the history of the PSAs is that the targets in previous versions had been continued in the later versions in many cases. This is because many of the targets were not short-term targets but medium or long-term targets. Thus, the consistent and coherent keynotes underlying the aims and objectives of departments have been embodied and maintained through the successive PSA targets. A good instance showing the continuity of targets can be found in the 2004 Department of

Health PSAs, ‘substantially reduce mortality rate from heart diseases, cancer, suicide and undetermined injury by 2010.’ This target was first set in the very first version of PSAs in 1998 and had been slightly adjusted through later versions. Also the other targets such as ‘reducing maximum wait’, ‘increasing the participation in drug treatment programmes’ and ‘reducing health inequalities’ were carried forward with adjustments when needed. The benefit of this continuity is that it is possible to track the improvements through time in successive reports, which ultimately contributes to securing accountability. Continuity also improves the consistency of policies and programmes through consistent attention to the same targets.

On the contrary, James (2004: 408) argues that the variations in objectives and targets of the PSAs made it difficult to assess the changes in performance, suggesting the Criminal Justice System (CJS) PSA, which is one of the cross-cutting PSAs, as an example. However, the PSAs in health demonstrate more consistency. Moreover, in other areas such as crime and education, the priority of reducing crime and raising the literacy and numeracy standards are maintained over time. This is one of the different features of the PSAs, compared with the systems of Korea, which are examined in Chapter 8. To conclude, PSA objectives and targets show continuity in their focus over time with the consideration of priorities, which is difficult to find in the Korean case.

The Other Supplementary Documents to the Public Service Agreements

As the government has significantly increased spending, especially in priority areas such as health and education, it was crucial to use the extra resources effectively to achieve the targets and monitor the progress. For this purpose, the Technical Notes and the Departmental Investment Strategies (DISs) were used. They were not the main elements of the PSAs, but were important in shaping the performance management framework of the PSAs. The Technical Notes set out how performance against each PSA targets would be measured. The DISs set out departments’ plans to deliver the scale and quality of capital stock needed to underpin their objectives. A brief example of the Technical Notes of the 2004 Department of Health PSAs is shown in Appendix 3. It is for the target to reduce the under-18 conception rate. In this Technical Notes, there is a definition of terminology, the under-18 conception rate, and how the information will be collected, ONS Statistics, is described to clarify how to measure the achievement of the target.

Cross-Cutting PSAs and Joint Targets

Cross-cutting PSAs and joint targets were introduced to promote joint working among departments, agencies and local authorities. According to Flinders (2002: 57), the history of delivering joined-up government goes back to the 1950s when the Conservative Prime Minister Winston Churchill introduced the concept of ministerial ‘overlords’. Several other initiatives to promote ‘joined-up government’ such as the introduction of PESC and PAR have been implemented. However, the success of these was limited.

Following the New Labour government’s public sector reform programme, ‘joined-up government’ once again has become a central part of the agenda. ‘Joined-up government’ in Britain is viewed as the countermeasure for the ‘hollowing out of the state’, the fragmentation of the state and services which is claimed to have reduced the capacity of central government to steer policies (Taylor 2000: 46; Flinders 2002: 71; Ling 2002: 616; Richards 2007: 20-21). The fragmentation was mainly caused by the Next Steps reform and other reform strategies of the Conservatives such as privatisation and Public Private Partnership. These reforms incorporated agency-specific targets, and the improvement of efficiency tended to induce public sector externalities, giving organisations incentives to pursue their own narrow goals rather than the overall aims of the policy and government (James 2003: 35). In this way, apart from the contribution to improving efficiency, the Conservatives’ reforms created coordination problems. The performance results could be harmful in that effective coordination, which was necessary for securing the goals of public policies, was difficult.

The New Labour government specified ‘joined-up government’ as a prime objective on the route to public service reform. The Report of the Performance and Innovation Unit, *Wiring it Up: Whitehall’s Management of Cross-cutting Policies and Services* (2000), emphasised the role of the centre in promoting cross-cutting working. The cross-cutting PSAs and joint targets were one of the instruments of the centre to establish the joint-working culture. Cross-cutting PSAs fit where the agenda was underpinned by a number of targets and individual departments played a primary role in achieving each target. There are a few positive comments about the value of cross-cutting PSAs by the National Audit Office (NAO).

They provide a powerful tool for promoting cross-cutting working, both horizontally across departments and vertically down to service providers. (NAO 2001a: 16)

Cross-cutting Public Service Agreements have worked well in encouraging joint working and setting shared targets and priorities where a manageably small number of departments are involved. (NAO 2001b: 46)

The PSAs 2004 had two cross-cutting PSAs, ‘Criminal Justice System’ and ‘Action against Illegal Drugs’. There had been four cross-cutting PSAs since the PSA system was introduced, and the other two are ‘Sure Start’ and ‘Welfare to Work’. Neither of these were still separate cross-cutting PSAs in the 2004 PSAs. The transfer of employment responsibilities from the former Department for Education and Employment to the new Department for Work and Pensions removed ‘Welfare to Work’ from the list of cross-cutting PSAs. The ‘Criminal Justice System’ PSAs, for which the Home Secretary, the Secretary of State for Constitutional Affairs and the Attorney General are jointly responsible, are provided in Appendix 4.

Joint targets exist where two or more departments play a significant role in achieving an outcome. There are many joint targets in the 2004 PSAs and one of them is the target to tackle the obesity of children shared between the Department of Health, the Department for Children, Schools and Families (DCSF) and the Department for Culture, Media and Sport (DCMS). In case of the Department of Health, 2 of 8 targets are joint targets, and for the DCSF, 5 of 14 targets are joint targets.

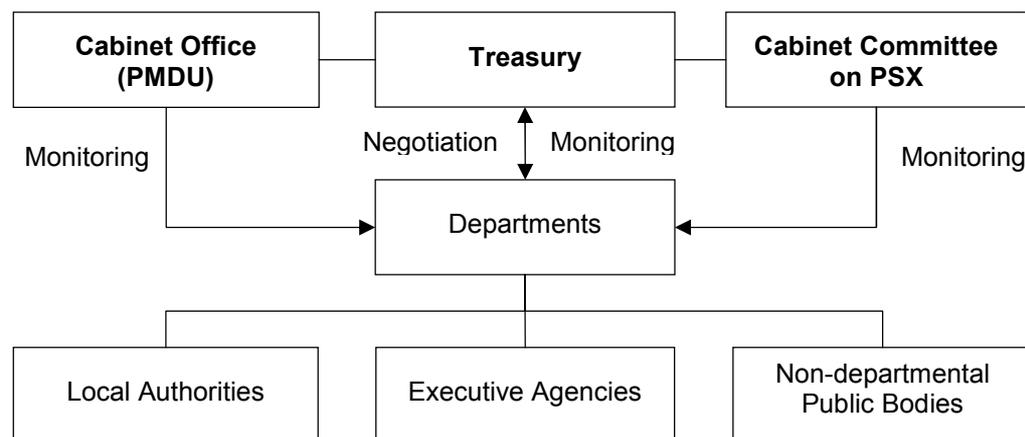
There are many challenges and obstacles to joint working. (NAO 2001b: 20-21; NAO 2005: 6). Joint targets are likely to have less priority than other targets (Public Administration Select Committee 2003a: 19) and there may be ambiguity about who is responsible for the results. With all those difficulties, in 2007 the government changed the nature of PSAs into cross-cutting PSAs to encompass the government’s highest aims. There are leading departments for each PSA, but the achievement of PSAs is not attributed to one specific department any more. It shows the government’s strong will to promote joint-working. As a result, cross-cutting PSAs have become a distinct element of the PSA system with possible implications for the clear location of responsibility.

5. The Process of the Public Service Agreements

The activities within the PSA framework encompass the negotiation between the Treasury and the individual departments, monitoring performance by relevant actors, and feedback which means the use of performance information. Each department negotiate and agree with the Treasury about the PSA targets through the Spending

Review Process. The agreed PSAs are made public. Whilst departments try to achieve those PSAs through their delivery chain, the three core executive vehicles of the Treasury, Cabinet Committee on Public Services and Public Expenditure (PSX), and the Prime Minister’s Delivery Unit (PMDU) monitor performance against agreed targets. Performance information about the achievements against the targets is considered for resource allocation in the next Spending Review. Figure 4.2 displays the major actors involved in the operation of the PSAs and their relationships.

Figure 4.2 Interactions within the PSA framework



Negotiation on Targets

Departmental PSAs are agreed between each department and the Treasury. When departments submit a budget proposal, they are subject to a specific amount of resources. The keynote of the Treasury is to make targets more challenging with fewer resources for departments, whereas departments want more resources for challenging targets. Each department has to deal with the relevant spending teams in the Treasury, and the proposals pre-processed by the Treasury are considered in the PSX Committee, chaired by the Chancellor of the Exchequer, for the allocation of resources. Because of the characteristics of the Ministry of Finance and especially the forceful personality of then Chancellor Gordon Brown, it may be said that the Treasury has been in a dominant position in the negotiation process in many cases (Holliday and Shinoda 2002: 106).

Monitoring Performance

Monitoring performance against targets is one of the key incentives within the PSA framework for making departments comply with the PSA system. The Treasury,

PSX Committee and PMDU are the three important monitoring organisations. The monitoring work starts with the quarterly assessment of departmental performance by each spending team of the Treasury. Those data form the basis of the Quarterly Monitoring Reports to the PSX Committee. The quarterly monitoring is coupled with a more detailed review of the mechanisms to deliver and the risks departments face. Each department is monitored through this review twice a year, but only the most high-profile PSAs are reviewed in the PSX Committee. Reviewing other PSAs is delegated to the Chief Secretary to the Treasury, and reviewing the most minor PSAs is again delegated to senior officials of the Treasury who usually meet departmental Principal Finance Officers (PFOs) (HM Treasury 2000a: paras 12-15).

The PSX Committee was established to monitor the performance against PSA targets and oversee the allocation of resources. This Committee provides the mechanism by which the ministers were held accountable for delivering targets. It is composed of the Chancellor of the Exchequer who is the chair, Secretary of State for Justice and Lord Chancellor, Secretary of State for Business, Enterprise and Regulatory Reform, Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster, and Chief Secretary to the Treasury. The official remit of the Committee is to consider public expenditure, including the PSAs. According to Barber (2007: 67), the PSX Committee is thought to have helped the Chancellor maintain a firm grip on public expenditure; however, the Committee was not particularly effective in questioning ministers, because ministers usually had better information than the committee members. In spite of this, it still plays an important role in monitoring together with the other two organisations,

The PMDU, which was headed by Michael Barber, was established in 2001 to improve delivery outcomes on the key priorities of Prime Minister Blair: health, education, crime and transport. The PMDU was established because there were concerns about transmitting national standards to the front-line and the limited functional mechanism owned by the centre to ensure responsiveness of departments (Richard 2008: 117). In its early days, the PMDU set specific targets for those areas based on the 2000 PSAs, for example, the maximum 4 hour wait in A&E, through the meetings with the Prime Minister and his advisers. The targets were negotiated with the Treasury and other departments, and finally settled in the 2002 Spending Review. With the strong support of the Prime Minister, the PMDU monitored the performance of departments and reported directly to the Prime Minister. There were several mechanisms for monitoring and facilitating delivery. One of them was 'the Prime Ministerial Stock take' to hold four priority departments accountable for the key targets,

which could be tough for departments missing targets (Richards 2008: 125). The informal meetings were held every two months for each of the four priority areas and were attended by the Prime Minister, Barber, Minister for Cabinet Office, Chief Secretary to the Treasury, and relevant political advisers (Barber 2007: 91-96; Burch and Holliday 2004: 17). The PMDU also invented a league table scheme to analyse the overall likelihood of delivery of each department, and made departments produce a Delivery Plan that should be drawn up by each target owner, normally a senior official in the department (Barber 2007: 84, 96-101; Mitchell 2003: 6). The abolition of the SDAs seems to be influenced by the introduction of the Delivery Plan (Mitchell 2003: 6). Following the 2002 Spending Review, its role was expanded to some other areas. The PMDU intervened when there seemed to be a problem with delivery in departments, and supported departments to enhance the capabilities to deliver challenging targets, for example, through the training of senior officials in charge of delivering the key priorities.

The PMDU has operated in collaboration with the Treasury since its establishment. At first, the Treasury was suspicious of the establishment of the PMDU whose remit overlapped with that of the Treasury (Barber 2007: 56). Indeed, the establishment of the PMDU might be understood as a way of enhancing the position of the Prime Minister against the powerful Chancellor Brown. However, the potential confusion and conflict did not materialise and a satisfactory – to the Treasury – working arrangement between the two organisations was developed. The PMDU declined to be involved with additional resource allocation for departments, and the PSX Committee, which the Chancellor dominated, tended to focus more on public expenditure than on key targets monitored by the PMDU (Barber 2007: 56-57, 68). Their collaborative relationship was mirrored by the move of the PMDU into the refurbished Treasury building (Barber 2007: 58; Burch and Holliday 2004: 17).

Using the Performance Information

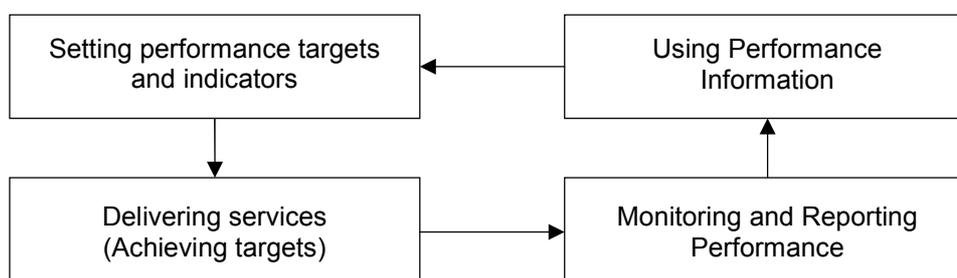
Firstly, performance information generated through the monitoring process is used for resource allocation in the next Spending Review. The system of the Spending Review and PSAs was intended to create a close relationship between the allocation of resources and delivery of services (HM Treasury 2000a: para 22). A strict model of such a relationship is the direct and explicit allocation of resources to units of performance based on a formula or contract, which is the strictest form of performance

budgeting (Curristine 2005: 102-103). However, such a practice is rarely found in OECD countries. One example is the allocation of research funds through the Research Assessment Exercise in the UK. As can be expected, in the Spending Review the performance against the previous targets has been considered, but there has been no direct and clear link between the past performance and future resources (OECD 2007a: 200-201; Scheers *et al.* 2005: 137; Treasury Committee 2004: Q28).

Secondly, there is potential for the performance information to be used as an incentive for departments to achieve higher performance. Rewards and sanctions are the methods used, however, the PSAs has not been linked with any kinds of formal or legal sanctions (OECD 2007a: 202; Hill 2004: 2). The cases of rewards for high performance are also difficult to find. One example might be the pay structure of the SCS in which the performance against individual objectives is considered. In that those individual objectives are closely linked with departmental PSAs, it may be presented as an example of rewards in accordance with the performance against the PSAs. With regard to the remuneration of senior officials in departments, Hill (2004: 2-3) and Mitchell (2003: 7) stated that it is increasingly affected by department's performance against the PSA targets.

Thirdly, performance information about the progress of delivery is published twice a year by each department through the Departmental Reports and Autumn Performance Reports. They are accessible on the departmental website. The publication of these reports is thought to be an effective mechanism of holding departments accountable for their performance (Mitchell 2003: 6-7; Scottish Parliament Finance Committee 2000: Col 456). An example of the report on the progress of the target, 'reducing uner-18 conception rate', in the 2004 Autumn Performance Report of the Department of Health is provided in Appendix 5.

Figure 4.3 The Cycle of the PSA framework



In conclusion, the PSA system can potentially use performance information for budgeting, performance-related pay as well as reporting. This is another feature of a

good performance management system discussed in Chapter 3. Figure 4.3 illustrates the process of the PSAs from the perspective of the performance management process defined in Chapter 2. When compared with the process discussed in Chapter 2, it can be said that the PSA framework fits into the process of performance management. In this sense, the PSA framework can be defined as the core performance management system of the UK government.

6. Reorganisation of the PSA framework in 2007

A New Performance Management Framework

In line with the publication of the 2007 CSR, the PSA framework has been significantly changed in its structure. The 2007 PSAs have a completely different format from that of previous ones. First of all, the number of PSAs decreased to 30. However, this number is not in correspondence with 110 of the 2004 PSAs because each 2007 PSA comprises several indicators that add up to 151. Secondly, the 2007 PSAs are all cross-departmental PSAs. Each PSA has a lead department who will take the initiative in achieving the PSA. Those 30 PSAs represent the highest priority outcomes of the Government, and each PSA is underpinned by a small basket of national, outcome-focused indicators. Whereas the PSAs were previously accompanied by targets, they are accompanied by indicators in 2007 PSAs. It is said that targets remain at a minimum number for the areas where firm central direction is required to minimise the perverse effects of the national targets. The PSAs 18 and 19, where the Department of Health is a leading department, are as follows.

PSA 18: Promote better health and well-being for all

- All age, all cause (AAACM) mortality rate*
- Gap in AAACM mortality rate in disadvantaged areas*
- Smoking prevalence*
- Proportion of people supported to live independently
- Access to psychological therapies

PSA 19: Ensure better care for all

- Patient/user experience
- Referral-to-treatment time:
 - i. admitted patients*
 - ii. non-admitted patients*
- Percentage of women seeing a midwife by 12 weeks

- People with long-term conditions supported to be independent and in control of their condition
- Patient-reported experience of GP access
- Healthcare acquired infection rates:
 - i. MRSA*
 - ii. Clostridium Difficile*

(HM Treasury 2007a: 192-193)

** Indicators which have specified national target or minimum standards*

There is a single Delivery Agreement for each PSA, which is developed in consultation with frontline staff and the public. These Delivery Agreements are different from the SDAs in the previous PSAs, which were lists of actions, inputs and outputs that described the way services were to be delivered. The Delivery Agreements are intended to be high-level strategies that set out and demonstrate how an outcome will be effectively delivered in a clear and comprehensible way without restricting options and methods of delivery, whilst providing clarity and direction both to those involved in delivery and to the public and parliament. They are called ‘agreements’ because they are jointly agreed and shared by all contributing departments in consultation with their delivery chains. It is an expectation of the Treasury that the Delivery Agreements will both improve delivery and strengthen accountability (HM Treasury 2007a: 36).

Alongside the PSAs each department will publish a set of Departmental Strategic Objectives (DSOs). DSOs are a means for each particular department to set their strategic objectives for the matching CSR period, just as the PSAs stand for the priority outcomes of the Government as a whole. The three DSOs for the Department of Health are ‘better health and well-being for all, better care for all, better value for all’. These three DSOs form the basis for building the new outcomes and accountability framework of the Department of Health, which is characterised by more consultation with users and stakeholders and fewer national targets. In short, the streamlined PSAs underpinned by outcome-focused indicators and Delivery Agreements set the overarching main priorities of the Government, and the DSOs cover the core business of each department related to the PSAs. The PSAs, Delivery Agreements and DSOs are the core factors composing the new performance management framework.

The Implication of the Change

Summarising the explanations of the interviewees from the Value for Money Team of the Treasury, the background of the process of designing the new PSA

framework can be described as follows. The change of the PSA framework was planned about two years before the publication of the 2007 CSR. The Treasury formed internal groups composed of different people from the spending teams within the Treasury, and an external group made up of people from all the different departments. They talked about what the new framework would look like, what the problems may be, and how they can actually solve them. For the Delivery Agreements, the Treasury set up 'challenge panels', and invited experts in each area to consult on the Delivery Agreements to verify their structure and appropriateness as a delivery strategy. So the process of reorganising the PSA framework had been based on consultation with departments and outside experts. The change of the PSA framework was initiated by Gordon Brown who has introduced and driven the system since 1998.

The most salient difference between the previous PSAs and 2007 PSAs is the number of PSAs. It has decreased from 110 to 30. There were many criticisms about targets in terms of their number and perverse effects. It seems that those criticisms were the major reason for this change, as noted in the following statement from the Chief Secretary to the Treasury Alan Milburn, '... we have wanted to learn from our experience in the period' (Treasury Committee 2007a: 53). By the new framework, the Treasury might have wanted to show the reduced number of PSAs and targets. However, as there are many departments and many priority areas, it is not easy to reduce them significantly. The way of the reduction came out as the new definition of the PSAs within the reorganised framework of the parallel structure of the PSAs and DSOs. It means the objectives that previously had been set in the PSAs have been moved to DSOs. Indeed, Professor Colin Talbot and Dr Jay Wiggan criticise this in the memorandum submitted to the Treasury Committee saying, 'It is very unclear in what way DSOs differ from previous 'departmental' PSAs? Many of them seem, at a first reading, remarkably similar to things that were defined as PSAs in Spending Review 2004' (See Treasury Committee 2007b: Ev 36). Consequently, the reframing of the PSA system may be a success as a way to show that the number of PSAs and targets have been reduced, however, it may be said that it generated a framework of complexity and confusion. In spite of this, there is at least one point to be positively judged. It is the fact that the development of new framework went through consultation with many stakeholders and the public. This consultation might contribute to the reduction of perverse behaviours generated by top-down targets and the improvement of accountability to the public.

One issue that arises with the publication of the CSR and PSAs in 2007 is the reflection on the cycle of publishing them. Although the Spending Review and the PSAs are three-year plans of public spending, they were reviewed and published every two years. It resulted in ‘a three-year spending cycle reviewed every two years’ (Talbot 2000: 65). The two-year cycle has been ignored in 2007 CSR. Talbot (2000: 65, 2007) criticises this inconsistent cycle of the publication as a political decision. He argues that the second Spending Review was carried out in 2000 not 2001 because the New Labour government was expecting a general election to be held in 2001 and they wanted to take advantage of publishing Spending Review before the election. As a result, the Spending Review came to be conducted every two years until 2004. The 2007 CSR is claimed to have intended to bring the next Spending Review in just before the next election for Gordon Brown as Prime Minister (Talbot 2007). This irregularity might be an indication of the dominance of political consideration in the planning of public expenditure.

7. Critical Review of the PSA framework

There have been various criticisms on the PSA framework ranging from the fundamental principles of the target system to its practical effects. This section reviews such criticisms and seeks to find the implications for future development.

Incentives, Monitoring and Accountability

Each theme of incentive, monitoring and accountability has its own significance and is eligible for substantial discussion on its own. However, with regard to the analysis of the PSA framework, they are closely related, and it is almost impossible to discuss one effectively without mentioning the others. In this respect, these three themes are discussed together in reviewing the PSA framework. In brief, the incentive mechanism for departments and officials to follow the rules within the PSA framework consists of monitoring performance against targets, public reporting of performance, and the consideration of performance in the next Spending Review. In the cases of senior civil servants, their pay is influenced by the performance against the PSAs. Monitoring within the PSA framework is the most important method to incentivise departments and officials and to hold them accountable for performance. Accountability within the PSA framework is sought by monitoring and reporting performance and parliamentary questions where necessary.

The incentive mechanism within the PSA framework has mostly depended on formal control through monitoring, reporting and reviewing in Spending Reviews. There have been no mechanisms such as rewarding for good performance or sanctioning for poor performance. In the 1998 PSA White Paper, it was declared that departments failing to meet the targets would not necessarily receive reduced budgets (HM Treasury 1998b: 2). It has been the Treasury's confirmed policy that there are no direct sanctions for ministers and departments that miss the targets (Hill 2003: 10; Mitchell 2003: 7; OECD 2007a: 202). In fact sometimes the lack of money might be the reason for failure, and a further reduction of resources in such a case would result in even worse future performance (Hindmoor 2003: 210; Grice *et al.* 2002). The complex political context where public services are provided also makes it difficult to trace the reasons for poor performance, and mechanically penalising departments may be neither efficient nor effective (OECD 2007a: 201). Accordingly, there have not been budgetary sanctions for the departments that failed to achieve targets, and there is only one case of the resignation of Secretary of State due to poor departmental performance (Gray and Jenkins 2003: 174; James 2004: 410). Estelle Morris resigned from the Secretary of State for Education and Skills in October 2002 taking the responsibility of several incidents including A-level grade errors and the missed literacy and numeracy PSA targets. However, even her resignation is not solely attributed to just missing the PSA targets, and was the result of mixed consequences of several issues (James 2004: 410; BBC 2002b; Ahmed *et al.* 2002). The practice of rewarding departments who achieved good performance is also very rare. Only the pay scheme of the SCS reflects performance against the PSA targets. However, although the incentive mechanism within the PSA framework has been biased towards monitoring, it has been successful in incentivising departments to observe the rules and take a serious view of the PSAs.

The monitoring of performance within the PSA framework has been structured by the three important organisations, the Treasury, PSX Committee and PMDU. In that the Treasury has dominated the PSX Committee, it may be said that the lines of monitoring has been largely two, one by the Treasury and PSX Committee and the other by the PMDU. Indeed, the Treasury Committee (2001: paras 36-38) argued that the role of the Treasury in monitoring was too powerful and recommended alleviating the dominance by the Treasury over the PSX Committee. The monitoring framework dominated by the Treasury was reconstituted by the establishment of the PMDU just after the second election victory of the New Labour. Although the remit of the PMDU was limited to the monitoring of the Prime Minister's priorities, the advent of another

monitor with strong support from the Prime Minister has formed the two important lines of monitoring. A possible criticism regarding the monitoring framework is that it is a pure inter-governmental process. Whilst the targets and the performance against them are reported and published through departmental reports and websites, the PSAs are set and managed only within the government without any external reviews (Gray and Jenkins 2001: 211). The problem with this lies in the accuracy and reliability of performance information and judgements whether targets have been met. The necessity of external review has been argued constantly (Treasury Committee 2000: para 23; Lord Sharman of Redlynch 2001: 38-39; Treasury Committee 2001: para 33; Public Administration Select Committee 2003a: 36). The Treasury Committee (2001: para 34) also urged that external review is urgently needed to at least monitor the PSAs of the Treasury because the Treasury sets its own targets and monitor its own performance. Nevertheless, the Government hardly accepted the recommendations for external review, and only accepted the recommendation by Lord Sharman to validate the data systems underlying PSA targets. This review of the reliability of data systems has been carried out by the NAO since March 2002 for a limited number of departments. However, this validation of the data systems does not come up to the recommended standards of the independent external review of the performance of each department (Hindmoor 2005: 279; Public Administration Select Committee 2003a: 22). Considering its response to the recommendations, it seems that the Treasury refused to develop further external reviews (Public Administrations Select Committee 2003b: 8). Consequently, the concerns over the limited credibility and reliability of the performance reports on the PSAs, as expressed by Parliamentary Committees (Public Administration Select Committee 2003a: 21-22; Treasury Committee 2001: para 32-34), would not be removed easily.

The accountability system within the PSA framework is based on monitoring and reporting performance in relationship to targets. Discussion about accountability may include questions like 'accountable to whom?', 'accountable for what?' and 'accountable through which mechanisms?' (Pyper 1996: 2). When these questions are applied to the PSAs, a possible answer is: 'departments are accountable to the Treasury for their performance against agreed targets and allocated resources through the monitoring process and Spending Review.' As already mentioned, monitoring of the performance against targets is initiated by the Treasury, and the PSX Committee plays a role of holding the relevant departmental Secretary of State accountable for the delivery of the PSAs and the expenditure for the delivery. The PMDU mainly monitors the

progress of the Prime Minister's key priorities. These monitoring mechanisms contributed to incentivising departments to conform to the rules within the PSA framework set by the Treasury.

Beyond the accountability to the Treasury, the accountability to Parliament and the public is also worth analysing. Actually it was the aspiration of the Treasury to improve the accountability to Parliament and the public. It has been declared that 'the publication of the PSAs represents a fundamental change in the accountability of government to Parliament and the public' (HM Treasury 1998b: 2). Accountability to Parliament can be secured by ways such as Parliamentary questions or Select Committees, and accountability to the public by election (Law 1999: 83). This is political accountability and it depends on the behaviours of the political actors. As there are no statutory rules regulating these behaviours within the PSA framework, it is important that the actors behave vigorously to secure accountability. With regard to the accountability within the PSA framework, the public retains a limited tool of election, because voting behaviour is affected by many different variables. Regarding the accountability through election, which is 'the purest form of democratic accountability', Pyper (1996: 8) states that 'the true strength of accountability becomes substantially diluted' because of the party-political considerations. Therefore, the role of Parliament takes on greater importance and it should be involved in the process of the PSAs, and monitor and verify the performance against the PSAs to improve accountability of the government. However, the engagement of Parliament in the process of PSAs always has been limited by the unwillingness of the Treasury to involve Parliament (Public Administration Select Committee 2003b: 8; Treasury Committee 1999b). Besides, the research of Johnson and Talbot (2007) show that the Select Committee members themselves are not convinced of the value of the PSAs as an instrument to scrutinise the government as explained in Chapter 5.

More practically, whereas the Treasury assumes the accountability has been improved through the monitoring and reporting of performance against targets, it is not clear how the monitoring and reporting improve accountability. Although there have been many reported cases of missing the target, there have seldom been reports of follow-up measures for those responsible for the failures except for the Education Secretary Estelle Morris.

Concluding from the practice and evidence, the accountability structure within the PSA framework has been limited to the dimension of internal accountability between the Treasury and individual departments (Burnham and Pyper 2008: 182).

Parliament and the public have been relatively alienated from the institutional line of accountability. Thus it can be said that the improvement of external accountability through the PSAs has been assumed rather than evidenced. Whereas transparency has been improved by the publication of performance reports, it is not clear whether it has improved external accountability. Performance information published by performance reports is not reviewed externally, which could undermine the reliability of the information. Incentive mechanisms rely on monitoring and reporting rather than proper rewards or sanctions. These are negative pictures of the PSA system with regard to the features of good performance management system suggested in Chapter 3.

Targets

The benefits of setting targets are that targets provide a clear sense of direction for those who work in the delivery chain, and they are also a good instrument to show the improvement of public services, as evidenced by the waiting times in the NHS. However, a cautious approach is needed when using targets, because targets are liable to cause unexpected consequences. The three main issues to be discussed here in relation to targets are the number, character and side effects of targets.

Regarding the number of targets, there have been many criticisms (Social Market Foundation 2005: 19; Public Administration Select Committee 2003a: 16; Carvel 2002b; Grice *et al.* 2002; Mitchell 2003: 9). Whereas the number of targets in the PSAs 2004 is 110, it could be multiplied when cascaded down to front-line levels. A Chief Executive of the NHS Confederation stated that 12 PSA targets of the Department of Health were turned into 44 targets through the Department's planning and priorities guidance, and again these were translated into 300 targets for the front-line NHS organisations (Ward 2004). The large number of targets is problematic in that they exacerbate bureaucracy which many front-line staffs in health, education and police complain about (Barber 2007: 177; Carvel 2002b), and make priorities ambiguous (Bouckaert and Halligan 2008: 154; OECD 2005: 77; Public Service Productivity Panel 2000: 12). Healthcare professionals pointed out this problem saying, 'everything is a priority and so nothing is a priority' (Social Market Foundation 2005: 62).

The number of targets in 2007 PSAs has decreased with only 30 cross-departmental PSAs. However, the important point is the actual number of targets imposed on the front-lines through the delivery chain. The existence of DSOs in the new PSA framework suggests that there would be still large number of targets through

the delivery chain. It seems that the number of targets is not going to decrease substantially as long as the target system remains a political instrument. The public sector has many important objectives, and sometimes they contradict each other. When there are issues arising in society that need countermeasures, it is liable to result in new targets (Klein 2006: 224).

The character of targets can be discussed in terms of the target setting process in a political context and the level and nature of targets in a technical context. Firstly, targets within the PSA framework have been criticised because they were set centrally not locally. The approach to performance management and public service reform in the UK government is basically a top-down system (PMSU 2006: 34-35). At the heart of the top-down performance management is the targets. Accordingly, many of the targets in the PSA framework were national targets that were set centrally and communicated to local delivery bodies. Sometimes there was consulting but it was not sufficient to ensure the ownership of targets. In many cases, it was the core executives like the Treasury and PMDU who set the targets (Hindmoor 2005: 278; Barber 2007: 49-50). The problem of centrally imposed targets is well-argued in the report of the Public Administration Select Committee (2003a: 13-17). According to the report, top-down targets, which were set with limited consultation with local authorities and front-line staffs, have resulted in the loss of the ownership of targets and the production of unrealistic targets. Local authorities and front-line staff could not understand why those specific targets had been set and what they meant in terms of their performance; this could be the major cause of discord between central managers and front-line staffs. Richard Murray, who is the Director of Financial Planning and Allocations at the Department of Health, explained the inappropriateness of top-down targets as follows:

The NHS did not like top-down targets... NHS would come back, in London, for example, and say, "... you have told me I have to do this, but in London I have a problem with Tuberculosis from a lot of immigration, and I actually want to spend some time doing something on Tuberculosis." "No, you do this." And you would get someone else saying, "We have a problem with elderly people who they fall, and injure themselves. We would like to do that." "No, you do this. We don't care, or you can, if you want. But don't fail on this. If you fail on this, we will be very angry." So the system was not very good at helping local people (Interview with Richard Murray).

The centralisation of target setting may also undermine staff morale, especially when the target is unrealistic and unachievable (Social Market Foundation 2005: 19-21). Indeed, many public sector workers in the education and health sectors who quit their

jobs blamed excessive bureaucracy and inappropriate targets, rather than pay or career prospects (Carvel 2002b). Especially in health, there has been heavy criticism and resistance of the demoralised healthcare professionals against those top-down targets (Beecham 2003; Kmietowicz 2001; Sawyer and Donnelly 2007; Press Association 2003). It was already suggested that such top-down performance management failed to produce positive effects, and ‘active dialogue with the operating core of managers and professionals’ is necessary for effective performance management (McKevitt and Lawton 1996: 53-54).

Secondly, the level of targets is also an important aspect of target setting. Generally the level of PSA targets looks challenging. In priority areas such as health, education, transport and police, the level of targets has been ambitious (Hindmoor 2003: 212-215). Accordingly, a number of targets have not been met or in ‘slippage’ which means progress is slower than expected, whilst more than half of targets have been met or ‘on course’ which means progress is in line with plans (Grice 2008). For example, the target on crime reduction by 15% has not been met. Literacy and numeracy targets and many of GCSE targets in education have not been met. Road journey time target in transport is likely to be missed as the delay for the worst 10% journeys indicator shows continuous increase. Under 18-year conception rates target, which is shared by the Department of Health and the Department for Children, Schools and Families, is in ‘slippage’, and looks difficult to meet. On the other hand, waiting list and time targets, which were thought to be ambitious, all have been met thanks to the huge amount of money put into the NHS. Reviewing those targets, it is discovered that targets of which the result is affected by the behaviours of people are more difficult to meet than others. The reason for setting those challenging targets can be attributed to the political context in which the Treasury, especially Brown, have dominated the agenda. Brown has been committed to showing the improvement of public services through the measure of targets, and departments could not oppose it (Bower 2007: 310; Holt 2001: 140).

Thirdly, the targets became more outcome-focused. Devising a meaningful outcome target in the public sector is not straightforward due to the nature of public services. Input or process targets may be relevant in some cases (Behn 2003: 593-594; Moullin 2004: 111). However, the general trend of the result-based management required outcome-focused targets. In that outcome-focused targets are believed to be effective in reducing perverse behaviours and their harm, the change of focus of targets from input or process to outcome is welcomed. Indeed, in the survey conducted in 2000, departments pointed out that it was a great challenge to design high-level outcome

targets (NAO 2001a: 21-22). In 2005 survey by the NAO, departments answered that developing outcome targets was less challenging (NAO 2006: 2). However, some MPs argued that making all government targets outcome-focused is not appropriate (Johnson and Talbot 2007: 126). Their criticism suggests that the nature of targets should reflect the character and context of the specific public service area.

The aspects of target setting in the PSA framework indicate another problem on the route to a good performance management system. Whereas development of outcome-focused targets is positive, the top-down approach to target setting may hamper the sound ownership of targets, demoralise staffs and induce resistance in the most severe cases. These are side effects of top-down targets. The side effects of targets have been one of the main causes of criticism of the PSAs. Whereas targets may be an effective tool for control and steering, they are prone to induce harmful side effects especially when targets are imposed centrally with little consultation with delivery partners and other stakeholders. There have been numerous examples of strategic behaviours induced by the national targets as already mentioned in Chapter 3. The literacy and numeracy targets in education increased the importance of English and maths and Ofsted found that the amount of time for other subjects such as history, geography, technology, art and physical education was reduced (PMSU 2006: 40-41). Worse than these strategic behaviours were the manipulations of figures (NAO 2001a: 1; Independent 2002). The results of those strategic behaviours on the quality of services have been serious. In health, patient care was deteriorated to meet national targets (Beecham 2003; Triggles 2005b; BBC 2005; Laurance 2005), and in policing the case in which the priority of meeting target endangered public safety was revealed (Ford 2007). Moreover, Hawkes (2007) reported that the strategic behaviours in health could also induce wastes of money, which provides an insight into a possible cause of the serious NHS deficit (Mulholland 2006).

The Control of the Treasury

The Treasury has always been an elite department that has wanted to exert influence over other departments through its power to control spending, whereas other departments have tried to take the initiative in their policy areas (Thain and Wright 1995). The tug of war between the Treasury and other departments reflects this fundamental conflict existing among a Ministry of Finance and spending departments, and the Treasury has been criticised by other departments and many critics for having

too much power. Undergoing devolution through the 1990s, the Treasury lost a substantial source of power represented by the control of manpower, pay and grading of the civil servants. Yet the Treasury still retains power in resource allocation to all departments, and this keeps the Treasury in a dominant position over other departments (Smith 1999: 145-146).

The introduction of the PSAs and CSR has implications for the control of the Treasury over domestic policy as well as the improvement of public services and resource allocation. Many critics say that the PSAs and CSR have enhanced the control power of the Treasury and increased the influence of the Treasury on domestic policy making (Lee and Woodward 2002: 51; Scheers *et al.* 2005: 142-143; Holliday and Shinoda 2002: 106; James 2004: 401; Bower 2007: 310; Deakin and Parry 2000: 198-211; Riddell 2001: 36; Treasury Committee 2001: paras 19-21; Holt 2001: 30; Lee 2007). Among these critics, Lee (2007: 103-113) displays the most severe criticism of the centralised control of the Treasury. He argues that the previous relationships between the Treasury and spending departments, which were characterised by negotiation through the checks and balances, were replaced by the central prescription for policy and resource allocation. Previously the power of the Treasury had been constrained by the spending departments, which had held a certain degree of autonomy as represented by the 'paradigm of negotiated discretion' (Thain and Wright 1995: 199-223, 291). However, the CSR and PSA system, supported by the powerful Chancellor and the downgrading of the Cabinet, has changed the relationship from 'negotiated discretion' to the dominance of the Treasury. Consequently, it can be said that the PSA framework has enabled the Treasury to intervene more directly and openly in the policy processes of departments (Talbot 2000: 65). It also provided a good reason for the Treasury to demand a huge amount of data from spending departments (Fawcett and Rhodes 2007: 96). The former Chief Secretary to the Treasury, Paul Boateng, claimed that the Treasury has 'some responsibility, in some sense, for all PSA targets' (Treasury Committee 2005). This remark well implies the intention of the Treasury to hold a grip on overall government policies.

The important aspect not to be missed when analysing the policy control of the Treasury is the influence of then Chancellor Brown. Brown is claimed to be the most powerful Chancellor in the history of the UK (Beckett 2007: 175; Lee 2007: xiii). His strong character exercised substantial influence on many domestic policies as well as economic policies (Bower 2007: 274; Ham 2004: 122-123). The fact that he was sitting on 18 of the 32 principal Cabinet Committees including all those related with public

service reform shows his involvement in policy making (Lee 2007: 105). Hennessy (2000: 513 cited Ham 2004: 123) acknowledged the power of Brown saying, 'Brown is, in effect, overlord of the economic and domestic front. It is a bi-stellar administration with policy constellations revolving round the two stars in Downing Street.' Brown's will and intentions of controlling domestic policies were expressed as early as his speech to the Institute of Fiscal Studies in 1999.

I said three years ago that a new Treasury under Labour would take its responsibility for the modernisation of Britain seriously. That it would, be the guardian of the public finances and the guarantor of monetary stability, but that a Labour Treasury would need to be not just a Ministry of Finance, but also a Ministry working with other departments to deliver long-term economic and social renewal (Brown 1999).

In conclusion, combined with the powerful tool of the CSR and PSAs, Brown's powerful leadership has multiplied the power and control of the Treasury in policy areas. As mentioned in Chapter 3, control of an organisation is necessary for the organisation to function effectively. In this respect, the control and coordination role of the Treasury might be understood as the mechanism to ensure the overall efficiency and effectiveness of government policies. However, the problem of the control of the Treasury is that it has dominated policy making in departmental areas and undermined autonomy of departments and other delivery agencies with demoralisation of the professionals and front-line staffs, as demonstrated in Chapter 5.

The Link between Targets and Resource Allocation

The PSAs always have been declared as an instrument which enables the public to see what they are supposed to get for their money (HM Treasury 1998b: 2; HM Treasury 2000b: 1; HM Treasury 2002: 1; HM Treasury 2004: 2). The PSAs were agreed between the Treasury and each spending department alongside the decision about resource allocation within the process of Spending Reviews. The link between the resources and the achievement of targets was supposed to be of an intrinsic nature in the CSR and PSA framework (HM Treasury 2000a: para 22). However, in reality it is not clear how the supposed link works and how the resources are actually allocated according to the link. Indeed, the information about the amount of resources allocated to each PSA target has never been published. The negotiation of the PSA targets was held at the end of the Spending Review process and DELs were not linked to the targets (Scheers *et al.* 2005: 137). Talbot and Johnson (2007) pointed out this lack of a clear

link with evidence from a senior official who stated that the Treasury had already concluded deals for the 2007 CSR with some departments even before the commencement of the negotiations about the PSAs. Regarding this unclear link between performance against targets and resource allocation, James (2004: 403) explains as follows:

The [PSA] regime was not an attempt to develop a full system of performance budgeting, linking allocations to desired outcomes, but is intended to improve strategic performance information about the effects of government activity on outcomes as part of a strategic system of spending control focusing on key parts of public expenditure rather than detailed control of smaller line items.

Practically, the Director of Finance of the Department of Health stated that departments had an inherent difficulty in calculating the amount of necessary resources for the achievement of each PSA target. Departments could agree on targets with the Treasury, but it was almost impossible for them to know exactly how many resources will be necessary, as they were not sure whether they had enough staff, and whether they could train enough people to deliver the targets (Interview with Richard Murray). This corroborates the argument of the lack of an explicit link between the allocated resources and targets within the PSA framework. On the other hand, because the agreement on target and resource allocation is basically a negotiation, the process might not always be dominated by rational decision, and there is always a margin for political factors to be involved. In conclusion, the explicit link between resource allocation and target setting has not been in place within the PSA framework. Instead, the link between the resources and performance objectives has been assumed rather than evidenced as it has been with the issue of accountability (OECD 2007a: 200-201).

8. Conclusion

Throughout the half a century history of performance management in the UK, there have been various attempts to improve performance. The success of early initiatives such as the MBO and PAR was quite limited due to insufficient support from the officials and the lack of proper understanding of the obstacles involved (Pyper 1995: 55). More importantly there was not a strong socio-economic pressure for tight performance management as found in late 1970s when the Thatcher government started its term. The first focus of performance in the Thatcher era was on improving economy

and efficiency as shown in the Efficiency Scrutiny by Derek Rayner and tight spending control (Rouse 1999: 82-83). Through the FMI and Next Steps, the Conservative government tried to set the best structure of management and public service provision. The Next Steps was a more successful reform than any of the previous reforms. It can be said that the most important factor of this success was the support of senior officials as well as politicians from both the Conservative and Labour Parties (Massey and Pyper 2005: 90; van Thiel and Pollitt 2007: 61; James 2003: 68-69).

In addition to the concerns about efficiency and service outcomes, which were maintained throughout the Conservatives era, 'delivery' has become the foremost agenda of the New Labour since its election victory in 2001 (Barber 2007: 43; Cope and Goodship 2002: 33; Schofield and Sausman 2002: 3). The PSA system, which has been mostly driven by the powerful Chancellor Brown, was the main tool of ensuring delivery. Combined with decisions on resource allocation through the CSR, the target system in the PSAs has been a central control mechanism to realise the priorities of the Prime Minister and Chancellor. It was a legitimate tool for the treasury to exercise control and intervene in departmental business (Fawcett and Rhodes 2007: 96). The tight monitoring process secured the centralisation of policy making and target setting, and it imposed national targets in many public service areas. One of the purposes of setting targets, to demonstrate the improvement of services by numbers, has been partly met, with significant lessons. Tight control and micro-management by the centre induced demoralisation and strategic behaviours that undermined the quality of services in the end. The level of public satisfaction did not match up to the improvement of performance, although patients who experienced the NHS service recently showed more satisfaction than the general public (Flynn 2007: 138-144; King's Fund 2005: 72; Toyne and Walker 2005: 44). The balance between the investment and service improvements has been doubted (Bichard 2007a: 38). There has been strong criticism, as represented by the question 'where has all the money gone?' (Cameron 2006; Cohen 2006).

Regarding the central control and micro-management of the Treasury, Massey and Pyper (2005: 150) are critical, saying that the performance measurement regime in the UK public sector is based on a 'Taylorist view of management and of human nature'. Hood (2007: 98) also states that there is a conventional association between the use of a target system and F. W. Taylor's scientific management theory, which emphasised control and direction of human behaviours to attain greater efficiency. Similarly, Smithers (2008) and Bevan and Hood (2004, 2006) compare the central imposition of

performance targets to the target system of the Soviet Union and warn of the danger. Indeed, it has not been difficult to find criticisms on the central control and micro-management regime (Stewart 2006; King and agencies 2006; Cassidy 2008b). Numerous targets and standards imposed on the NHS trusts have been criticised for undermining the autonomy of the professionals and clinical priorities. It has been found that doctors are sceptical about the value of the target system coupled with clinical standards and guidelines as a tool for improving the quality of healthcare services, and that they may resist those initiatives to secure their autonomy (Davies *et al.* 2007: 23-24). There is plenty of evidence reported on this, as discussed in Chapter 5. However, different from the aspects at front-line level, there may be more room for freedom at the departmental level where small numbers of targets – not including detailed methods of delivery – are agreed between the Treasury and spending departments. In health, not only targets but also guidelines such as the National Service Framework and numerous clinical guidelines from the National Institute for Health and Clinical Excellence (NICE), are imposed by the centre (Department of Health 1998). Appendix 6 displays 69 published guidelines, but there were 54 more guidelines in development at the time of writing. They have been introduced by the Department of Health with the freedom to choose the methods of improving healthcare services and achieving the PSAs. This suggests the contrasting picture of freedom in delivery between the departmental and front-line levels.

In conclusion, the PSA framework has some of the positive elements of a good performance management system, but there is still room for improvement. In fact, many of the problems found in the operation of the PSA system can be understood as the problems inherent in performance management as suggested by critics. This means that the PSA system was introduced and operated with little concern about its possible effects and problems. Brown initiated the restructure of performance management framework through the new 2007 PSAs, which is claimed to have incorporated more consultation with stakeholders and local autonomy. It remains to be seen whether the change of the framework will result in as an effective solution for the accumulated problems.

Chapter 5

Case Study (1): The Department of Health

1. Introduction

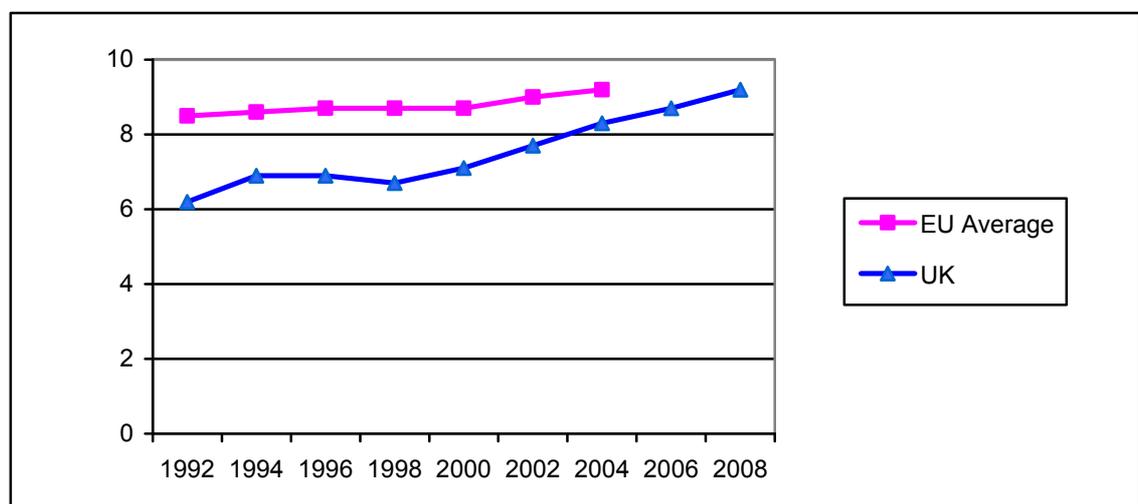
The purpose of the case study analysed in this chapter is to examine evidence to explain the nature of practices and trajectories of performance management within the PSA framework to test the hypotheses on the assumed differences between the UK and Korea as suggested in Chapter 1. Therefore, the topics to be dealt with include: the speed and nature of change brought by the PSA framework; aspects of using performance information for other internal management purposes like financial control and HRM; the significance of performance targets as an instrument of control by ministers; and compliance to the performance management regime. In addition to these, the practice of target setting, performance monitoring, incentive structure and control mechanism, and the overall effects on accountability, transparency and service improvements will also be analysed to contrast them to the practices in Korea in relation to the characteristics of a good performance management system. From these analyses, it would be possible to make inferences about the nature, process and impacts of the PSAs: whether the PSAs have been a tool of public expenditure control, how those related actors behaved within the framework and what impact on the PSA framework has been generated by those behaviours.

As well as the wide variety of literature, the sources of data for these analyses are based on interviews with civil servants including Finance Directors (or other appropriate persons in charge of the negotiation of the PSAs with the Treasury) and target owners of the central departments. A survey conducted by the NAO in 2005 with regard to the operation and utilisation of the PSAs also provided valuable data for this case study. All departmental Finance Directors and 'target owners' participated in the survey. Seven target owners participated in this survey from the Department of Health and six from the Home Office. The original data from these two departments was obtained from the NAO under the Freedom of Information Act 2000 (see Appendix 7). Questions in this survey for the Finance Directors were mainly about the overarching performance measurement system and the challenges in designing and operationalising

outcome-based targets and measures in departments. Questions for the ‘target owners’ were about setting targets in context, identification of drivers and selection of measures, data analysis and interpretation, the role of stakeholders and management levers. Many parts of this survey revealed quite relevant and useful data for the case study in this chapter.

The Department of Health has been selected for case study because health is one of a few areas of top priority where the New Labour government has been employing its efforts and resources to improve services. The PSX Committee, which conducts the core task of monitoring the PSAs, only brings high-profile PSAs into focus delegating the monitoring of minor PSAs to senior officials (HM Treasury 2000a: para 13-15). The CSR and PSAs were new innovative tools of the New Labour to drive forward its commitments: sustainable growth and employment, fairness and opportunity, and efficient and modern public services. The commitment to fairness and opportunity was represented in the aim and objectives of Department of Health PSAs in 1998 as improving health and well-being by securing high quality healthcare for all those who need it, regardless of the ability to pay or where they live. The 1998 CSR declared that health and education would be key priorities for the coming years. Gordon Brown reiterated this point on becoming Prime Minister. Accordingly, up until now a huge amount of resources has been allocated to the Department of Health, particularly for the National Health Service (NHS) with a budget increase from £45 billion in 2000-01 to £92 billion in 2007-08. As a result, total spending – public and private – on healthcare as a percentage of GDP has been continuously increasing in the New Labour government as illustrated in Figure 5.1 (Estimate for 2008).

Figure 5.1 Total Spending on Healthcare as a Percentage of GDP



Source: Adapted from NAO (2003: 5), King's Fund (2005: 14) and Wanless et al. (2007: 86)

In accordance with the substantial increase of spending, performance measurement and monitoring were more vigorous in health than any other area (Klein 2006: 223). Besides these political priorities of the New Labour government, health has been one of the areas of most concern to the British people in an aging society. Given this background, performance measurement and monitoring in healthcare services may well have great significance. In addition to this, the fact that health is a huge and complex area also facilitates its use as a case study. The NHS is the largest single organisation in Europe, employing 1.3 million staff, and there are complex relationships among the actors within the healthcare services. The operation of the PSAs and target system in such a big unit with widespread performance measures would provide much more useful evidence than any other area could do.

The case of the Home Office whose services also compose one of the priorities of the Government is also studied in this chapter although not as thoroughly as the case of health. Generally people are greatly concerned about security as indicated by survey results where more people pointed out crime as ‘the most important problem for the Government to tackle’ in their area than health. (YouGov 2003: 1). For this reason, investing in the police is a very effective lever to build up the image of a government trying to provide quality public services. This is possible because the public are particularly aware of the provision of the service and feel safer when they see the police on the beat more frequently. The study of the Home Office is expected to complement the main case study of the Department of Health when there is a need for supporting evidence or the findings show some uniqueness or high relevance. Because those two departments have been under the same framework of the PSAs and do not show critical differences in the big picture, the Home Office case study could contribute to compensating for the shortage of the relevance that may arise from the one case of the Department of Health, at least to some extent.

The main case study of the Department of Health and complementary Home Office case might still not be able to represent the complete picture of the departmental variations. However, they are useful to verify the application of the principles underlying the PSA framework by the concrete illustration of the real practices as well as to examine the problems caused by the regime. This chapter will begin with a brief explanation of the organisations related to health services including the Department of Health, the NHS and other bodies. An explanation of the Department of Health’s PSAs will come next followed by key topics to test the hypotheses and discover characteristics to be compared with those of Korea. The case of the Home Office will be

presented, where appropriate, for complementing the analyses and explanations of the Department of Health.

2. Institutional Arrangements in Health

Several organisations are responsible for the delivery of health services under the control, funding and assistance of the Department of Health. Health and social care services are delivered to the public through the NHS, local authorities, and other public and private sector organisations. Among them the core is the NHS, which is the main delivery agent for health service and spends most of the budget of the Department of Health. Local authorities are responsible for the provision of social care for the residents in their areas. They work for the health and welfare of the elderly people, people with disabilities or mental illness, people who misuse drugs or alcohol, and children who need special care. They work in cooperation with other organisations including the NHS, voluntary and private organisations as well as with the education service, the probation service, the police and other agencies who share the responsibility to provide the care and support. Local authorities are supported by the grants from the Department of Health with ring fencing which can be waived in accordance with their good performance. Arm's length bodies (ALBs) play their roles in the improvement and effective delivery of health and social care services. The Department of Health is at the apex of the regulation of healthcare, whilst stepping backwards from direct command and control by setting up regulatory bodies.

The Department of Health

The Department of Health is responsible for the provision of health service and improving health conditions of the residents in England. The NHS represents the health service in England, which is under the control of the Department of Health. The idea of free medical treatment for everyone in England was first proposed in 1942 and the NHS was established in 1948 by the National Health Service Act 1946. It brought together hospitals, GPs, opticians, dentists and other service providers in an integrated health service to provide a comprehensive range of health services for the public. Through the history, there have been several reorganisations of both the Department of Health and the NHS. The current Department came from the split of the Department of Health and

Social Security, which was formed by merging the Ministry of Health with the Ministry of Social Security in 1968.

Unlike the Korean health system, the basic principle underlying the UK healthcare system is that healthcare should be provided equally to all the residents of the UK by the government. In Korea, quite a large part of the health service is provided by private sector organisations ranging from hospitals to individual carers. Of course there are National Medical Centres and local public health centres which are hospitals founded and financed by the government, but there is no big difference because patients have to pay – though less than the payment paid for the private services – for the services as they do for the services of private hospitals. Indeed, the UK health system is unique and different from that of many other European countries let alone Korea. Everyone in the UK has the same right to access the service regardless of his or her ability to pay. In the 2007-08 financial year the Department of Health was managing over £100 billion of public funds for delivering and improving health and social care services. This figure of the total expenditure is significantly increased one from £58 billion in 2001-02 (Department of Health 2007b: 192). The increase of funding indicates the importance of health as one of the top priorities of the New Labour government. The overall aim of the Department of Health is to improve the health and well-being of the people of England. It has three distinct but interrelated roles:

- (a) it is the major Department of State for a broad and complex range of governmental activity;
- (b) it is the effective national headquarters of the NHS; and
- (c) it is responsible for setting policy on public health, adult social care and a swathe of related topics from genetics to international work (Department of Health 2007b: 8).

For achieving its aim, the Department of Health has seven key objectives:

- (a) to lead sustained improvements in public health and well-being, with specific attention to the needs of disadvantaged and vulnerable people;
- (b) to enhance the quality and safety of health and social care services, providing faster access and better patient and user choice and control;
- (c) to deliver an improved care experience for patients and users, including those with long-term conditions;
- (d) to improve the capacity, capability and efficiency of the health and social care system;
- (e) to ensure that system reform, service modernisation, IT investment and new staff contracts deliver improved quality and value for money;
- (f) to improve the service we provide as a Department of State to – and on behalf of – ministers and the public, nationally and internationally; and

- (g) to develop departmental capability and efficiency and cement our reputation as an organisation that is a good place to do business with, and a good place to work (Department of Health 2007b: 9).

The Department of Health is characterised as ‘a department of management rather than policy, a department built around the English NHS rather than health in England or the UK; and a department focused more on democratic accountability than on a stable strategy’ (Greer and Jarman 2007: 6). It means that the Department’s core concern is the management of the English NHS with high political salience. The separation of policy and management in the Department and the emphasis on management was first institutionalised by the recommendations of the Report of the NHS Management Inquiry, Griffiths Report, in 1983 (Klein 2006: 117-118; Smee 2005: 102). The focus on management has been dominating the structure and leadership of the Department since then. The NHS Management Board was established shortly after the Griffiths Report, and in 1986 the post of the NHS Chief Executive was established as the top manager of the NHS. The significance of management was boosted by the reforms of the internal market introduced in the Thatcher era and reconstructed by the New Labour (Greer and Jarman 2007: 11). Calman *et al.* (2004) also point out the shift toward management rather than policy in the Department with criticism of incoherent and contradictory policies, frequent reorganisation and their adverse impacts, which is in line with the argument of Greer and Jarman (2007: 30-31).

The concern with management has been reflected in the composition of the Department’s top positions. According to Greer and Jarman (2007: 5) there was only one career civil servant in the top 30 leaders – excluding ministers – of the Department, the Permanent Secretary Hugh Taylor. All of the others were from the NHS managers, clinicians and external experts as shown in Table 5.1. The current NHS Chief Executive, David Nicholson, also spent 25 years in local NHS partly as a Chief Executive in several NHS trusts. In accordance with the dominance of managers in the top positions the number of the SCS officials has decreased from 410 in 1997 to 286 in 2005, because those with good managerial skills, rather than generalist civil servants have been preferred to for the effective management of the NHS (Greer and Jarman 2007: 14). This composition of top leadership including Departmental Board members has made the Department quite unique in Whitehall. It is the department that politicians want because ‘it is focused on “delivery” rather than policy analysis; the top ranks are almost completely free of the generalist civil servants that have so often frustrated politicians; it is extremely politically responsive’ (Greer and Jarman 2007: 7). Apart from the

problems caused by the biased focuses, this character of the Department of Health may have been a favorable factor for the PSA framework, which has been an important political tool of control for Brown.

Table 5.1 DH Top Team by Most Significant Previous Work Experience

	May 2005	May 2006
NHS (Clinical/Management)	19	18
Private Sector	6	6
Career Civil Servant	1	1
Local Government	1	2
Other Policy	3	5
Total	30	32

Source: Greer and Jarman (2007: 20)

The NHS

The three core principles of the NHS were to provide universal health care throughout the UK, to provide a comprehensive health service and to provide the service free of charge (Talbot-Smith and Pollock 2006: 2). The key aims of the NHS are ‘to promote health and prevent ill health, to diagnose and treat injury and disease, and to care for those who with long-term illness and disability who require NHS services’ (Department of Health website). Actual care is provided by NHS staff in various tiers e.g., general practices, hospitals, treatment centres, walk-in centres, and pharmacies. Professional clinical staff makes up most of the NHS staff; they are supported by other staff in the fields of IT, catering, finance and management. The funding for the NHS comes from central taxation and the NHS does not have any significant independent source of income other than the budget granted by the Department of Health. This is the main reason that the NHS can never be completely free from the control of the Department of Health.

The Department of Health provides several types of guidance for the NHS, such as circulars which set out national policies to be followed, White Papers and Green Papers which propose policy development and set out directions of specific policies and regular guidance on priorities for service development (Ham 2004: 170-171). Managers of the NHS can be dismissed for severely bad performance. Hospitals that too often miss the targets set by the Department may be placed under tighter control. The star

rating system had been in operation since 2002; under this system, well-performing hospitals could receive more money from the Department than poor-performing hospitals. All these examples show that the NHS is under the control of the Department of Health and they are bound by the orders and directives of the Department. And, as shown later, it is clear that neither the managers nor the professionals in the NHS favour these control mechanisms. However, the Department of Health relies on the NHS to provide health services and to meet the targets set in the PSAs. In this regard, the NHS is a very important group of stakeholders in the health service. Consequently, neither the Department of Health nor the NHS can achieve its aims without the assistance of the other, for them to be effective they must have a complementary relationship. There are regular meetings between the Department and the NHS managers are held. For example, there is a monthly meeting of the 10 Strategic Health Authorities (SHAs) Chief Executives and the Department's Chief Executive and his Directors. And also the secondments of civil servants of the Department of Health to the NHS and the secondments of the managers and other staff to the Department indicate the partnership between the Department and the NHS (Ham 2004: 175).

The NHS comprises SHAs, NHS trusts, Primary Care Trusts (PCTs) and special health authorities. SHAs were established in 2002 replacing the previous 95 health authorities. Currently there are 10 SHAs – reduced from 28 in July 2006 – of which the boundaries are aligned with those of one or more local authorities, and each SHA covers an average population of 1.5 million. Each SHA plays the role of the local headquarters of the NHS. They are accountable to the Department of Health for the performance of the local NHS. They supervise the operations of the NHS trusts in their area including monitoring progress toward national targets and the maintenance of standards. Their main functions include creating a coherent strategic framework, making annual performance agreements with the local NHS and performance management, and building capacity and supporting performance improvement (Ham 2004: 165; Talbot-Smith and Pollock 2006: 18-20).

NHS trusts are hospitals, community health services, mental health services and ambulance services which are managed by their own board of directors. The main function of NHS trusts are managing and providing the services for which they are responsible; they are accountable to SHAs for their performance. They were established in 1991, prior to their establishment, those services were directly provided by health authorities. The number of NHS trusts in England in 2004 was around 280 (Ham 2004: 167). The Department of Health is now planning to convert all NHS trusts into NHS

foundation trusts by 2008. NHS foundation trusts are a new type of organisation, established as an independent public benefit corporation that can reinvest their profits in patient care. They are meant to be free from central government control and governed by a board of governors comprised of people elected from and by members of the public, patients and staff. They should submit their annual reports and accounts to Parliament. NHS trusts are eligible to apply for foundation status when they meet the conditions; they must have either in 3 or 2 stars in the Healthcare Commission's performance rating (Annual Health Check) and achieve a good score in the Whole Health Community Diagnostic programme to be eligible to apply for the Foundation status. When the NHS trusts become foundation trusts they are subject to supervision by Monitor instead of SHAs (Talbot-Smith and Pollock 2006: 9-10). Established in April 2004, Monitor is the independent regulator of NHS foundation trusts. Monitor examines the applications from NHS trusts for Foundation status and authorises them to operate as NHS foundation trusts. As an executive non-departmental public body, it monitors and regulates NHS foundation trusts to ensure that they comply with the requirements of their terms of authorisation. The performance of NHS foundation trusts is monitored through the Annual Health Check conducted by the Healthcare Commission, which indicates that the national targets and standards within the PSA framework are still applied to foundation trusts. Monitor intervenes when foundation trusts fall short of the standards or there is a significant breach of the terms of authorisation. Currently there are 88 foundation trusts (see <http://www.monitor-nhsft.gov.uk/register.php>).

Primary Care Trusts (PCTs) were established first in 2002 by taking over functions previously undertaken by health authorities and NHS trusts. The three main functions of PCTs are engaging with their local populations to improve health and well-being, commissioning high quality, responsive and efficient services within allocated resources, and directly providing these services where this gives best value (Ham 2004: 168). PCTs retain main planning function for the health service at the local level, which is subject to national priorities. They work in partnership with local authorities and other agencies to provide high quality health and social care services (Talbot-Smith and Pollock 2006: 37-38).

Arm's Length Bodies

The ALBs fall into three categories, two executive agencies (e.g., NHS Purchasing and Supply Agency), thirteen special health authorities (e.g., the Health

Protection Agency and the National Institute for Health and Clinical Excellence) and eight non-departmental public bodies (e.g., the Commission for Social Care Inspection and the Healthcare Commission). They all carry out their roles in the specialised areas to regulate the system and improve public health standards with the local NHS and other bodies. The Department of Health provides substantial funding for most ALBs, and the ALBs are accountable to the Department of Health and sometimes directly to Parliament.

Of the ALBs, one of the most influential is the Healthcare Commission, the full name of which is the Commission for Healthcare Audit and Inspection (CHAI), which plays an important role in the performance management of the NHS. It is an executive non-departmental public body funded by the Department of Health that reports directly to Parliament. It is set up under primary legislation, and thus has independent status from the Secretary of State for Health. The Commission was established in April 2004 by the Health and Social Care (Community Health and Standards) Act 2003. It has replaced the Commission for Health Improvement (CHI), which developed and implemented the star rating system, and the National Care Standards Commission, subsuming the ‘value for money’ work of the Audit Commission. In 2008 it is supposed to extend its remit by merging the Commission for Social Care Inspection (CSCI) and the Mental Health Act Commission. There are 15 commissioners, including the chair, which are appointed by the NHS Appoints Commission (also an independent executive non-departmental public body sponsored by the Department of Health).

The aim of the Commission is to improve the quality of healthcare services. It inspects healthcare services – officially in the Annual Health Check – and produces annual performance ratings for all PCTs, NHS trusts and NHS foundation trusts. According to the results of the inspections, it recommends relevant measures. It also conducts a national survey of patients and NHS staff. It deals with complaints from patients and investigates the cases of serious service failure. It also regulates private and voluntary care providers, all of whom must register with the Commission and be licensed. As explained above, the Healthcare Commission has substantial power and influence on the NHS organisations.

Development of Performance Monitoring

Looking at the current performance monitoring framework in health is crucial for understanding the various aspects related to the PSAs. Before turning to the current

framework, it is worth reviewing some major past incidents in performance monitoring. As mentioned in Chapter 2, performance monitoring is the process of checking performance data against given objectives or targets. Performance indicators are the measures used to assess the achievement against the objectives and targets. The institutional arrangement and the organisational structure for monitoring healthcare performance have been in continuous change. Historically, the Department of Health was not well equipped to review and audit healthcare policies (Ham 2004: 186). The first use of performance indicators in health dates back to 1983 with the introduction of general management following the Griffiths Report (Boyne *et al.* 2003: 51). The Conservative government at that time was concentrating on the control of public expenditure in the aftermath of the economic slump. Therefore, the primary concern of this first attempt was efficiency and value for money, though access to the healthcare services was also considered. The indicators were not meant to generate league tables, but to allow for a further analysis in exceptional cases. However, this first package of indicators was not a sophisticated one, and it was seen as experimental. Soon the package was upgraded both in its number and appearance by a joint team of the Department of Health and Social Security and the NHS. At their introduction it was not clear whether performance indicators were meant to promote the use of managerial information or to increase central control over the NHS. In practice, it seems that the early set of performance indicators played a role in strengthening accountability of the local NHS to the Secretary of State for Health (Carter *et al.* 1992: 104-117; Smith 2005: 215-216).

The interest in control and accountability through performance indicators waned for a while during the market era in the 1990s when the internal market based on the competition through the separation of purchaser and provider was introduced (Smith 2005: 216). The application of an internal market to healthcare did not generate as many benefits as expected (Dixon *et al.* 2003: 10-11; Smith 2002: 104). The New Labour government, which came into power in 1997, declared that the internal market system failed to improve the NHS performance because it increased bureaucracy and administrative costs with lots of invoices and high transaction costs. This in turn, caused the diversion of efforts from patient care to administration. The unnecessary competition between hospitals prevented them from sharing best practices, and caused various perverse effects such as distorted priorities (Department of Health 1997). In response to this diagnosis, the New Labour government selected 'regulation' for the mechanism of performance management of the NHS, which is characterised by

command and control (Ham 2004: 195; Smith 2005: 216), even though they claimed in their first White Paper on health that they were adopting a ‘third way’ which was said to be different from the old command and control (Blackler 2006: 10; Bevan 2007: 4).

There will be no return to the old centralised command and control systems of the 1970s. That approach stifled innovation and put the needs of institutions ahead of the needs of patients. But nor will there be a continuation of the divisive internal market system of the 1990s. That approach which was intended to make the NHS more efficient ended up fragmenting decision-making and distorting incentives to such an extent that unfairness and bureaucracy became its defining features. Instead there will be a ‘third way’ of running the NHS – a system based on partnership and driven by performance (Department of Health 1997: 10).

However, it is more accurate to say that the New Labour has transformed, rather than abolished, the internal market mechanisms. The separation of purchaser and provider, which was the basic framework of the internal market system, remained (Pollock 2005: 54). The establishment of foundation trusts and themes such as patient’s choice and funding mechanism of ‘payments by results’, which facilitate competition between the NHS trusts to attract patients, are elements of the market in the NHS of the New Labour (Ham 2004: 67-68; Greener 2004: 306; Klein 2006: 218; Pollock 2005: 75-77; Smee 2005: 107; Talbot-Smith and Pollock 2006: 96-99; Boyne *et al.* 2003: 58; Hindmoor 2004: 121-126). Whilst the competition in the internal market of the Conservatives was price competition, in the NHS of the New Labour it would be competition for quality of services to attract more patients. Indeed, Greener (2004: 310) argues that the internal market of the New Labour is more radical than that of the Conservatives in the 1990s as the patient’s choice would bring the power of consumers found in the private market.

The first performance rating system, the Performance Assessment Framework published in 1999 for health authorities, listed 41 high level performance indicators for six priority areas: health improvement, fair access, effective delivery of appropriate healthcare, efficiency, patient/carer experience of the NHS, and health outcomes of NHS healthcare (Boyne *et al.* 2003: 61). In 2000 *The NHS Plan* White Paper announced the extension of performance rating to all NHS organisations. In 2001, with the establishment of the CHI, the annual star rating system was introduced as a performance rating system for the NHS trusts and PCTs. The rating was given to each trust in accordance with its achievement against key targets set by the Department of Health. Under the rhetoric of ‘earned autonomy’ financial rewards and freedom of management were dependent on the star rating results (Public Administration Select Committee

2003a: 25). Poor performance led to tighter inspection and intervention and the dismissal of managers in extreme cases. The PSAs have been at the apex of those performance targets. However, as already discussed in previous chapters, many problems that the New Labour government attributed to the internal market reforms of the Conservatives have persisted. This indicates the enduring imperfection of measures to improve performance management in healthcare, which might be the nature of public service performance, complicated and difficult to manage correctly.

Current Performance Monitoring Framework

The performance monitoring arrangements for healthcare and social care services are to be looked at separately, as the former is provided by the NHS bodies and the latter is provided by local authorities. SHAs are one of the organisations that carry out the monitoring function of the local NHS bodies. As mentioned already, in England there are 10 SHAs, each of which covers a specific region (e.g., East Midlands SHAs, London SHAs, South West SHAs). They act as the local headquarters of the NHS on behalf of the Secretary of State for Health. SHAs are responsible for making performance agreements with the local NHS including PCTs and monitoring the performance. A three-year Local Delivery Plan (LDP) is agreed between each PCT and its SHA. The LDP sets out the planned trajectory of delivering each target over three years and progress is regularly monitored by the SHAs over the period covered by the agreement. The SHAs present an aggregate of their LDP to the Department of Health. Thus there is a tiered monitoring system with the Department monitoring performance on a national level by reviewing at the aggregate SHAs level and the SHAs monitoring at the local level.

Apart from this vertical line of accountabilities, the Healthcare Commission conducts an independent inspection through the Annual Health Check which replaced the original star rating system in 2005. The Healthcare Commission is independent from the government and reports on its work directly to Parliament. The Annual Health Check may be understood as a different name of the star rating system as it is basically the same in that it gives every NHS organisation a rating of excellent, good, fair or weak. However, it is different because it checks a wider range of performance issues. The rating is decided upon the performance in quality of services that are reviewed against core standards and national targets and use of resources in the perspective of value for money. Performance information from the Annual Health Check can be used by patients

when choosing the hospitals in which they want to have treatments. If any trust shows a serious problem in improving poor performance or remains at the lowest rating, the SHAs – or Monitor for foundation trusts – will intervene and try to find a way to improve it. The Department of Health does not directly intervene in this process. In an extreme case, a change of management may take place.

Social care services in England are mainly provided by the 150 local councils, but there are other providers like private companies and non-profit organisations. Monitoring of social care services is the remit of the CSCI. The CSCI was established in 2004 and incorporates the functions of the National Care Standards Commission, the Social Service Inspectorate (SSI) and the Joint Review Team of the SSI and Audit Commission. It is responsible for the registration, inspection and reporting on the performance of all social care providers. The CSCI monitors only adult social care as social care for children has been monitored by the Office for Standards in Education (Ofsted) since April 2007. The CSCI publishes its report on the performance of all 150 local councils with star ratings ranging from three stars (excellent) to zero stars (inadequate), which stand for the degree in the quality of adult social care services and the potential to improve their services. This star rating is incorporated into the scoring of the Comprehensive Performance Assessment (CPA), which assesses all the areas of services delivered by each local government. Councils receiving a poor rating may face tighter intervention from the Department of Health and the CSCI if their performance does not improve. On the other hand, best performing councils will have a chance to benefit from the incentives such as the waving of ring-fenced grants from the Department of Health and reduced form-filling and inspection by the centre.

Conclusion

The Department of Health relies on various organisations to achieve their aims and PSAs. Those organisations – including the NHS, local authorities and ALBs – provide front-line healthcare and work for the improvement of public health. The large scale and complexity of the related organisations seem to have made it difficult for the Department to regulate the operations of the organisations. In this regard, the establishment of the SHAs, foundation trusts and independent regulating bodies such as the Healthcare Commission and Monitor can be understood as strategies seeking more effective regulation. As previously stated, while the Department of Health does not directly command and control the local NHS, however, it does exert substantial

influence by setting national targets, standards and clinical guidelines which form the criteria of monitoring and inspection. Indeed, Greer and Jarman (2007: 27-28) say that:

those two organisations [the Healthcare Commission and Monitor] will receive their “steer” from, and their work will be influenced by, the Secretary of State. This is, if anything, more centralised than any previous NHS structure, because it gives the centre the ability to influence the very powerful regulators without incurring the costs of actually implementing policy and managing change (it also leaves open direct DH involvement if politicians really want it).

Greer (2006b cited Greer and Jarman 2007: 28) more directly argues that ‘Constant centralisation in the name of decentralisation is an ironic theme that runs throughout English health policy since 1974.’ In short, in line with the control regime of the Treasury over departments, the Department of Health has been at the apex of the organisational structure in health as the top controller.

Up until now, there have been continuous reforms and changes of both the organisational structure and monitoring framework most of which were initiated by the Department of Health. Different Governments used different techniques, but all of them retain the characteristics of a top-down approach. Because health has been at the top of political agendas since the middle of the last century, many issues were raised by media and dealt with by political means. Thus, health has been plagued by politically driven initiatives which have been criticised for wasting resources and undermining the quality of patient care, whilst demoralising healthcare professionals by infringing their autonomy (Guardian 2006). Some of the details of these problems have already been identified in Chapter 4, but others will be discussed later in this chapter.

3. The Nature and Use of Performance Management System

The Degree and Speed of Change

Changes during the process of introducing performance management systems in the UK were expected to be fast and radical. The single-party majoritarian government structure and risk accepting individualistic culture are pointed out as the factors that would bring such consequences (Pollitt 2006a). Initially, when looking at the institutional changes explained in the previous section, one may find that such an assumption turns out to be true. Many reform initiatives have been developed within the

centre with few political obstacles that would have significantly delayed the reforms. More recently, the introduction of the PSAs and other subsequent measures like the star rating system and setting national standards were straightforward. Whatever the centre introduced, the implementation of them was not a problem.

The degree of change has been wide and radical. Broadly the changes can be summarised as command and control in 1980s, internal market in the 1990s and the third way of the New Labour. Those different concepts and institutional arrangements accompanied different funding mechanisms and management practices. For example, to improve the efficiency and quality of healthcare the New Labour introduced a new financial framework of ‘payment by results’ which is based on the contracts between NHS trusts and PCTs. PCTs would provide each NHS trust with a pre-calculated amount of resources in accordance with the estimated number of patients under the fixed rate by ‘the national tariff’ for each care. Within this new framework, hospitals do not need to compete on prices, but would compete to attract more patients with better quality of healthcare, which in turn increases patient choice (Talbot-Smith and Pollock 2006: 96-99). On the performance measurement side, the introduction of star rating in 2001 – replaced by Annual Health Check in 2005 – was a crucial watershed in the performance management in healthcare. It was an inspection on the achievement of national targets and standards – mostly originated from the PSAs – by NHS trusts. Linked tactics to the star rating were ‘earned autonomy’ and ‘name and shame’. Excellent trusts could enjoy more freedom of management and fewer inspections, whereas poor trusts were to face deeper and more frequent inspections. Following the operation of the star rating system, dismissal of the chief executives and senior management teams of poor performing NHS trusts has become a normal practice, which was a big change of management environment for the concerned parties.

Importance to the Ministers as a Tool of Management and Control

Decision-making by the ministers has been more and more informed by performance measures since the introduction of the PSA system (Scheers *et al.* 2005: 146). First of all, the Prime Minister utilised the PSAs for more intervention in health and his other priority areas. In 2001, just after the second election victory of the New Labour, Tony Blair established the PMDU to strengthen the service delivery of his four priority areas: health, education, crime and transport. Mr Blair, with his advisors and Michael Barber who was the head of the PMDU, set the specific targets for each area

which were finally published as the 2002 PSAs. Under the overarching framework of the PSAs, Health ministers have been also utilising target mechanisms for tackling the issues and problems arising in health as well as making the NHS follow the national guidelines and standards (Ham 2005: 107; Klein 2006: 224). Evaluation criteria of the star rating system and the Annual Health Check have been focused on the achievement of national targets and standards. The comment given during the interview with Richard Murray, the Director of Financial Planning and Allocations at the Department of Health who was in charge of drafting the PSAs, that ministers always retained the final say on setting targets also indicates the importance of the PSAs for the ministers.

Compliance

One of the general conceptions of the Whitehall civil servants is that they are resistant to reforms. Such a conception about the civil service has been formed through the long history of public administration. The famous BBC sitcom, 'Yes, Minister', presented a satirical image of the conservative civil service represented by the Permanent Secretary, Sir Humphrey, who was reluctant to embrace any new initiatives and had more influence on making public policies than the minister. In fact, the actual picture of resistance or compliance to reforms is difficult to draw. The type of resistance varies depending on its degree. Passive resistance can be defined as being reluctant to fully cooperate with the new regime or neglecting the duties imposed by the new regime neither of which may be explicit acts of resistance. More active resistance would be open criticism and complaint or collective actions against the new regime, which is rare in the civil service, but occurs more often in delivery partners of the front-line.

However, the general impression from the Whitehall about the PSA system was a positive one. As with many other previous reform initiatives, during the course of the introduction of the PSAs, just after the New Labour's election victory in 1997, departments would have been expecting a new reform, even though reform might not have been heartily welcomed (Pollitt and Bouckaert 2004: 294-295). All the civil servants interviewed for this research were in favour of the PSAs system and showed positive perceptions with regard to the contributions of the PSAs, whilst admitting some problems they encountered. However, there is a possibility that the interviewees might have talked about their national policy intentionally in favourable terms to the author because he is also a civil servant from a foreign country.

The Department of Health, in which most top positions are filled with managers rather than career civil servants, is especially responsive to political initiatives (Greer and Jarman 2007: 7). Such a unique composition of top leadership made the Department the one that ‘the Blair government and Brown Treasury want’ (Greer and Jarman 2007: 15). Greener (2005: 98, 108) also suggests that senior managers ‘want ... to be seen to be responding to the challenges given them by the State’ and attempt to ‘comply with the performance measurement regime’. He explains such a desire of senior managers borrowing the rhetoric of Learmonth (2001) of heroes who lead change and innovation within the reform agenda of the government (Greener 2005: 104). Furthermore, the PSAs might have been a shelter to guarantee the increase of spending, because health has always been the top priority of the Government. Blair promised to increase health spending to bring it up to the average of the European Union on a TV programme in January 2000 (Smee 2005: 24-25). Accordingly, the following Spending Reviews emphasised the importance of health with increased funding. In such a favourable situation, the Departmental Board had no reason not to welcome the PSA system by which they can enjoy the increase of funding whilst imposing national targets and standards to the NHS and monitoring the progress. The response of Finance Director to the NAO survey supports this analogy (see Appendix 7: Q1, Q2). As a result, at the local level, especially among medical professionals, the cynicism and dissatisfaction with the top-down control have been more visible than at the managerial level, as demonstrated later.

It is an intrinsic character of bureaucracy to show resistance to reform. Beyond bureaucracy, any person and organisation whose vested interests would be at stake are likely to resist to the reform. What matters is the degree of resistance. It is difficult to say that the Whitehall civil service always comply with reforms. However, it seems that the UK generally has a culture of more compliance with public management reforms and performance management than some OECD countries where there was considerable resistance to the introduction of performance-related pay (Pollitt 2006a: 33; Pollitt and Bouckaert 2004: 294). The Department of Health may be one of the most compliant departments in Whitehall.

4. Integration of Performance Information with Other Internal Management Systems

Budgeting

The PSA system was introduced as a mechanism of public expenditure control that set specific levels of targets to be achieved with allocated resources (Fawcett and Rhodes 2007: 95). The Spending Review process integrated the negotiation of targets, and the achievement of the targets was considered in future resource allocation. The PSAs were meant to demonstrate what services the public would receive in return for their money. One of the negotiation techniques of the spending departments of targets and resources has been to claim more money when the Treasury demands a more challenging target. In the first PSA White Paper it was announced that additional funding would be halted where progress of meeting targets is not satisfactory. All of these practices indicate that there will be a close and explicit link between target setting and resource allocation, which may be interpreted as performance budgeting. However, as discussed in Chapter 4, the explicit link between the targets and resources has never been clear. The Spending Review process, where the consideration of the relationship between the targets and resource was one of the main purposes, did not provide enough information about the link between the targets and resources. There has never been a publication showing the exact relationship between them. Although the PSAs and Spending Review process together was a mechanism of public expenditure control with this underlying link, the link has been assumed rather than evidenced.

The link between the health targets and the recent increase in the use of resources is not straightforward. It can only be supposed from the fact that generally important targets have been met in accordance with the increase of funding in healthcare. However, a clue for the link between the performance and resource allocation in health can be found in the funding mechanism within the NHS (Curristine 2005: 106). According to the current framework of resource allocation within the NHS, 'payment by results', the amount of funding allocated to NHS trusts – including foundation trusts – is decided by the number of patients they have treated. The main aims of the 'payment by results' scheme are to improve the efficiency and the quality of healthcare with fair and transparent funding. Even though such aims are not yet fully accomplished, there are some signs of progress (Audit Commission 2008).

Personnel Management

Personnel management comprises tasks such as recruitment, appointment, transfer, promotion, pay, retirement and pension. Performance information can be

considered in most of these tasks. Among them pay has been the most concerned area with regard to the link with performance as represented by the introduction of performance-related pay. Because pay is a personal matter, defining and measuring individual performance is a pre-requisite for the operation of performance-related pay. It is often difficult to separate individual performance from organisational performance. However, the performance management framework of the SCS institutionalises the link between the PSAs and the personal objectives of the SCS. All SCS members reach annual performance agreements with their line managers. The performance agreement contains personal objectives and targets derived from departmental objectives and priorities as summarised in the PSAs (Behrens 2002: 6-8; Ketelaar *et al.* 2007: 51-54). The effectiveness of the SCS's performance management framework has been demonstrated by a top civil servant who responded that senior officials were taking it seriously with the possibilities of poor performers being 'exited' (Bovaird and Russell 2007: 319). The pay is the aggregation of base salary and performance bonus, which is decided by the achievement of the performance objectives and targets. The bonus level is divided among with four performance groups as displayed in Table 5.2.

Table 5.2 Performance Groups and Bonus of the SCS

Group	Proportion	Amount of Bonus
Group 1	25%	At least 10% of base salary
Group 2	40%	5~10% of base salary
Group 3	25~30%	None (There may be some scope for exceptions.)
Group 4	5~10%	None (Action taken to address under performance or ongoing poor performance, including the drawing up of a Performance Improvement Plan)

Source: Extracted from Cabinet Office (2007a: 13-14)

There is a clear link between the level of performance and the amount of pay. In this regard, it can be said that the performance information is being used for personnel management within the PSA framework (BBC 2002a; Flynn 2007: 129).

Within the health sector, the salaries of the Chief Executives of the NHS trusts are also influenced by their personal performance and the performance of their trusts (Department of Health 2002). The Chief Executives and management teams also face dismissal when poor performance is not improved (Blackler 2006: 12-13; Talbot-Smith and Pollock 2006: 120). Meanwhile, good performance is rewarded; for example, the Chelsea and Westminster Hospital NHS foundation trust provided each member of staff

with a performance bonus for the excellent rating in the Annual Health Check (Staines 2007). Clearly, performance information is used in personnel management.

Planning

At the department level, the PSAs are the basis for drawing up the departmental business plan which incorporates high level targets and cascades them down through its organisational levels (Ellis and Mitchell 2002: 112). The Departmental Board of the Department of Health derived seven strategic objectives from the PSAs. They are:

- (a) improve and protect the health of the people of England – with special attention to the needs of disadvantaged groups and areas;
- (b) enhance the quality and safety of services for patients and users, giving them faster access to services and more choice and control;
- (c) deliver a better experience for patients and users, including those with long term conditions;
- (d) improve the capacity, capability and efficiency of the health and social care systems;
- (e) ensure system reform, service modernisation, IT investment and new staff contracts deliver improved value for money and higher quality;
- (f) improve the service we provide as a Department of State to – and on behalf of – Ministers and the public, nationally and internationally;
- (g) become more capable and efficient in the Department, and cement our reputation as an organisation that is both a good place to do business with, and a good place to work (Department of Health 2007a: 21).

The business plan contains the plan of how the resources of the Department will be distributed to achieve each objective underpinned by the directorate business plan. The multiplication of targets through the delivery chain pointed out in Chapter 4 may be understood in line with this business planning.

5. Effects of Performance Management

Accountability

As discussed in previous chapters, questions such as ‘accountable to whom?’, ‘accountable for what?’ and ‘accountable through which mechanisms?’ provide the framework for analysing accountability (Pyper 1996: 2). Whilst there can be many dimensions of accountability according to the possible combinations of the answers to those questions, generally speaking, government is accountable to the public for their

expenditure and policy implementation through Parliament. This logic is an ideal model of the accountability of government, and in the Westminster model it is institutionalised that the government is collectively accountable to Parliament, as represented by the notion of ministerial accountability. While such a concept of accountability is termed as external accountability, the PSA framework also includes internal accountability which is the accountability of spending departments to the Treasury for their allocated resources. The official announcement on the accountability effects of the PSA framework was that the PSAs would contribute to 'improving democracy and accountability' and 'fundamental change in the accountability of government to Parliament and the public' (HM Treasury 1998b: 2). The Treasury emphasised the improvement of external accountability of the government to Parliament and the public, suggesting regular monitoring and progress reports as the mechanism of improving accountability. The framework of monitoring and reporting has already been explained in Chapter 4, and the main concern here is to look at the changes, if any, in the accountability of the government.

Firstly, with regard to effects of the PSAs on the accountability to Parliament, Johnson and Talbot (2007) suggest somewhat pessimistic results. They have researched the Parliamentary scrutiny of the PSA objectives and targets, and then conclude that the scrutiny of the PSAs in Parliament is insufficient to be recognised as improving accountability in terms of the number of PSAs scrutinized or the depth of the scrutiny. Select Committee members were not convinced of the value of the PSAs as a tool of judging government performance and reliability. There were some deviations between different Select Committees, and Health Select Committee was active with certain PSAs and raised issues about target setting. The Home Affairs Committee also took target setting seriously in their special report. However, as with other Select Committees, the number of PSAs scrutinised by these two Select Committees also remains a single figure. According to Johnson and Talbot (2007: 127), the members do not recognise the instrumental value of the PSAs for scrutinising the government, feel that they have not enough resources for the scrutiny of the PSAs, and finally lost sight of the reasons for spending time on the PSAs.

The Treasury Committee have made a series of recommendations that the performance against PSA targets should be reviewed by an external auditor accountable to Parliament, and targets should be consulted with Parliament before publication (Treasury Committee 1999a, 2000, 2001). However, the Treasury refused to accept those recommendations, which indicates the reluctance to Parliamentary scrutiny of the

PSAs. However, for the first time in drafting 2007 PSAs, the Treasury engaged with Parliament by consulting them prior to the publication. Despite this recent change of pattern, it is important to note that the accountability to Parliament has not significantly changed as declared in the first publication of the PSAs.

Then what about the accountability to the public? It is difficult to imagine the original shape of public accountability secured by election in healthcare. More practically, it can be said that the NHS is accountable to the public for the improvement of public health and satisfaction through the efficient use of resources. The Annual Health Check of the Healthcare Commission and the annual audit by the Audit Commission are the mechanisms of securing accountability in such a dimension. The 2002 PSAs of the Department of Health included a target to ‘enhance accountability to patients and the public and secure sustained national improvements in patient experience as measured by independently validated national surveys.’ In 2004 PSAs it was changed to ‘secure sustained national improvements in NHS patient experience...’; it removed about accountability. It seems that the government looks at patient experience and satisfaction as a measure of the accountability to patients. The surveys conducted by the Healthcare Commission show improvement of patient experience in general (Healthcare Commission 2007). However, the public still remains passive with regard to their role in those processes. Indeed, some scholars do not see that the public accountability of the NHS is transparent and well-managed (Klein 2006: 229; Thorlby and Maybin 2007: 12). It is also a negative factor that the public are generally not much interested in performance measurement or performance management, until they notice some serious issues arising from big incidents, disasters or scandals (Pollitt 2006a: 41). However, there is one positive sign for the role of public recently. In health, in addition to the performance report of the Department of Health that covers the broad PSAs, the Healthcare Commission and the CSCI publish performance ratings of each NHS bodies, local authorities and other social care providers. They monitor the performance against a wide range of indicators, many of which are linked with the PSAs. Although generally it is not clear to what extent the public use this performance information to hold the government accountable (Pollitt 2006b), it is clear that these performance ratings provide patients and the public with useful information for selecting hospitals in which to be treated. Based on the performance information, patients can choose the best option for their treatment. This is represented by ‘choice’, which has replaced ‘modernisation’ in the agenda of the New Labour. The basic idea of ‘choice’ is that ensuring the right of choice in health and social services facilitates the competition between care providers,

which in turn would result in the improvement of service quality. In this regard, the improvement of accountability to the public seems to be more positive than the accountability to Parliament.

Finally the internal accountability of spending departments to the Treasury is secured through the elaborate structure of monitoring and reporting. As explained in Chapter 4, the Treasury with the PSX Committee and PMDU take the lead in the monitoring process through the quarterly reporting, Spending Review and stocktakes. Departments should report on their performance against PSAs to the public as well as to the Treasury. Many critics think the PSAs coupled with the Spending Review have increased the control of the Treasury. It is clear that one of the factors of increasing control is the tight monitoring framework, which is a critical tool of holding departments accountable for their spending to the Treasury.

Traditionally the Secretary of State for Health was accountable to Parliament for all the matters related to health including day-to-day operations. It was the main reason for the Secretary that he had no choice but to enforce control on the NHS (Walshe 2003: 108). However, centrally imposed targets to the NHS, many of which came from the PSAs, provoked the question of the appropriateness of top-down targets by the NHS managers as well as professionals. It was a waste of time and energy for the Secretary to be held accountable for every minor incident happening locally. Such a conception changed the focus of governance from direct control to regulation represented by the 'earned autonomy' and the establishment of regulatory ALBs such as the Healthcare Commission and Monitor (Klein 2006: 228). When the NHS trusts become foundation trusts, they are no longer accountable to the SHAs or the Department of Health, but rather to Monitor which is the independent regulator of health accountable to Parliament. The members of the Healthcare Commission are not appointed by the Secretary of State for Health, and the Commission is accountable to Parliament. Whereas the Treasury has strengthened control and accountability through the PSAs, the Department of Health has changed the system for the improvement of local autonomy and less control from the centre. The change in direction in healthcare management has been caused by lessons learned from the effects of too much central control represented by national targets and standards with insufficient consultation. However, as far as the basic framework of the healthcare system, where the resources for the NHS come from the Department and the Secretary of State is responsible for the healthcare of the public, is maintained, the release of central control seems to be still far away, as indicated by the recent friction caused by the central control on NHS foundation trusts (Carvel 2008a).

Improvement of Performance

Whether performance has been improved by the operation of performance management systems or not comes as a fundamental question about the utility of performance management. The answer to this question depends on the definition of performance. In case of the PSAs, performance is understood as the achievement of targets. Although there are variations in the achievements of different departments, many targets have been met in health as represented by the high-profile waiting list and waiting time targets. Time spent in A&E units has been also an important target. Those targets have been putting great pressure on the NHS due to many reported criticisms and strategic and perverse behaviours, though recent figures show substantial improvement of performance. Targets that were to be met by the end of 2005 were successfully met. A maximum three months wait for an outpatient appointment has been met (an improvement over the wait of more than six months in 2000), and maximum six months inpatient treatment has also been met (improved from 17 months in 2000). Thus, as far as those numerical figures are concerned, it is clear that there have been improvements of performance.

However, there has been downside as well, as evidenced by many side effects and the resistance of professionals, which have already been mentioned in Chapter 4. Beyond that, there has been huge amount of increased resources spent for meeting those targets. Staff increase is one of the most visible uses of the resources. Substantial increase of GP salaries has also driven debates on the inefficiency and unmatched results of health improvement (Carvel 2008b; NAO 2008). Elliott and Rotherham (2006: 37-48, 2007: 38-39) criticise the increase of administrators, which is larger than the increase of nurses, and the overall decrease in productivity in the NHS. Their argument reminds us of an important issue of the financial management in the NHS. According to the Department of Health (2006b: 18-19), the gross deficit of the NHS in 2005-06 was £1,277 million in 174 organisations, which is 31% of all NHS organisations. Professor Gwyn Bevan, former Director of the Office for Information on Healthcare Performance at the CHI which designed and conducted star rating and was later superseded by the Healthcare Commission, commented that the deficit was the results of too much focus on meeting targets whilst neglecting financial matters. Consequently, whereas the performance of the NHS in terms of meeting targets is not bad, performance in terms of efficiency and productivity is shameful, which made Sir Nigel Crisp, Permanent Secretary to the Department of Health and Chief Executive of

the NHS, resign in March 2006 (Hawkes and Charter 2006; Interviews with Richard Murray and Gwyn Bevan). The NHS deficit is an example of the 'tunnel vision' caused by targets as well as the downside of the achievement of targets (Mannion *et al.* 2005: 21). It remains a question whether it was rational to increase spending so substantially to realise those achievements. The possible disparity between the achieved performance and public satisfaction suggests that more a prudent approach is needed in the design of a performance system (Flynn 2007: 144-147).

Exercising Control

Departments should negotiate with the Treasury about resources and the PSA targets during the Spending Review. In this regard, the PSAs are accepted as the control mechanism of public expenditure as well as departmental policy making, and they are thought to have enhanced the power of the Treasury over departments (Bower 2007: 310; Deakin and Parry 2000: 198-211; Holliday and Shinoda 2002: 106; Holt 2001: 30; James 2004: 401; Lee 2007; Lee and Woodward 2002: 51; Scheers *et al.* 2005: 142-143; Fawcett and Rhodes 2007: 96; Smithers 2005: 272-273; Talbot 2000: 65; Travers 2005: 91; Treasury Committee 2001: paras 19-21). The negotiation table was where the Treasury could exhibit control power of the PSAs. The common complaint among critics of the control of the Treasury seems to be that the Treasury has been taking too much control in departmental business. However, the Treasury would not think its control is excessive or problematic. Instead they would think it is necessary to secure the efficiency and effectiveness of government policies, whereas departments would think the control should be eased (Thain and Wright 1995).

However, the results of interviews with the senior officials from the Department of Health, the Home Office and the DCMS suggest a difference. When asked whether they feel pressurised by the Treasury during the negotiation of targets, and whether they think the Treasury interferes with departmental policy and business too much, none of them said yes. Firstly, Richard Murray from the Department of Health said that the Department could ease the pressure of the Treasury regarding the level of targets by claiming larger budgets to meet the higher level of targets.

The bargaining power of the Department of Health over the Treasury seems to have already been secured to some extent since the early era of the New Labour government with the introduction of the National Service Framework, which prescribed service standards and guidelines for major diseases and specific care groups

(Glennerster 2005: 285-286). The promise of increasing health spending made by the Prime Minister in January 2000 might have been an advantage for the Department of Health over the Spending Review process. Glennerster (2005: 286) puts it as follows:

Now the Department of Health could say ‘you have agreed that cancer services should meet these standards – this is the bill’. Not only was there now hard evidence for more health spending but the Prime Minister was onside.

Secondly, a former senior official from the DCMS stated that the Treasury officials at the negotiation table were not so coercive that he might yield to their demand. He added that the experience and knowledge of the Treasury officials about the departmental business are important factors that decide the attitudes of the Treasury officials. He explained that when the Treasury officials are newly assigned to the job, they are generally unfamiliar with the departmental business and this makes the negotiation more rigid. However, as they gain experience and become more confident with the nature of the departmental business, they come to understand the circumstances surrounding the issues and are more friendly and generous than before, he added. Overall, his perception of the degree of the control of the Treasury was not as high as many critics argued.

The Head of Performance and Delivery Unit at the Home Office compared the negotiation with the Treasury to a purchasing negotiation, which can be understood to be the same as the view taken by Richard Murray of the Department of Health. Theoretically, the logic is that they can defend against the Treasury’s demand on targets by asking more money. He also mentioned that it is possible that the two organisations might feel they did not get what they had to. He said:

If there is a disagreement over what we think right amount of money is, or what they [the Treasury] think the target level is, ultimately they have final say. But I don’t think we had any serious problems with them and generally we get collaboration.

His perception was that although the negotiation with the Treasury was a challenging task, he did not think it increased the control to a problematic level. Moreover, he was actually in favour of the central control. He emphasised that a certain amount of central control and coordination is essential for the effectiveness of governmental policies. He accepted the control of the Treasury as good and did not think of it as a problem. All of these are quite interesting discoveries, because these views of civil servants in spending

departments are quite different and even the opposite to those of many critics presented in Chapter 4.

In summary, contrary to the common criticism about the degree of the Treasury control, the interviewees of the three spending departments stated that they neither felt pressurised by the negotiation with the Treasury nor were specifically in opposition to the control and coordination role of the Treasury. These attitudes of the civil servants may be interpreted as showing compliance with the top-down control regime of the PSA framework or at least a positive adaptation to it.

Cynicism and Resistance at the Local Level

Performance and quality of healthcare has been one of the most highlighted areas within British politics and as a matter of interest to the British people. There have already been many kinds of reform since the 1980s to improve the performance of the NHS and healthcare. The institutional arrangements and the organisational structure in health have been in continuous change and development, and notably more so since the New Labour came into power. There have been many Commissions whose lives were ended by succeeding Commissions, specific functions have been moved from one organisation to another, funding has been given in different ways, and the publication of the star rating has been extended to the performance of local authorities. Whilst some of the reforms and the changes of institutional settings are attributed to the change of power between the Conservatives and the New Labour, they reflect the difficulties of effective performance management in health. The New Labour government especially had to show improvements that were meant to be achieved following the massive amount of investment in the NHS. This desperate need of improvement was embodied in numerous top-down targets to the NHS.

However, those endless reform pressures from the centre have generated cynicism about reform initiatives among many NHS staffs. The reason for this cynicism is found in their lack of autonomy considering the extent of the reform they had to accept (Greener and Powell 2003: 38). In contrast to the strong belief and will of the centre about the improvements to be brought by target mechanisms, professionals in the NHS, mainly doctors, did not welcome the control regime of performance targets and indicators. They thought they were being pushed to accept national target systems developed without consideration of their views. They thought the pressure for achieving national targets infringed on their professional autonomy and made it difficult for them

to choose the best way to treat their patients. It has never been difficult to discover evidence of the cynicism and anger with national targets and standards. Greener and Powell (2003: 38-40, 44) present plenty of evidence of cynicism among NHS managers caused by the central control mechanism. Blackler (2006) carried out a research that analysed the pressure put on the NHS trust Chief Executives showing the complaints about the micro-management from the centre and declining morale. Two of his summaries of the interviews, which demonstrate them, are worth looking at.

The target system is unrealistic. The system is distorted by short-term priorities which have led to large amounts of money going to the private sector that should have been invested in improved capacity locally. The main barrier to change in the service is the monolithic bureaucracy at the centre (Blackler 2006: 30).

Hospital rating system is unjust; she was 'angry and humiliated' by the rating her hospital received. Freedoms have gone from the Trusts. The new structural changes have introduced organizations (SHAs and PCTs) that do not know what they are doing. Changing the GPs and consultants' contracts at the same time is causing chaos. Rigour is missing from the planning process (Blackler 2006: 30).

Whilst Davies *et al.* (2007: 17-19, 23-24, 26-29) reported general dissatisfaction and concerns about centrally imposed standards and guidelines that have been raised by medical professionals; resistance to the central control had already taken place. Doctors visited the Department of Health to lobby and protest against 'politically set' national targets (Beecham 2003: 72; Carvel 2002a). In May 2001 at least 1,000 GPs across the UK showed their resistance to national targets by shutting surgeries, dressing up and putting up posters, whilst gathering at the Department of Health to petition the Secretary of State for Health (Kmietowicz 2001: 1082). Dr Ian Bogle, Chairman of the British Medical Association (BMA) showed antipathy to central control saying:

The professionals are sick to death of being shackled in this way and having their feeling about clinical priorities overridden by government targets (Carvel 2002a).

The right to practise medicine as a professional and not a government bean counter is worth fighting for. Please don't give up that fight (Press Association 2003).

The history of the reorganisation of the healthcare system and policy development reflects the absence of trust and the presence of tension between the Department of Health and the professionals (Ham 2004: 28; Smith *et al.* 2001: 1262).

Incentives and Motivation

Current incentive for the actors in the health sector to follow the system of national targets and standards can be found in the regulation and inspection framework symbolised by ‘earned autonomy’ and ‘name and shame’. This framework shows the move from direct central command and control to the indirect control through the regulators such as the CHI, NICE, and Healthcare Commission. The new mode of regulation began in 2001 with the introduction of the star rating system for the NHS trusts. In accordance with the results of the star rating, best performing NHS trusts could receive more resources, though not a large portion of the total resources, with less inspection and intervention in management (Public Administration Select Committee 2003a: 25). Thus, they could enjoy more freedom of management, for example, taking forward capital investment schemes without the approval of the Department (NAO 2004: 75). On the other hand, poor performing NHS trusts had to face tighter monitoring and inspection as well as the pressure for improvement. In extreme cases, Chief Executives and managers had to leave. The staff had to endure the shame of being a ‘zero-star trust’ as can be inferred by their reluctance to go out in their uniforms after receiving such a rating (Mannion *et al.* 2005: 22). With regard to the Social Services provided by each local authority, for well-performing authorities the Department of Health waived the ring-fencing of the resources and gave freedom to use the money where they thought it could be used most effectively. Above all these incentives, the most powerful one has been the sacking of managers of failing hospitals. Richard Murray from the Department of Health said at the interview:

We don’t really need to use financial incentives...we could say, “We will sack you, if you fail.” And sacking people turned out to be much more frightening. So we did not need money bit. We relied on a kind of iron fist.

Indeed, sacking people would be a very powerful tool for preventing poor performance, and several managers had to leave because of continued poor performance.

Whereas Bevan (2007) argues that inflicting reputational damage is the most effective way to improve reported performance, Moullin (2004: 112) emphasises the side effects of blaming and sacking managers for poor performance. He states that such measures may lead to the manipulation of figures or the sacrifice of patient care for the purpose of meeting targets, which actually happened in many hospitals. Thus, for the poor performing organisations, intervening more frequently with down-to-earth inspections seems to be more effective (Smith 2002: 109). This method of intervention

is especially fit for motivating the professionals who value their autonomy in clinical services, whilst not welcoming the control regime based on numerous targets. From this perspective, more freedom when the performance is good and more intervention when the performance is poor would be an appropriate way to manage performance – as far as the criteria for the performance assessment are accepted by them – when the professionals involved value autonomy. This suggests that the incentives in terms of autonomy might be more effective than monetary incentives in some cases.

As claimed by Herzberg's two-factor theory of motivation and hygiene, money may not always be an effective incentive to motivate people, especially in the civil service and the public sector (Public Service Productivity Panel 2002: 10). What his theory implies is that when salary is poor, it is clear that people will not be motivated, but more money does not always result in better performance. There are many scholars and critics who emphasise the importance of other motivators such as job satisfaction, personal sense of achievement and development, recognition and a word of praise, etc. over money (Grayson and Hodges 2001: 76; Pinaudt 2002; Saunders 2003; Burnham and Pyper 2008: 212). Moreover, some studies show that monetary incentives might cause a negative effect to improving performance in certain circumstances (Frey 1997; Frey and Jegen 2001; Gneezy and Rustichini 2000). Interviews with senior officials have confirmed the wider range of factors of motivation beyond financial incentives. The research conducted by the Public Service Productivity Panel (2002: 8-10) has also found that both senior executives and staffs have identified factors like recognition, delegation and communication as most important for motivation.

Morale of the NHS Staff

Whilst it is important to regulate healthcare to maintain national standards, a more prudent approach is required concerning the impact of demoralisation of staff. In the research of the Audit Commission (2002: 22-23), bureaucracy, too much paper work and national targets, was pointed out as the main reason for leaving jobs in the NHS. In line with this finding, the proportion of doctors intending to quit their jobs increased from 14% in 1998 to 22% in 2001 (Sibbald *et al.* 2003: 22). The number of doctors took part in these surveys was 790 in 1998 and 1,159 in 2001, and the main reason of leaving was dissatisfaction with their job. Finalyson (2002: 6) also found that top-down reform pressure and national targets were the main factors of low morale and demotivation. The low morale of doctors has been confirmed again in a more recent survey of more than

1,400 doctors conducted by Hospital Doctor magazine. In this survey 69% of the respondents said that they would not recommend medicine as a career, 54% said morale was 'poor' or 'terrible', and only 2% answered that their morale is 'excellent' (BBC 2007). Again frequent reforms and central prescription were blamed as the demotivators in this survey. Such low morale among doctors has been confirmed with an interview with a GP. She criticised bureaucracy accompanied by the centralisation of NHS management and constant change of political and managerial initiatives with a metaphorical expression of frequent 'changes of goal posts'. With regard to the impact of low morale, serious concerns have been raised by doctors and nurses who criticised heavy bureaucracy and targets for demoralising them. They warned that demoralisation could undermine the quality of patient care (Sawer and Donnelly 2007). These findings suggest that the government should take the issue of morale in the NHS into serious consideration for the improvement of healthcare and performance.

Meanwhile, in the Home Office as a way of recognizing good performance and encouraging people, there was a big party in the atrium of their building in 2007 when one of their PSA targets was achieved (Interview). They invited all the stakeholders who had contributed to the achievement of the PSA, and the Home Secretary and ministers congratulated the contributors. As seen in this example, recognition and compliments are being accepted as a general and easy means of motivation within the Home Office, the interviewee added. It suggests an insight into how to improve staff morale.

6. Conclusion

This chapter has shown the various aspects related to the operation of the PSA framework by looking primarily at health. The different nature and trajectory of reforms in the UK demonstrated by Pollitt (2006a, 2007b) and van Thiel and Pollitt (2007) through the comparative research with other European countries have been confirmed once again through the analysis of the operation of the PSA framework. From the Prime Minister to departmental ministers, they all used target mechanism to incentivise staff to follow their priorities. Consequently, many targets and standards based on the PSAs have been imposed on the NHS. New monitoring and inspection regimes have been introduced and organisations in charge of them have been established. All these changes were introduced and implemented with the strong support of the New Labour politicians

without major obstacles. The impact of the new system was more significant and visible with the managers and staff of the NHS than among the officials in the Department of Health. Because most of the targets have been imposed on the NHS and the NHS has had to change their delivery of healthcare services, most resistance and complaints about the new system came from the NHS. It shows contrast to the Department of Health, which is less pressured to meet targets.

Controlling public expenditure has been one of the main purposes of the introduction of the PSA system. During the Spending Review process, the achievement of the PSA targets and the level of future targets have been important elements to be considered for resource allocation. However, in spite of this basic principle, there has been a lack of evidence of a clear link between the targets and resources. How many resources were allocated for which objectives was not published. In health, 'payment by results', which is a new framework of funding, is presented as a mechanism of linking resource allocation to performance. The use of performance information from the PSAs in personnel management is clearer than in budgeting. The SCS performance management and rewards framework considers performance against individual objectives, which are based on the departmental PSAs. The level of performance assessed by the individual contribution to the achievement of those objectives is a crucial factor in the decision about performance pay. The PSAs also form the basis of departmental business planning by which high-level objectives are cascaded through the delivery chain.

The effectiveness of the PSA system in imposing national priorities and regulating service providers has been secured by the accountability framework composed of monitoring and reporting. In health, new regulatory ALBs such as the Healthcare Commission and Monitor work to secure the accountability of the NHS. This new framework shows the change of the accountability structure within the health sector from the accountability to the SHAs and the Secretary of the State to those ALBs, and ultimately to Parliament and the public. In line with the massive increase of expenditure, many targets in health have been met and the performance figures showed visible improvements apart from the question about productivity and the satisfaction of the public. Contrary to general criticism about the central control from the Treasury, interviewees have shown positive perceptions of the PSA system, whereas the managers and professionals of the NHS have been more sceptical and showed resistance in some cases. The difference of attitudes seems to stem from the nature of their roles. One is more on the command and control side, whilst the other is on the delivery side under the

direction of the centre. Incentives to follow the national targets and standards regime in health are ‘earned autonomy’ and a ‘name and shame’ culture. Depending on their performance NHS trusts can enjoy more freedom of management or should be prepared to face tighter and frequent inspection and the shame of being ‘zero-star trusts’. Researches have demonstrated that the naming and shaming of poor performers had a substantial impact on the staff morale and the organisational culture (Blackler 2006; Mannion *et al.* 2005). Feeling unvalued, dealing with excessive central control and working with limited autonomy have been pointed out as the main causes of low morale in the NHS.

Putting the analyses and discussions in Chapter 4 together with those in the case study, the PSAs and target system have demonstrated improved performance by achieving targets. There has been vigorous use of performance information for other internal management purposes, control of resource allocation and policy making, and enhanced transparency through the publication of performance reports of the NHS trusts and the Department of Health. Apart from those positive roles and effects of the PSA system, the problem of central control was the most serious degrading factor. The top-down approach in target setting caused resistance and low morale among the professionals in the NHS, which may undermine service quality and patient care. The incentive mechanism represented by ‘earned autonomy’ also incorporates central control in that it is given to those who show good compliance to the national targets, standards and guidelines set by the Department of Health. Conflicts between the government and professionals throughout the history of NHS reform indicates the lack of trust which O’Neill (2002: 45-53) emphasised for improving accountability. Clarke (2007: 43) referred to the lack of trust as a ‘dialogue of the deaf’ and suggested that a sound relationship between the government and professionals is necessary for successful public service reform.

The continued criticism about the central control through national targets and standards from both academics and professionals seems to have resulted in the change of the performance management framework. The 2007 CSR and PSAs claim less control from the centre and place more focus on user and stakeholder consultation. The Treasury emphasises that the new framework has a minimum number of targets and relies on more consultation. However, consultation had already been an element of the PSAs and did not affect targets much. The issue of central control through national targets is not a matter that can be judged simply by the new PSA system. There are still national targets in the new PSAs, and what is more important is the aspect of using

targets through the delivery chain, which could bring a multiplied number of targets. Moreover, the fundamental approach to public service reform of the UK government is top-down performance management, which comprises four key elements: targets, regulation, performance assessment and intervention (PMSU 2006). As long as targets are included in those key elements and top-down performance management remains the principle of public service reform, the target system will not soon disappear.

The Department of Health has had an interest in the management of the NHS since 1983 when it first introduced performance indicators. The PSA regime has been useful for strengthening the management of the NHS. It has been a legitimate way for the Department of Health to impose national targets and standards on the NHS. The unique character of the Department, where most of the top positions are filled with appointees from managers, professionals and experts rather than career civil servants, facilitated its compliance with the PSA regime. Ministers and senior officials have had more positive attitudes toward the PSA regime than the front-line workers who have been voicing criticism and showing resistance. The evidence in this chapter suggests that the UK central government is at the forefront of performance management, making the most use of it and possibly breaking fresh ground for its application.

Chapter 6

Performance Management in Korea: Background and Government Performance Evaluation

1. Introduction

This chapter provides a review of the importance of evaluation in Korean public management. It examines the growth of evaluation techniques, instruments and agencies and analyses the major elements of contemporary practices. Reviewing the evolution of the major components of evaluation and performance management based on the experience of the government as well as literature and interviews, it argues that these components are of great significance, but also that they are widely misunderstood and suffer from some serious deficiencies, as argued in the conclusion to the chapter. This chapter starts with background information on the Korean government, followed by the history of performance management in Korea. Then there is a detailed description and analysis of the Government Performance Evaluation (GPE), which has the longest history and highest significance among the three performance management systems in Korea. The other two systems, the Financial Performance Management System (FPMS) and the Performance Agreements, will be looked at in the next chapter.

Outline of Government Performance Evaluation

This chapter looks at the GPE as one of the performance management systems in Korean government. Actually, classifying the GPE as a performance management system is not in line with the argument in this chapter. However, the Korean government officially recognises it as a performance management system, and many Korean scholars implicitly agree to this as evidenced by their articles on performance management. Indeed, when scholars mention performance management in Korea, the GPE always takes an important part (Yoon and Park 2005; Park and Han 2004; Na and Lee 2005; Kang and Kim 2004; Kang 2004). However, there are also a small number of scholars who point out the confusion between evaluation and performance management (Lee *et al.* 2004: 35). In spite of this ambiguity of its character as a performance

management system, the GPE is an essential item to be looked at with regard to performance management in the Korean government. In this respect, this chapter reviews the GPE in detail in the perspective of performance management, although it is not a typical performance management system. The current framework of the GPE was established in 2006, although it was in 1998 that the title of the GPE was first used. The GPE consists of the evaluation of central government, local government and public institutions. Central government evaluation is divided into Self-evaluation and Specific Evaluation. Self-evaluation is conducted by each department and composed of the five types of evaluation: major policy, financial management, personnel management, organisational management and e-government. The results of Self-evaluation are reviewed and confirmed by the Government Performance Evaluation Committee (GPEC). Specific Evaluation deals with specific policies in which all departments should take part in fostering improvement government-wide. For example, policies such as innovation, de-regulation, public relations and the freedom of information have been included in Specific Evaluation. Customer satisfaction is also monitored as an element of Specific Evaluation with regard to the effectiveness of major policies and the quality of front-line services. Specific Evaluation is initially carried out by departments that have the major role in the policy area and is then reviewed by the GPEC with co-operation with other departments that play a major role in the policies.

The GPE is a comprehensive evaluation of various dimensions, and the scope of it is too broad to fully embrace in this research. Therefore, the Self-evaluation has been selected as the main interest of research. The Self-evaluation in central government can best illustrate both the past and current aspects of the GPE, because the Major Policy Evaluation (MPE) in the Self-evaluation has proceeded from previous evaluation regimes. Therefore, it may be attractive to confine the research to the MPE, but such confinement limits the insights and possible explanations of the various aspects and current issues related to performance management. Consequently, the analysis of the GPE in this research focuses on the Self-evaluation, but this does not necessarily exclude the possibility of discussing the overall framework of the GPE.

The origin of the GPE is Evaluation and Analysis introduced in 1961 by the Planning and Coordination Bureau of the Office of the Prime Minister. It started as a general management and control tool of the Office of the Prime Minister and was redesigned to evaluate the efficiency and effectiveness of individual programmes. Through the several institutional reforms of the government, the Evaluation and Analysis has been developed and it is now settled as the GPE. The Evaluation and

Analysis did not start with the theoretical concept and process of performance management, and neither did its successors. As the titles indicate, it is more accurate to say that they have been a kind of policy evaluation tool rather than an instrument of performance management. At that time there was no serious consideration of the meaning of performance in the public sector. It was not until the late 1990s that performance became a critical matter of concern to the government.

Korea as an 'Evaluation Society'

The Korean public sector may be suggested as an example of an 'evaluation society'. Power (1997) suggested the concept of 'audit society' in his analysis of the audit and inspection cultures and practices in the UK, and Bowerman *et al.* (2000) argued 'performance measurement society' is more appropriate to describe the nature of audit, inspection and regulation in the UK. According to Lee (2006: 42), there are 230 evaluations in the Korean public sector, with 92 of them having systematic process of evaluation on all areas of public services. The basis of the 'evaluation society' is the many wide-spread evaluation regimes and the comprehensive framework of the GPE. The background of such an 'evaluation society' may be found in the introduction of the idea of NPM, and the economic crisis which struck the whole Korean society and accelerated the reinforcement of performance management. In the second half of 1997, financial turmoil starting with the devaluation of the Thai currency quickly spread through the region. With the sharp devaluation of the Korean currency caused by the massive withdrawal of overseas funds, Korea fell into a deep financial crisis and had to borrow money from the IMF. The agreements on the \$58bn bail-out from the IMF were signed in December 1997. Many companies, including financial institutions and conglomerates, or *chaebol*, collapsed. The soaring interest rate made the rich richer and the poor poorer. The level of suicides reached a record high. It was regarded as the most serious disaster after the Korean War. It took years for Korea to overcome this unprecedented event. The focus of reform during this time was placed on improving the autonomy, efficiency and transparency of the financial market based on the ideas of neo-liberalism. The restructuring movements for minimising debts and enhancing profitability took place virtually in every company. They caused nearly one million people to become unemployed. However, jobs in the public sector, especially civil servants, were relatively secured, and generous compensations followed the early retirements, which were encouraged to cut government spending. When a private sector

organisation fails in its business, the management and employees take the responsibility for it and may be dismissed. However, although many people thought the government was responsible for the economic turmoil, politicians and civil servants would not take responsibility for it. Then President, Kim Young-Sam and his government, who were responsible for the failure, were scheduled to leave in just three months when the disaster came. There were no sanctions for the politicians and civil servants for causing such a big disaster. Accordingly, the social atmosphere and public opinions were hostile to such a disparity and there were growing criticisms about job security in the civil service and pressure for the reform of the public sector.

Consequently, in addition to the influx of the doctrine of the NPM, the economic crisis was a major catalyst for refining performance management in the government. The Kim Dae-Jung government, which started its term in this situation, adopted the idea of neo-liberalism and NPM to cure the accumulated problems in both the public and private sectors. The emphasis was on improving the efficiency of the public sector, customer-orientation and accountability. The introduction of the MBO, performance budgeting and audits were the results of concerns of the Government with performance management in this period. The GPE was set up in 1998 with the aim of improving efficiency, customer-orientation and accountability by reforming the previous Policy Evaluation, which had been developed from the Evaluation and Analysis. In 2006 the GPE formed a new framework by expanding Self-evaluation and integrating many other evaluations conducted by different departments.

In summary, there has been a tradition of evaluating policies and programmes in the Korean government since 1961. Considering the nature and extent of wide-spread evaluations, Korea may be suggested as an example of an 'evaluation society'. The background of this 'evaluation society' may found in the ideas of the NPM and the attempts to improve the performance of government following the national economic crisis in the late 1990s. However, the core factor that formulated the characteristics of the 'evaluation society' was the political behaviour of departments, as discussed later.

2. Political System of Korea

Constitution and Law

Some background knowledge of the Korean administrative system is helpful for the understanding of the political dynamics of performance management in Korea, as

the system is quite different from that of the UK. First of all, Korea has a written constitution. The law system in Korea is composed of the constitution, law, Presidential decree, Ministerial ordinance and other minor regulations valid within the Executive branch. All the administrative actions must be taken in accordance with the written administrative laws. In other words, the Executive is bound to the written constitution and administrative laws, able to act only within the grounds of these laws, and generally cannot take actions that are not written in the administrative laws. Consequently, all the processes and actions involved in the performance management system which will be described later have been legislated and have to be observed, otherwise the person involved would be in violation of the law and would be punished in line with the relevant acts and the Civil Service Act. One interesting point here is that when a department plans to introduce a new policy or an initiative to change policy, it is usually done through legislation proposed by the department. If there is no problem in the process of legislation, it can take effect and the department can implement its plan and control other organisations concerning its policy area. Consequently, if a performance management system is introduced by legislation and initiated by a department, most other departments have no option but to follow it.

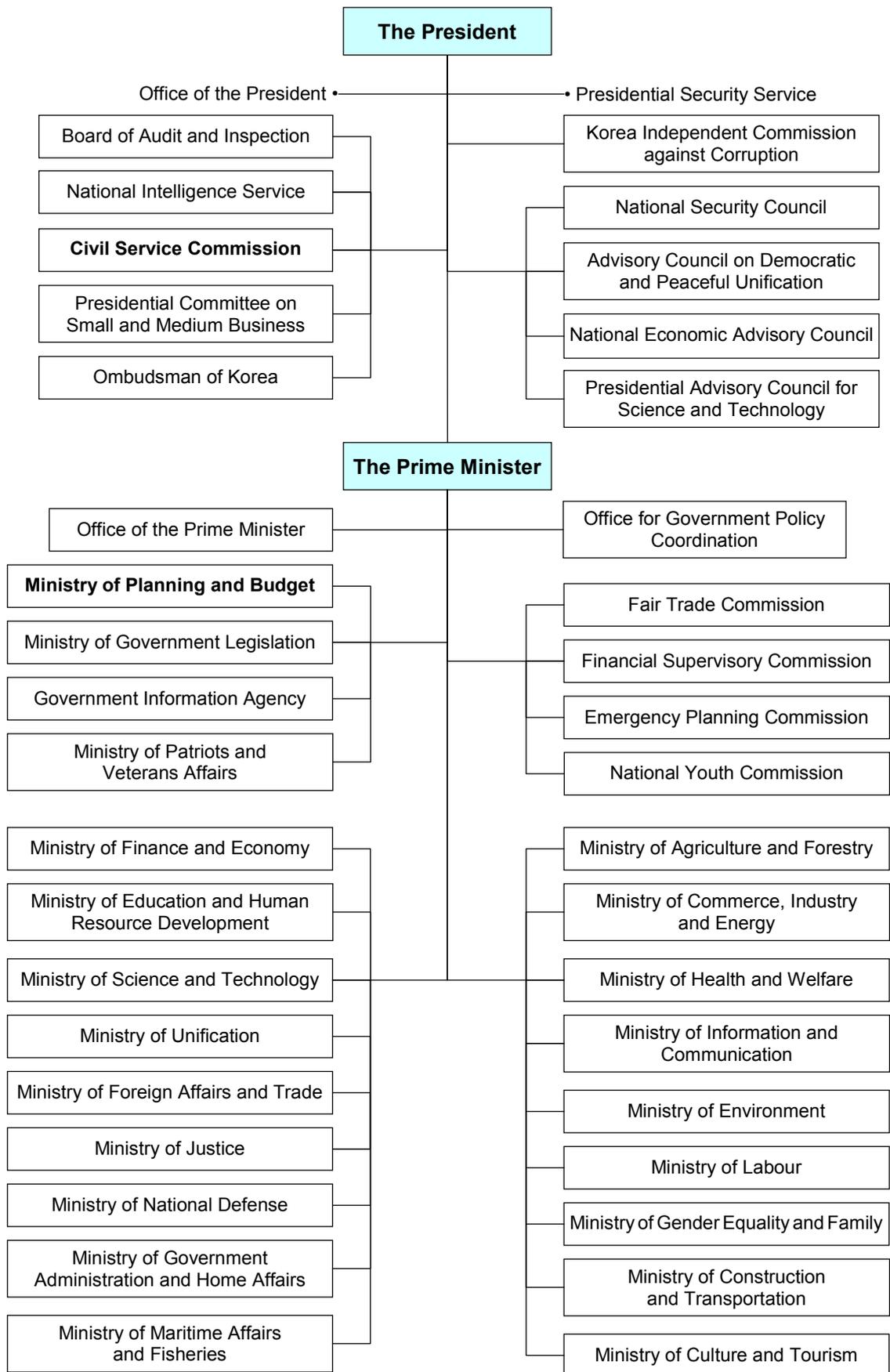
Presidential Government

Another major characteristic of the political system of Korea is the Presidential system of government. Like the US it is characterised by a separation of powers among the administration, the legislature and the judiciary. The President of Korea is very powerful and all the political power within the government is centred on the President. In this regard, it is called a 'regal presidency' (Jung and Kim 2002: 178). The President is directly elected by the people. He represents Korea in foreign affairs and all the military power is under his control. He is the head of the government and appoints the members of the Cabinet, including the Prime Minister. He even appoints the justices of the Supreme Court, including the Chief Justice. He also has a legislative power by which he can enforce regulation or determine the detailed duty of departments, and the bills passed the National Assembly are approved by the President. It is possible for the President to veto a bill rather than approve, in that case the National Assembly is able to pass it with the assent of more than two-thirds of the members of the Assembly. Thus, the institutional power of the President within the political system is greater in Korea than in the US where the presidential system was first invented.

With this background, the Office of the President, which is the Presidential Secretariat, holds substantial power over the Executive (Jung 1993: 111). Under the Chief Presidential Secretary, there are eight Presidential Secretaries supported by groups of staffs and advisors for each policy area. Although their duty is to support the President's decision making, they often directly intervene in the executive business, coordinate policies of different departments and even control the Executive, thus referred to as the 'inner cabinet' (Jung and Kim 2002: 197-198). There have been strong criticisms regarding this inappropriate act of arrogation (Lim 2002). It would be easy to understand the nature of the criticism assuming that No. 10 is acting like the Cabinet Office. On the other hand, the position and the power of the Prime Minister within the Government are different and weaker when compared with those of the UK Prime Minister. This difference originates from the different nature of the position of the Korean Prime Minister who is the second person in the power structure of the government. The Prime Minister's main duty in Korea is to support the President and exercise general coordination between departments under the command of the President. All the powers and duties of the President and the Prime Minister are prescribed in the written Constitution. As illustrated in Figure 6.1, there are various departments under the Prime Minister for controlling the administration including the Office for Government Policy Coordination (OGPC) and the Ministry of Planning and Budget (MPB), which are important actors in the operation of the performance management system. Major duties of the central government are allocated basically to ministries. Only one minister exists in each ministry as the head of the ministry. There are also other central departments that are not ministries, for example, the Offices and Commissions. For the sake of convenience, all those central organisations with different titles are termed 'departments' in this thesis. Another interesting difference between the UK and Korea regarding ministers is that in Korea they are classified into 'political' civil servants – in contrast to career civil servants – and subject to the regulations of the Civil Service Act. Indeed, many ministers have been appointed from the career civil servants whilst they are appointed with political considerations.

In conclusion, the President of Korea is in a very powerful position within the State as well as in the government, whilst the Prime Minister is a supporter of the President as are other Cabinet Ministers. The strong power of the President is an important element to explain the recent development of performance management in the Korean government as suggested later.

Figure 6.1 Organisational Chart of the Korean Government (2007)



Source: Adapted from the MOGAHA website (www.mogaha.go.kr)

3. The History of Performance Management

From Evaluation and Analysis to GPE

Performance management in the Korean government dates back to 1961 when the Evaluation and Analysis was introduced. The Planning and Coordination Bureau of the Office of the Prime Minister was in charge of its operation. It was a first step to the comprehensive system of evaluation. Every year, management plans for the duties of each department were drawn up under the guidelines of the Prime Minister. Evaluation and analysis of the implementation results were carried out with the participation of the experts from academic quarters. If necessary, the Prime Minister could order the head of concerned departments to correct errors. In this case, the plan for the redress and the results had to be reported to both the Prime Minister and the President.

In 1981, Evaluation and Analysis was transferred to the Economic Planning Board, following the reorganisation of the Government, and it remained the duty of the Economic Planning Board until 1994. The main objects of Evaluation and Analysis by the Economic Planning Board were major government policies and projects, but the focus was placed on the analysis of the progress of projects and evaluation of management in government-invested corporations. This meant that the functions of the performance management of the government as a whole had been weakened compared to the past. With the recognition of this problem, in 1990, Policy Evaluation was introduced as the duty of the Administrative Coordination Office at the Office of the Prime Minister. So from 1990 to 1994, there were two separate way of Evaluation. Evaluation and Analysis by the Economic Planning Board was concerned with the progress and causes of problems of individual budgeted projects for the purpose of effective implementation. On the other hand, the purpose of Policy Evaluation by the Office of the Prime Minister was to check overall government policies and to pinpoint problems and obstacles, and finally, to build plans for improvement in order to raise the effectiveness of government policies.

In 1994 a new Policy Evaluation was introduced under the responsibility of the Administrative Coordination Office at the Office of the Prime Minister by integrating evaluation functions. It was for more a comprehensive review of government duties through checking, analysing and evaluating the progress and results of policies while coordinating the views on policies of related organisations. The Evaluation was divided into two categories: Regular Policy Evaluation and Special Policy Evaluation. The former was for pre-selected polices by the head of departments and the Prime Minister

and implemented with the advisory committee for the Prime Minister. The latter was implemented by the order of the Prime Minister when it was necessary and urgent for important policies to be checked and managed. All the processes and results of the Policy Evaluation were discussed at the State Council meeting and reported to the Prime Minister and the President. Redress of problematic policies followed the evaluation work. However, in contrast to the improvement of evaluation in many other countries as a driving force of the public sector reform, the role of the Policy Evaluation was limited (OGPC 2003: 450).

In 1998 just after the IMF bail-out, the evaluation system was restructured for the purpose of enhancing the competency of the government. As a result, the Administrative Coordination Office was upgraded to the Office for Government Policy Coordination (OGPC), reflecting the importance of the evaluation. Shortly thereafter, the Policy Evaluation was renamed as the GPE expanding the area of evaluation to the competency of departments in every aspect of policy process. To secure the professionalism and objectivity of evaluation, the GPE was implemented by the GPEC whose remit included the power to make binding decisions. The Committee had six sub-committees, which specialised in their own specific fields such as economy, society and culture and local administration. The GPE had five evaluation categories: Central Government Department Evaluation, Specific Policy Evaluation, Self-evaluation, Local Government Evaluation and Sub-institution Evaluation. Central Government Department Evaluation was the foremost part of evaluation of the GPE. It was concerned with evaluating major policies of every department, which is referred to as MPE, the capability of the department and the public's satisfaction. Specific Policy Evaluation was carried out for policies of great importance across departments. Self-evaluation was the evaluation of self-selected policies among major policies of each department. The object of Local Government Evaluation was projects and programmes of great significance in the light of the national policy. Sub-institution Evaluation meant the evaluation on the policy of sub-institution done by the head of department.

The New GPE: Integration of Evaluations

Apart from the GPE described above, there were many other evaluations regulated by different Acts and conducted by different departments. For example, there were evaluations for the management of executive agencies, progress of e-government programmes, de-regulation and innovation. There were 26 such evaluations. Some of

them evaluated the same area or with the same indicators as other evaluation systems. There were duplications in the evaluation of medical service institutions and the evaluation of emergency medical services, the evaluation of e-government projects and the evaluation of the homepages of departments, and the evaluation of government-funded programmes and of small and medium business policies (Lee 2006: 49). Lee (2006: 48) states that the plethora of evaluations and their duplication were caused by the intention to improve the driving force of policies and the desire to secure control over the policy process. Indeed, the adherence to evaluation was a major reason for forming the 'evaluation society', which is discussed later. Existence of many evaluations was referred to as the source of the problems of duplication and over-bureaucracy. Many scholars criticised this fragmentation and duplication for the inefficiency and ineffectiveness of the performance management system (Kong 2007; Na and Lee 2005; Park and Han 2004; Ha 2004; Kang 2004; Lee *et al.* 2006).

Influenced by these criticisms, new legislation of the Government Performance Evaluation Framework Act (GPEFA) was passed in 2006 and formally integrated several evaluation categories into the GPE. As a result, some evaluations became the elements of Self-evaluation, and some became the elements of Specific Evaluation. That meant the GPE became one comprehensive framework of evaluation in various aspects of management, and it has integrated 14 of the 26 evaluations into its framework (Song 2006: 15). The aim of this integration was to create a new system that was able to improve the efficiency of evaluation and the use of evaluation results whilst reducing the workload of departments caused by the duplication of evaluation (Song 2006: 8-10). The New GPE has five areas of evaluation: major policies, financial management, organisational management, personnel management, and e-government focused on computerisation. The OGPC and GPEC are the superintendents of the overall framework of the GPE, but each of the five evaluations is first overseen by a relevant superintendent department, which originally conducted the evaluations (e.g., personnel management by the CSC, organisational management by the MOGAHA, and financial management by the MPB).

The Government Performance Evaluation Framework Act

The GPEFA is regarded as an important milestone in the development of integrated performance management in Korea. However, the importance is more placed on rhetorical aspects, because performance management has still been 'captured' by a

huge amount of evaluation activities. Precisely speaking, the GPE has been a mechanism of evaluation, not of performance management, as is clear from its title. However, the Korean government recognises it as an instrument of performance management. It is noticed from the GPEFA, Article 1 of this Act states the aim of the Act as ‘.... regulating the basics of the evaluation, establishes integrated performance management system and strengthening the competency of self evaluation, thus improves the efficiency, effectiveness and accountability.’ This demonstrates that evaluation is the core methodology of performance management. In other words, the GPE is not a direct instrument of performance management, but provides an indirect mechanism of managing performance.

The GPEFA also stipulates that each department is required to set up a Strategic Plan for Performance Management and an Annual Plan for Performance Management. The Strategic Plan for Performance Management should include the duties for mid- to long-term strategic objectives of each department. The plan must be reviewed and revised at least every three years. The Annual Plan for Performance Management should contain the performance objectives derived from the strategic objectives and performance indicators for each area of evaluation in the GPE. This again shows the intention of the legislative designer, the OGPC, to shape the Act providing the basic framework of performance management through evaluation. However, there is no other regulation of performance management apart from the big framework of setting up a performance management plan, and most of the Act is related to the management of the process of the GPE. The impression here is that there is a lack of link between the GPE and performance management. Whilst maintaining the characteristics of the parent law of the GPE, the Act just put in an Article about performance management. The link between the GPE, which already existed, and the newly introduced performance management plan is missing. This ambiguous relationship between the GPE and performance management is reviewed again, critically.

Background of the Recent Reform

It has already been mentioned that the main factors that helped the formulation of the ‘evaluation society’ in Korea were the ideas of the NPM and the economic crisis in the late 1990s. The GPE, which was established during the early stage of the recovery period, has been expanded to include wider aspects of the public services and public management. Together with the introduction of the New GPE in 2006, the establishment

of a performance management system in each department became compulsory. Furthermore, field-specific performance management systems, such as the Performance Agreements and the FPMS, have been introduced by the CSC and the MPB. New developments in performance management have been heavily influenced by the leadership of President Roh Moo-Hyun who always emphasised innovation. The President, who was on the left in Korean politics, had thought the prevailing culture of the civil service and society at large was resistant to change. Korea had been ruled by right-wing Presidents for 50 years, until 1998. As the second President from the left-wing, he wanted to change the structure of Korean society in almost every area to cure what he perceived as problems accumulated during the previous presidencies. Because the first left-wing President, Kim Dae-Jung, had removed urgent problems of economic crisis, there was more scope for him to push forward fundamental reform of the structure as well as redistribution of welfare for deprived classes and areas. Government innovation was the manifestation of his intention to change the way it is organised and works. Many of his speeches demonstrate his political ideas and character as an ‘innovator’ and ‘balancer’ of public policy.

There have been many things I want to do before I became a President. I have a strong ambition about innovation ... I want you to lead the innovation of system. I think innovation of the civil service and government is the starting point and the end of the innovation. I think innovation in our society would succeed when you have both enthusiasm and will of implementation for system innovation and improving public services for the public (Office of the President 2004: 247).

The Swedish government occupies 58% of GDP, and public expenditure in France takes 52% of GDP. Probably it would be 44% in the UK. When we talk about the proportion of public expenditure, it is 36% in the US, 37% in Japan, and 27% in Korea ... We are in difficult situation with this limited resources to meet the demands [of the aging society]. Many people are concerned about the level of safety net in our society looking at European countries ... We are trying to increase investment in welfare and building the safety net (Office of the President 2006: 467-468).

He established the Presidential Committee on Government Innovation and Decentralisation (PCGID) as an advisory committee appointing many commissioners from the academics who shared his political ideology. Despite its status as an advisory committee, the power and influence of the PCGID was massive. The PCGID had five sub-committees in each area of innovation: administrative reform, personnel management reform, decentralisation, fiscal reform, and e-government. It set up numerous innovation objectives and targets for most of the departments and interfered

in departmental business, but nobody could veto it, even when they thought the direction of innovation is not proper.

Evaluation and performance management were among the objects of innovation selected by the PCGID, but the progress was slow. Unsatisfied with the progress, in 2004 the President ordered the introduction of performance objectives and indicators in the annual business plan. Conventionally each department reported its annual business plan to the President in January, but the report remained a rhetorical description of policies and programmes with the absence of detailed action plans composed of targets or indicators. In 2005 the President reiterated that each department should concentrate on developing its own performance management system. This is the origin of the Strategic Plan for Performance Management and Annual Plan for Performance Management prescribed in the GPEFA. To fulfil the instructions of the President, the OGPC played the role of consultant providing manuals for performance management and holding conferences and forums on performance management where best practices could be shared. It also commenced reforming the evaluation system, the old GPE, with a task force comprised of civil servants and academics for more than a year. The presentation was the new framework of the GPE. Other departments like the CSC and MPB have also devised new systems such as the Performance Agreements and FPMS in line with the pressure of innovation inside the government.

4. Contexts of Government Performance Evaluation

Institutional Setting: Three Related Groups

Organisations related to the operation of the GPE are divided into three groups. The first is the OGPC and GPEC, which are on the top of the operation framework and superintend the GPE. The second is sectional superintendent departments such as the MPB for financial management and CSC for personnel management. The OGPC is also a sectional superintendent for major policies and programmes. The third is a group of departments that follow the procedures of the GPE and conduct Self-evaluations. The range of this third group of departments is defined in the GPEFA, and it includes all the departments in Figure 6.1 and other sub-departments such as the National Tax Service and the Rural Development Administration. In 2007, 48 organisations were subject to the framework of the GPE. The superintendents also fall into this group and are not

exempted from the responsibility of Self-evaluation. The integration of evaluations legislated in 2006 means that evaluations conducted by different superintendent departments have been combined into one label of the GPE overseen by the OGPC and GPEC. The integration did not remove the responsibility of the current sectional superintendent departments for the operation of the each evaluation. This resulted in three large tiers of organisational framework converted from a number of independent two tier frameworks. It is questionable whether such a structure has decreased bureaucracy and improved efficiency in evaluation. It is discussed in more detail later.

Institutional Setting: OGPC

The OGPC is the superintendent organisation that is in charge of the effective operation of the GPE; it manages and supports other departments' planning and evaluates performance in accordance with the GPE process. It was established in 1998 and expanded the Administrative Coordination Office and upgraded the position of the head from deputy minister to minister. It is under the direct leadership of the Prime Minister. The fact that it is under the Prime Minister and not the President may make it less powerful, which is one of the weak points of the OGPC as a coordinator.

The overall aim of the OGPC is related to three major areas. Firstly, it is the only governmental institution that regulates the coordination of policies across departments. The OGPC generally can intervene in any organisation in government for purposes of coordination and policy improvement. The coordination is mostly concerned with current issues of high social interests that cause serious conflicts by nature, and long-term strategic tasks at the national level. Secondly, it plays a broad role in the management of government affairs. Specifically it is the superintendent of the GPE, which aims to improve the effectiveness and responsibility of policy-making, implementation and the impact of the policy. Thirdly, the OGPC plays an important role in regulatory reform. It analyses the appropriateness and impact of government regulation, and deals with the resolution of difficulties in business.

Basically the OGPC is a ministerial department like other departments. It performs the above roles whilst assisting the Prime Minister's control over the Cabinet. Because of its position, directly serving the Prime Minister, and the nature of its duties, to coordinating the Executive as a whole, it is implicitly perceived as a superior organisation to the other departments even though the head of the OGPC is on the same level as other ministers. The superior position of the OGPC is supported by a number of

prescribed administrative laws concerned with the duties of the OGPC with regard to other departments. Therefore, other departments should follow the instructions of the OGPC regarding their duties so long as they do not have justifiable reasons for not doing so. Other than that, there is no measure in place to force departments to follow its instruction. This might be another weak point of the OGPC in controlling departments.

Despite its superiority and its supervising power of the GPE, as discussed later, the OGPC does not have enough resources for the proper operation of the GPE. It is generally accepted that they are short of staff and professional knowledge of evaluation (Lee *et al.* 2004: 48). There were 280 members of staff in the OGPC in December 2006, but fewer than 50 were responsible for the operation of the GPE. All of them are civil servants doing administrative tasks, not professionals in evaluation. Some of them might have been trained in evaluation for about a week at one of the training institutions in the government. Each staff member in charge of evaluation – 30 persons on the middle management level in total – is allocated about three departments, and they have to review the self-evaluation reports from departments together with the GPEC, where most of the members were not working full time. About half of them are also responsible for the duties related to general management of the process of the GPE. That is a heavy workload for them and makes it difficult for them to produce high quality work. Although the Prime Minister is one of the co-chairmen of the GPEC, the operation of the GPE is just one of his usual administrative duties; most of part of his GPE administration is processed by his subordinates and repeated every year in accordance with the procedures set in by law. Therefore, for the Prime Minister the GPE is not as imminent as the specific directives of the President concerning outstanding problems or political pressures from political parties or the press. Thus, it receives less attention from him or her.

Institutional Setting: GPEC

The GPEC is composed of 15 members. The Prime Minister and one expert from the private sector are the co-chairpersons, and four ministers from sectional superintendent departments and nine experts from the private sector comprise the Committee. The GPEC is the final decision making organisation on the GPE, and there is an Administrative Sub-committee that has a preview of the self-evaluation reports for the GPEC. The Administrative Sub-committee is chaired by the Deputy Minister of the

OGPC and is composed of relevant senior officials from sectional superintendent departments and a number of experts from the private sector.

Regarding the composition of the committee, Kim (2005, 2006) criticises the initiative of evaluation because it is on the side of government, which lines up the members of the Committees with the Prime Minister and other ministers whose departments are actually evaluated in the Committees. He argues that composing the Committees in this way undermines the fairness of evaluation and compares it to a situation in which the manager of a football club acts as the referee in a match. The dominance of the government in the evaluation is exacerbated by the limited role of the members from the private sector. Currently there are 14 members in the GPEC and 23 members in the Sub-committee. All the members are either government officials or academics, mainly professors (10 in the GPEC and 19 in the Sub-committee). The relationship between the academic commissioners and the government is generally friendly and they generally do not produce decisions that are radical or critical enough to cause significant change in the government. Because they only work on a part-time basis and are busy with their main jobs, they do not have enough time to fully review and scrutinise policies (Park and Han 2004: 87). Thus, it is difficult for them to produce review reports of high significance such as the Fulton Report or Ibbs Report. In this regard, the supporting role of the OGPC is critical. However, as mentioned earlier, the OGPC suffers from low staff numbers and inadequate training. This is one of the factors undermining the accuracy of the evaluation (Han and Kim 2003: 44).

Behavioural Aspects

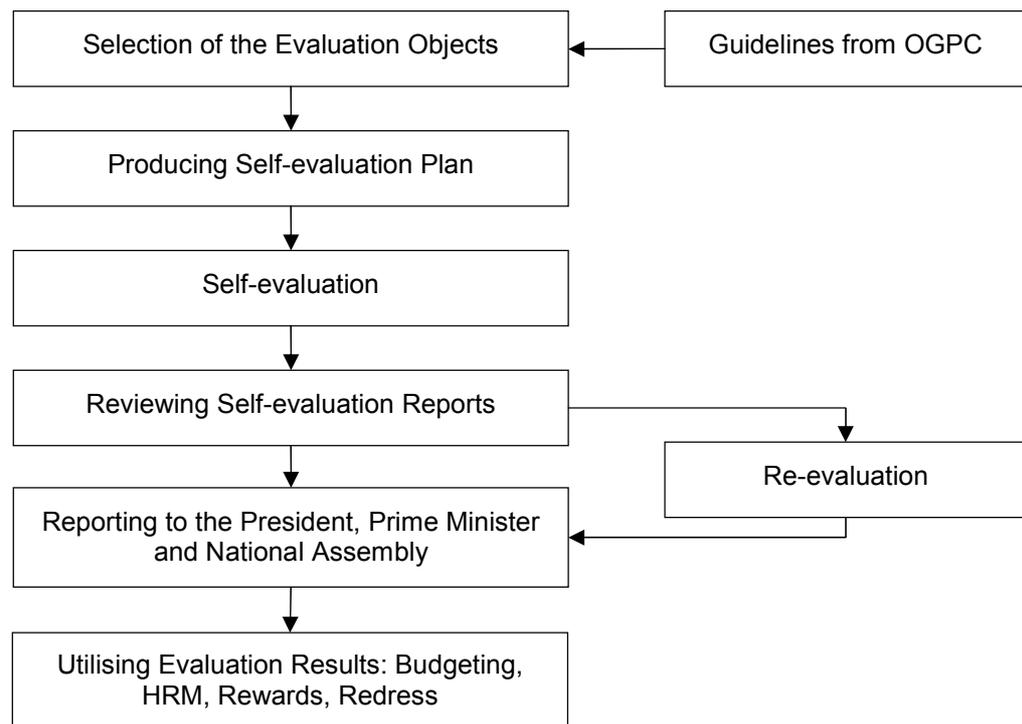
Under the handicaps outlined above, the staff in charge of the government-wide operation of the GPE has been far more enthusiastic in carrying out the GPE than the staff in other departments. Kong (2003: 157-160) discovered that the members of staff in the OGPC have a more positive perception of the effects of the GPE than the staff in other departments. Because the staff in other departments are usually busy dealing with their standard tasks, they have a tendency to feel it irritating and distracting to spend time and energy not only on the business of the GPE process, but also on many other evaluations and various forms of data requests from other organisations (Kong 2003: 159). Many newspapers reported on the 'innovation stress' – mental stress and fatigue caused by the top-down pressure for innovation – of the civil servants induced by various league tables of innovation indicators. Traditionally the civil service lacked

enthusiasm for improving performance, because they are busy paying attention to accurately performing their standard duties. As a result, Self-evaluation has been produced to meet the demand of the OGPC in a passive manner rather than positively managing and improving their policy and performance.

5. The Structure of Government Performance Evaluation

As the title indicates, the GPE is a system of evaluating the processes of policies and programmes and various aspects of internal management to improve performance. The structure and process of the GPE discussed here is focused on Self-evaluation. However, Specific Evaluation has been also important in characterising the overall framework of the GPE and its effects. In this regard, discussion on Specific Evaluation is also necessary. It is not discussed as much detail as Self-evaluation, but the important aspects of it will not be missed. The process of Self-evaluation can be illustrated as in Figure 6.2.

Figure 6.2 Process of Self-evaluation in the GPE



Whilst each of the five evaluations is conducted independently, they all follow this common process, and results of each evaluation are put together in a one-volume report.

It has a one-year cycle, and the necessary actions at each stage are enacted in the GPEFA, which keeps the GPE processes consistent.

Selection of the Evaluation Objects

The objects of evaluation in each evaluation category are decided through consultation between the OGPC and each department. Before the integration of evaluations in 2006, though the OGPC consulted each department on its selection of the policies and programmes for evaluation, the consultations usually did not significantly change the original set selected by the OGPC prior to the consultations. In this sense it may be said that the GPE had an element of top-down control, and this was one of the factors that has caused scepticism among civil servants. However, after the integration of evaluations, the basic principle of selecting the objects of evaluation has been changed to selecting them from the objectives set in the Annual Plan for Performance Management, which improves departmental freedom. Thus, currently departments have substantial autonomy and there is relatively little margin for the OGPC to intervene in the selection of the objects. This may be an improved aspect of the New GPE.

Producing a Self-evaluation Plan

Once the objects of evaluation are decided, each department should establish a self-evaluation plan for the selected policies and programmes. It should explain how to implement each of the policies and programmes, how to achieve the goals and how to evaluate them. It may be understood as something similar to the SDAs and Technical Notes – but not as detailed as them – in the PSAs. For the preparation and submission of these reports, the OGPC provides detailed guidelines including the categories of evaluation and the evaluation criteria. Departments should set performance objectives, targets and indicators to measure the appropriateness of planning and implementation, as well as the achievement of the policy and programme objectives.

Self-evaluation consists of five evaluations, the MPE for evaluating the general aspects of major policies and programmes, the Programme Review for financial management, and three other evaluations of the management of personnel, organisation and e-government. Self-evaluation means the very organisation, of which the policy and management activities are evaluated, conducts the evaluation for itself. This self-evaluation scheme was already in practice in the Old GPE and strengthened in the New GPE.

Conducting Self-evaluation

After producing the self-evaluation plan, the next step is conducting self-evaluation in accordance with it. Each department has to set up a Self-evaluation Committee composed of at least 10, but not more than 30, external experts – mainly professors – in each area of policy, finance, personnel, organisation and IT. The Self-evaluation Committee is required to monitor the progress of implementation against the plan every three months, and conduct an evaluation every six months with the criteria shown in Tables 6.1 and 6.2. Table 6.1 is the evaluation criteria for the MPE, and Table 6.2 is for personnel management. Evaluation criteria for the Programme Review are shown in Table 7.1 in Chapter 7. The context and framework of the criteria for other evaluations are quite similar to these.

Table 6.1 Evaluation Criteria for the MPE in the GPE

Stages	Evaluation Items	Indicators of Evaluation
Planning	Appropriateness of Policy Planning	1. Consultation and research for establishing the plan of policy 2. Preparation of appropriate measures to achieve policy objectives
	Appropriateness of Performance Planning	1. Appropriateness of performance objectives and indicators: objectivity, clarity, representation 2. Appropriateness of performance targets and measures
Execution	Efficiency in Implementation	1. Observance of the time plan 2. Efficiency of expenditure in terms of period and amount
	Appropriateness of Implementation Process	1. Consideration of changing situation 2. Cooperation with related institutions
Achievements	Progress of Achievement	1. Achievement of the objectives
Use of Evaluation Results	Extent of Using Evaluation Results	1. Publishing the evaluation results and using them for learning purpose 2. Link with individual performance and future performance planning

Source: GPEC (2006)

As shown by these criteria, evaluation is conducted across every aspect of policy and management processes. Since the focus of evaluation is on the processes, the effectiveness and outcomes of policies receive limited attention. When performance is

defined as results and outcomes, and the purpose of performance management is to improve public services (Peters and Pierre 2001: 7), it can be said that performance is not systematically managed by the GPE. This is one of the fundamental problems of the GPE as a performance management system, as will be discussed again later.

Table 6.2 Evaluation Criteria for Personnel Management in the GPE

Stages	Evaluation Items	Indicators of Evaluation
Planning	Appropriateness of Personnel Management Planning	1. Appropriateness of HRM plan 2. Appropriateness of mid to long term HRD plan
Execution	Infrastructure for Personnel Management	1. Competency of HR division 2. Computerisation of HRM 3. Investment in HRD
Achievements	Transparency, Fairness, Openness of Personnel Management	1. Transparency and openness of the principles and criteria of HRM 2. Extent of openness in job positioning 3. Utilisation of national HR database in selection process
	Boosting Professional Capabilities	1. Establishment of Career Development Plan 2. Establishment of regular learning system 3. Number of learning activities of civil servants for competency enhancement
	Innovation in Personnel Management	1. Extent of innovation and improvement in HRM Practice
Using Evaluation Results	Extent of Using Evaluation Results	1. Extent of utilising evaluation results in HRM practice

Source: GPEC (2006)

Reviewing Self-evaluation Reports

When departments finish Self-evaluations, they report to the OGPC twice a year. The OGPC and the GPEC review each report. When the results of a Self-evaluation look suspicious, they conduct a re-evaluation. The re-evaluation at this stage is theoretically a meta-evaluation, or an evaluation of an evaluation. It is used to check whether the original evaluation was done properly by reviewing the appropriateness of methods, data and interpretation of results and so on (Roh 2006: 48; Kong 2005: 72). Before the integration of evaluations in 2006, the GPEC and OGPC conducted final re-evaluations for all policies and programmes based on the results of the self-evaluations.

Under the current framework of Self-evaluation, the GPEC and OGPC just review the results of Self-evaluation rather than undertake re-evaluations for all of them. They conduct re-evaluation only when the objectivity or accuracy of self-evaluation look suspicious and in-depth inspection is required. One reason for this change is that the limited capability of the OGPC and GPEC prevented effective re-evaluation. The other reason is that the departments themselves are believed to be the best evaluators because they are better acquainted with the nature of their business than anyone else.

Reporting Confirmed Evaluation Results

In accordance with the decision of the GPEC, the final report on the results of evaluation is produced by the OGPC, and then it is reported to the Prime Minister and the President. Departments also have to report their Self-evaluation to the relevant Select Committee in the National Assembly. The publication of the evaluation report is not mandatory, but usually it is open to the public through departmental websites. The score and league table of departments are not published, although departments are given their scores by the aggregate scores from the five evaluation categories. The league table has been a simple and convenient way for the President to gain an understanding of the performance of each department and minister at a glance. Therefore, ministers have shown more interest in the GPE than civil servants.

Using Evaluation Results

The GPEFA stipulates for the link between the evaluation results and budgeting and HRM, rewards for organisations and individuals who have performed best and shown evidence of best practices, and redress for revealed problems. It is the responsibility of the minister of each department to consider the results of evaluation in budgeting, HRM, prize, performance pay and bonuses for relevant organisations and individuals. Considering the evaluation results in budgeting is possible in two phases. The first phase is the budget demands of departments to the MPB, and the second phase is the confirmation of budget, which has to be submitted to the National Assembly, by the MPB. However, due to the political nature of the budget process and a lack of effective incentives to secure the link, it is questionable how well and how much the budget reflected the evaluation results, especially in the first phase. This is a matter of the behaviour of the related actors. Rather than planning budgets in line with performance, departments were prone to incrementalism or political decision. On the

contrary, the MPB has been more eager to consider and reflect the evaluation results into resource allocation. The introduction of the FPMS, which is analysed in the next chapter, is a manifestation of the desire of the MPB to strengthen the link between performance and budget. The utilisation of evaluation results in HRM has been also limited due to the deep-rooted organisational convention of the 'seniority rule'. In short, the stipulation of the link between the evaluation results and budgeting or HRM was more symbolic than realistic and the actual practices in departments were limited. However, the introduction and development of the FPMS and Performance Agreements have institutionalised the use of performance information in a more radical way. It is reviewed in the next chapter and the case study.

The aspect of reward is more tangible. Every year about 10 departments and 20 civil servants have been awarded decorations or recognitions – similar to a CBE in the UK – with medals that accompany small cash prizes. For these awards, the departments are selected by the total score of the GPE, and civil servants are recommended by the ministers whose departments are highly ranked. The aspects of rewards within departments vary, but performance pay and bonuses, or special advantages in promotion or job positioning are possible options. However, the effectiveness of performance pay and bonuses was questionable. Performance pay is only applied to the SCS, and the proportion of performance bonus is small in relation to the total pay. Besides, the usual practice of granting performance bonuses was problematic. In the early 2000s, when performance bonuses were first introduced, the practice was to distribute them to each individual depending on their length of service; this was because performance bonuses were introduced without enough pre-arrangements. There was neither a definition of performance nor objective indicators to measure each individual's contribution to performance. Accordingly, the incentivising effects of performance bonuses were limited. Meanwhile, promotion and job positioning was generally based on the career, in other words, people with more years of service had an advantage. As the length of career in the civil service was the dominant factor of promotion, there was little margin for the consideration of performance. These anti-performance practices in the government prevented the overall rewards mechanism of the GPE from motivating civil servants. However, this story of distributing performance bonuses has become ancient history and the seniority rule of promotion is less dominant following the introduction of the departmental performance management system enacted in the GPEFA which generates a clear 'contribution based' system for distributing performance bonuses and pay. This is reviewed in the case study.

When the results do not match the plan, departments have to analyse the reasons and draw up a plan for redress and then submit it to the OGPC. The implementation of the redress is monitored by the OGPC through the reports on progress of redress from the departments. Usually a few objectives are selected for redress in each department, and it is regarded as a disgrace by the department. There are not any other specified sanctions regarding the evaluation results of the GPE, but the sections of general responsibility of civil servants and punishment described in the Civil Service Act are applied. In conclusion, although the evaluation is based on the Self-evaluation of each department, the process of the GPE is tightly managed by the OGPC, which sets the framework of evaluation. It is a top-down model of evaluation (Roh 2006: 485).

Specific Evaluation

Unlike the five Self-evaluations, Specific Evaluation is conducted by several superintendent departments which play major role in their policy areas. In 2007 there were five Specific Evaluations: innovation management, public relations, de-regulation, statutory duties and freedom of information. Each of these evaluations was conducted by a different department and the results were submitted to the OGPC. The OGPC and GPEC reviewed them together with the Self-evaluation reports, but generally they were passed without amendment (Interviews). Evaluations in this category are important in shaping the 'evaluation society'. According to the interview with Kim Jin-Gon at the OGPC who took part in the integration of evaluations in 2006, the original intention of the OGPC was to minimise the number of evaluations conducted separately. They were planning the framework of GPE dominated by Self-evaluations. However, most of the departments that had already been conducting evaluations would not give up their role. Moreover, policies like innovation and public relations were pointed out by the President to be managed with special care. Because of the President's great concern with innovation, evaluation of the innovation was too important to be diffused into the framework of Self-evaluation. The political priorities of the President and the behaviour of power-seeking departments were obstacles to downsizing the overall evaluation framework in the government. Consequently, this unsuccessful integration could not effectively solve the problems that already existed. Departments are still required to produce various evaluation reports to various superintendent departments. It has been one of the major causes of low enthusiasm and negative attitudes among civil servants.

6. The Roles of Government Performance Evaluation

It is generally accepted among scholars that the GPE and its predecessors have functioned as instruments of performance management (Park and Han 2004: 54; Han and Kim 2003: 32; Kong and Kim 2003: 98; Lee *et al.* 2006: 218; Cook *et al.* 2007: 31-32). The GPEFA clearly states in Article 1 that the aim of evaluations within the GPE is to build up an effective performance management system. In that case, the GPE can be expected to play the role of a performance management system described in Chapter 3. However, contrary to this expectation the GPE does not seem to have brought many benefits as a performance management system. This section looks at the contributions of the GPE, most of which are argued by the OGPC in its official publications.

Coordination and Control

Due to the complex nature of modern public services and public policy, the policies of different departments often conflict with each other. In Korea general coordination of policies is possible through the weekly Cabinet meeting and Deputy Ministers meeting. As a legitimate coordinator of the overall public policies, the OGPC is able to exercise coordination and control power through its functional divisions as well as the GPE process. The OGPC can intervene in the policies of departments by reviewing the Self-evaluation and re-evaluation, though this power is somewhat limited by a lack of effective mechanisms like resource allocation or sanctions.

The clash between the OGPC and MOGAHA caused by the plan to shift the oversight power of the evaluation of the progress of innovation from the MOGAHA to OGPC provides an insight on control. An interviewee from the MOGAHA said that there was a conflict between the two departments during the preparation of the legislation of the GPEFA. Originally the MOGAHA had been in charge of the evaluation of innovation in departments. A task force under the Prime Minister, which had been preparing for the legislation of a new Act for the integration of the GPE, suggested the transfer of the evaluation of the innovation from the MOGAHA to the OGPC. The senior officials of the MOGAHA objected to the demand and there were debates about the correct structure of the GPE. In the end, the MOGAHA secured its position with the support of the Office of the President, although the evaluation of innovation has been included as one element of Specific Evaluation in the GPE. This episode should be understood in relation to the integration of evaluations. In the

interview Kin Jin-Gon from the OGPC said that they wanted to downsize the overall evaluation in the government by integrating other evaluations into Self-evaluation. It is not clear whether such a plan of integration is for the pure purpose of downsizing or there were other intentions of widening the control power, considering the contradicting viewpoints of those two departments. Nevertheless, it is enough to demonstrate the power-seeking behaviours of departments through the oversight power of evaluation.

According to the interviewee, there was further inter-departmental competition to control power; the CSC and MOGAHA, who were the sectional superintendents of personnel management and organisational management in the GPE, were competing with each other over the number of evaluation criteria and their relative weights in their areas. Each wanted their part of the evaluation to be recognised as more important by other departments. This inner conflict and competition for power within the government was neither extended to the ministerial level nor reported by the media, but it demonstrates the tendency of organisations to expand their function and power, which has helped to build the ‘evaluation society’.

Fostering a Competitive Environment

The OGPC has maintained that the GPE introduced competition in the government (OGPC 2003: 459-460). They believe that the league table of departments in accordance with their score of the GPE has generated a competitive environment in the government. Ministers who are very keen on the position of their departments show great interest in it and encourage staff to secure good evaluation results. Without the ministers’ interest the importance of the league table would not be so high because there is no formal penalty for the low scoring organisations, and the incentives to achieve good results rely on the ‘name and shame’ culture. The degree of shame would be much higher, if individuals’ names were publicised, but at the level of departments the sense of shame is diffused. Moreover, the full league table is open neither to the public nor to departments. It is published in three groups: excellent, fair and unsatisfactory. The rewards for organisations and individuals who contributed to a high score do not effectively promote a sense of competition, as those rewards do not appeal much to the civil service mostly ruled by the ‘seniority rule’ in pay and promotion. Furthermore, when the nature of competition is reviewed in detail, it is not a competition for improving public services but for scoring higher than other departments (Kong 2007: 15). When departments are preoccupied with their rank in the league table, there is no

guarantee that strategic or perverse behaviours would not occur. There is only a guarantee that resources will be wasted.

Departmental performance management represented by the Annual Plan for Performance Management, which has been stipulated by the GPEFA, has been more effective in boosting the competitive culture than the GPE itself. Under this system, all civil servants under Grade 4 are paid a performance bonus. The change to performance culture can be inferred from the interview with two Team Leaders at the MOGAHA. There were concerns about the emerging side effects of the new performance culture. Lee Jeong-Ryeol and Oh Byoung-Kwon said that the competitive culture brought by performance measurement and using performance information in pay and promotion was preventing the cooperation between different teams and making joint-working difficult. It suggests that there is a visible change in the competitive culture.

Improving Accountability

The OGPC (2003: 460) states that accountability has been secured by reporting the evaluation results to the National Assembly and publishing them on a website which the public can access. However, it is difficult to conclude that accountability has been improved with these reporting practices. Securing accountability relies on various different mechanisms according to the dimensions of accountability. There is little empirical evidence that the GPE has improved the accountability of the government to the public or to the National Assembly. It is just assumed to have done so. Because the National Assembly is able to scrutinise and audit the business of every department under their power allowed by the Constitution, it is doubtful how much the GPE has been used to scrutinise government policies and programmes. Most of the interviewees said that evaluations in the GPE are not of great interest of the members of the National Assembly and are seldom discussed openly. It might be possible to argue that there has been a positive aspect regarding the departments' accountability to the OGPC. However, it is doubtful whether the relationship between the OGPC and the departments is an appropriate one to discuss the accountability between them. Unlike the relationship between the government and the public, Ministry of Finance and spending departments or the Executive and the legislature, the relationship between the OGPC and departments lacks the authorisation or empowerment which generates the legitimacy to hold agents accountable to the principal. It is difficult to apply the notion of accountability to the relationship between the OGPC and other departments.

The publication of evaluation results is a good practice for accountability, as it would make departments take their performance more seriously. However, the poor accuracy of evaluation results, one of the problems of the GPE, undermines the implications of publicising the evaluation results. Besides, the evaluation results and the report of the GPE are out of the area of interest of both the media and the public. One of the reasons for this is that the evaluation is focused on the processes within the government separated from the end outcomes that affect the public.

Improving the Effectiveness of Policies and Programmes

The ultimate goal of performance management can be defined as improving public services and customer satisfaction through the efficient and effective use of resources. When the plan of performance management and the performance results are announced, the general expectation may be that some improvement would be achieved as a result. One of the ways to assess the improvements is to test the cause-and-effect relationship between the independent variables of the implementation of the performance management system and the dependent variable of the improved results. If a study like that could be carried out successfully, it would be very useful to test the effectiveness of the performance management system. However, it is very difficult to eliminate the influence of the third variables or extraneous variables on the effectiveness of the programme, which is essential to prove the relationship (Boyne *et al.* 2003: 42-43, 155-156). Consequently, the effects of the performance management system have been presumed rather than scientifically proven.

Empirical evidence demonstrating the contribution of the GPE to the improvement of public services or efficiency and effectiveness of programmes is seldom provided, rather the benefits of the GPE are presumed to exist. The OGPC and GPEC have not conducted any assessment of the GPE in terms of the improvement of efficiency and effectiveness of policy and programmes brought by it. They may simply have been satisfied with the fact that an evaluation system has been in operation. On the contrary, there is extensive research which points out the shortcomings of the GPE.

In conclusion, the contribution of the GPE may be found more in its role of a political showcase of the government to praise itself rather than seriously seeking the improvement of policies. It would be more appropriate to say that the GPE was a symbolic instrument, which aimed to demonstrate that the government is making efforts to improve performance. The fact that there were not enough measures to tackle the

problems pointed out for many years and they are still not cured may be suggest the symbolic role of the GPE.

7. Problems Associated with the GPE

Whereas the benefits of the GPE are mainly argued by the OGPC, many scholars and civil servants have criticised its problems. The process of the GPE does not fit into the model of performance management presented in Chapter 2. The links among organisational mission, performance objectives and targets, and established performance measurement practices is not clear. Three categories of evaluation, such as personnel and organisational management, deal with the process of internal management and there is no clear and practical link with the theoretical process of performance management. Moreover, there is a doubt whether the GPE has improved public services and the practices of public management. This section examines those problems in detail.

Lack of Accuracy and Fairness

Self-evaluation plans and evaluation reports of departments are essential elements in the process of the GPE, but the confirmation of the evaluation results is the remit of the GPEC supported by the OGPC. As the evaluation results can be used for rewarding, budgeting and personnel management, the accuracy of the evaluation results is very important to maintain the fairness of those activities. However, there are several reasons that the results of evaluation cannot be accepted as accurate.

Firstly, there is a lack of accuracy in the Self-evaluation. In the current system, the design and implementation of evaluation plans are conducted by the organisation to be evaluated. Each policy division in the department recommends the appointment of the members of the Self-evaluation committee. According to the interview, they have been strategically chosen from those who would be favourable in the evaluation of the department's policies. Basically this generates the problem of leniency, and both the academics and the government have pointed out this problem (OGPC 2006a: 54-55; OGPC 2007: 152; Kong 2007: 8; Kim 2006; Song 2006: 18). It is exacerbated by the great role of the civil servants involved in the evaluation and the limited role of the Self-evaluation Committee (Lee *et al.* 2004: 43). In most cases, the Self-evaluation report is primarily drafted by the civil servants who are in charge of the policies being evaluated.

The divisions in charge of evaluation in departments review and perform minor revision mainly in the formal structure of the report. The Self-evaluation Committee does review of the report based on the data and evidence provided by the department. The Committee does not carry out its own inspection or data collection. It scrutinises the Self-evaluation reports, but its function is biased to the passing of a resolution (Kong 2007; Lee 2006: 55). This limited role of the Self-evaluation Committee partly originates from the fact that the Self-evaluation Committee is summoned only two or three times a year and that the members are doing it as a part-time job. In addition to the limited role of the Self-evaluation Committee, exclusion of the customers and stakeholders in the process of evaluation can be suggested as another factor that undermines the accuracy of evaluation (Lee 2006: 55).

Secondly, the accuracy of evaluation is undermined by the characteristics of the evaluation criteria. There are two problematic features regarding this. The first is the universality of the evaluation criteria applied to all departments indiscriminately. More than 48 departments are evaluated by the GPE and the nature of their business varies. Some departments like the National Tax Service and MOHW work directly with the public in more complex context with multiple stakeholders, whilst departments like the CSC and MOGAHA mainly interact with the other government departments. As a result, the process of the business, the nature and significance of conflicts that can arise during the policy process are widely varied. However, the evaluation criteria set by the OGPC do not reflect these differences. Evaluating policies of different natures with the same criteria cannot guarantee the fairness of evaluation nor can it ensure the quality of evaluation. This problem is one of the causes of negative attitudes toward the GPE regime among civil servants. Interviewees from both the MOGAHA and MOHW have pointed this out as a problem. The second problem of the criteria is its ambiguity. In many cases, the indicators for evaluation are set as the ‘appropriateness’ of process. There is no objective rule defining appropriateness, and the decision about that is, therefore, highly subjective. Coupled with the tendency of leniency of Self-evaluation, ambiguity has undermined the accuracy and objectivity of the GPE.

Thirdly, the one-year evaluation cycle is not proper to evaluate many of the mid-to long-term policies and programmes. Usually the OGPC sets up the annual evaluation schedule and informs departments of it in February. Then departments have to submit mid-year Self-evaluation reports in June and final Self-evaluation reports in December to the OGPC. This is not rational, considering that many policies and programmes are multi-year programmes that cannot be evaluated after a year. According to the

evaluation criteria, even if programmes are in the early or middle stages of the implementation process, the results and effects should be assessed. Therefore, sometimes departments are forced to create imaginary results or skip that part of the evaluation. It is clear that this would undermine the accuracy of evaluation, which in turn could result in an unfair evaluation.

Fourthly, too much dependency on quantitative indicators also causes problems. The OGPC issued guidelines to departments to select quantitative indicators, rather than qualitative indicators. Thus there have been some cases in which the core aspects of tasks have not been reflected in the indicators, due to the difficulty of deriving quantitative indicators (Interviews with Lee Jeong-Ryeol and two of the anonymous interviewees). It seems that the preference for quantitative measures originates from the short history and experience of using performance indicators. Two interviewees from the MOGAHA specifically pointed out that the above problems is producing a sense of unfairness among individuals and hampering the harmony within the department.

Fifthly, whereas the OGPC and GPEC have to review the Self-evaluations of 48 departments, they are not able to know the nature of the business of departments better than the departments themselves. This is problematic because departments could hide some information that is negative to the evaluation results. The shortage of manpower, information and effective evaluation techniques – not only for the OGPC and GPEC but also for individual departments – contributes to the deterioration of the accuracy of the review or evaluation. For instance, in many cases just one person in the OGPC is in charge of the work related to the evaluation of three departments. They are also lack professional knowledge and experience in evaluation techniques. Although the OGPC is one of the more popular organisations in the government and attracts many competent civil servants, it cannot guarantee the quality of the evaluation under the system of recruiting and producing generalists (Lee *et al.* 2004: 42). Furthermore, the capability of the GPEC is also questionable. Many external experts in related policy areas from the private sector can participate in the GPEC as commissioners. However, as with the Self-evaluation Committee members, they are not full-time commissioners and have limited time and efforts to invest in the GPE and they have limited knowledge about the process inside the government (Park and Han 2004: 87). Some civil servants in departments interviewed say that the unfamiliarity of the OGPC and GPEC with business of departments sometimes results in wrong judgements on the processes and results of policies and programmes.

The large number of policies and programmes to be evaluated also makes it difficult for OGPC and GPEC to fully understand their nature and significance. In 2003, 483 policies and programmes were to be evaluated in the MPE. This could be understood in the similar context to the PSA system which was criticised due to the large number of targets in it. In 2003, only 20 members of staff in the OGPC supported the GEPC; this increased to more than 40 recently, after the integration of evaluations. However, because this increase reflects the large framework of the New GPE, it is still not clear whether the OGPC retains enough manpower. Although it has been pointed out continuously, there has not been much effort to increase manpower and enhance their capability. It seems that there were limited incentives for the Korean government to invest more in evaluation, because the major role of the GPE was in symbolisation.

Lack of Continuity of Indicators

Whereas the high-level objectives for evaluation are generally maintained every year, performance indicators to measure the achievements do not remain the same. When the performance indicators for the MPE in 2006 are compared with those of 2005, there are many changes among the large number of indicators, as shown in Table 6.3. It shows the number of indicators of six departments as an example. This is quite a different picture from the PSAs where a rather small number of indicators are set for the long-term and monitored every quarter. The large number of performance indicators and its yearly change mean that there has been no consideration of priorities in setting performance objectives, and they were set for the short-term rather than the long-term. The change of performance indicators makes it impossible to monitor and track important indicators through the successive annual performance reports.

Table 6.3 Number of Performance Indicators between 2005 and 2006 in Departments

	MOGAHA	MOHW	CSC	MOCT ¹⁾	MOE ²⁾	MOE ³⁾
Indicators in 2005	40	37	35	28	33	36
Indicators in 2006	52	44	37	43	39	45
Continued Indicators	1	2	5	3	3	6

Note: 1) Ministry of Culture and Tourism

2) Ministry of Environment

3) Ministry of Education and Human Resource Development

Source: Extracted from GPEC (2006) and OGPC (2006a)

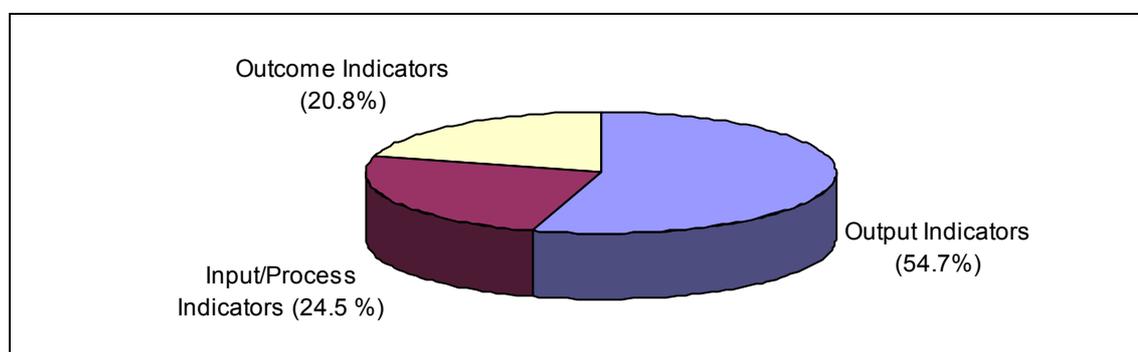
As a result, the annual performance report published after the evaluation does not provide information about how the performance related to specific indicators has improved in the mid- to long-term. This may cause problems for accountability, which should be able to explain how performance is changing over time.

Process-oriented Evaluation

Performance management is in accordance with the effort to realise results-based management. Since the NPM dominated discourse on public management, the foremost aim of performance management has been to improve performance in terms of results not inputs or process (Peters and Pierre 2001: 7). As discussed earlier, the questions of how many resources have been put into the programme or how hard the government tried to produce better results are not a matter of concern to the public. What the public wants is the improvement of public services, which is represented by the results not inputs or process. In this regard, the GPE is not an appropriate tool of results-based performance management, because many of its evaluation criteria are process-oriented. There may be some positive aspects of the evaluation focused on processes. However, the problem is that too much effort is being committed to the process management and too little effort is being committed to bringing better results.

The many input/process-oriented indicators are evidence of the process-orientation of the GPE. It is an inevitable result of the process-oriented evaluation criteria. Figure 6.3 illustrates the proportion of each type of indicator in all departments. There were a total of 1,591 performance indicators in 2005. Whilst there were only 332 outcome indicators, or 20.8 % of all indicators; almost one fourth were input/process indicators and more than half were output indicators.

Figure 6.3 Proportion of the Performance Indicators by Type in the GPE



Source: OGPC (2006a)

This figure of the proportion of outcome indicators is quite low compared with that of the PSAs in the UK. Such a tendency of low proportion of outcome indicators in 2005 seems to have hardly improved in 2006. Table 6.4, which shows the numbers of indicators by type in the MOGAHA and MOHW, supports this.

Table 6.4 Number of Performance Indicators by Type in the MOGAHA and MOHW

	MOGAHA		MOHW	
	2005	2006	2005	2006
Input/Process Indicators	6	7	5	8
Output Indicators	25	38	22	26
Outcome Indicators	9	7	10	10
Total	40	52	37	44

Source: Extracted from GPEC (2006) and OGPC (2006a)

It is generally accepted that designing outcome indicators is difficult. However, the global trend has been changing to the increased use of outcome indicators in line with the focus on results rather than inputs and processes. Outcome indicators are also necessary to minimise the side effects of strategic behaviours and to match performance with service quality and customer satisfaction. The short history of using performance indicators in the Korean government seems to be the reason for the dominance of process and output indicators. They should be changed to outcome indicators in due course, except for the cases where such change may not be relevant.

Process-orientation is one of the major obstacles to the improvement of performance in terms of the improvement of the quality of the public services, which is clearly linked to the results. To achieve the aim of improving performance through the evaluation process, the over-emphasis on process and internal management should be moved onto the results of policies and programmes with clear objectives, targets and indicators. At the same time, efforts to design more outcome targets should be made.

Avoiding Challenging Targets and Indicators

Unlike the PSA framework where performance targets and indicators are set through the negotiation between the Treasury and departments, there is no such a negotiation process in Korea. Departments set their objectives and targets by themselves, although they are reviewed by the OGPC or the MPB who basically do not force to

changes to objectives and targets. Consequently, departments have been unwilling to set challenging targets and indicators. Such a tendency was found in the interviews in both the MOGAHA and MOHW. For example, Jung Eun-Young from the MOHW, has pointed out this ‘learning effect’, meaning that people do not choose as challenging targets and indicators as they did at first, when they did not fully understand the difficulties of those objectives and targets. At first they set somewhat challenging targets and indicators and did not receive good scores in the end, because the degree of challenge was not considered in the evaluation. Finally they have learnt that it is better to set plain targets and indicators rather than challenging or ambitious ones.

This kind of strategic behaviour is possible in Korea because target setting is not formally associated with other incentive mechanisms, which is very different from the target setting in the PSA framework. The other performance management systems, which are looked at in the next chapter, also lack a strong mechanism to link target setting to resource allocation or any other kind of incentives. Although the other two systems have more effective incentive mechanisms, there is no mechanism to ensure setting challenging targets and indicators. The incentive mechanisms are more focused on using the performance information.

Duplication of Evaluation

There are several similar kinds of evaluation which departments have to carry out and report. The annual audit by the Bureau of Audit and Inspection (BAI) is a basic one, and it is focused on the conformity of expenditure to rules. The Office of the President manages the progress of delivering the specific orders and election pledges of the President, and the Top 12 Policy Goals, which were proclaimed as the ultimate goals to be pursued during the new President’s term of office. All of these have justification for their significance and reasons that the evaluations are necessary. However, there is a problem in that they are managed in very similar style in terms of the paperwork and process; also, there is duplication of the policies and programmes among the different evaluations (Han and Kim 2003: 44; Lee *et al.* 2004: 37-39). In other words, departments have been producing several pieces of reports with similar content for the different organisations that demand them.

This problem of duplication should have been improved by the integration of the GPE in 2006, but it is not completely settled as evidenced by the existence of various evaluations in Specific Evaluation. One example of insufficient integration is the

evaluation for executive agencies management, which should have been transferred into the GPE according to the integration, but is still conducted independently. Despite the integration into the evaluation of organisational management of the GPE, there is only one very simple evaluation indicator that evaluates the management of executive agencies. Meanwhile, highly significant programmes are likely to be included as an object of evaluation both in the category of the MPE and Programme Evaluation (NABO 2007: 50). The OGPC itself also admitted that there have been cases of duplicate evaluation of the same programmes and tasks across the evaluation categories within the GPE (OGPC 2006a: 64). Unnecessary duplication of evaluation causes waste of energy and resources. More seriously, it makes civil servants have a negative view of the evaluation and performance management regime. Indeed, civil servants have often complained of the bureaucracy and overload of paper work for evaluations (Kim 2006).

On-going Bureaucracy

It was mentioned earlier that the GPE has integrated 16 evaluations, and the purpose of the integration was to remove inefficiency caused by the fragmentation and duplication. However, there is no clear evidence that the integration has improved efficiency or effectiveness of evaluation (Kong 2007: 17-18). Kim Jin-Gon, the interviewee from the OGPC, has also admitted that the integration in 2006 has not achieved this aim. One thing that is clear is that those responsible for the preparation of the evaluation plans and evaluation reports have had their duties significantly increased. Indeed, there is a criticism among civil servants interviewed that the integration does not mean anything in terms of the improvement of efficiency or the streamlining the excess of evaluations. Before the integration, there was a kind of distribution of duties of evaluation to relevant divisions and each division conducted evaluation with some autonomy and they directly engaged with the superintendent departments. However, in the integrated framework, each division responsible for a specific evaluation has to engage with the internal division that oversees all five evaluations in the department. Then this division corresponds with the five sectional superintendent departments. As a result, the evaluation process has turned into one hugely complicated process, rather than the many simple ones previously used. The existence of five superintendent departments in the framework of the GPE causes this complexity. It results in the increased paperwork and workload (NABO 2007: 51). It is hard to say that the integration in 2006 has improved the overall efficiency of evaluation, although this

integrated framework may be helpful for the ministers in checking the overall performance of their departments. Especially for the President, it is a highly useful and simple way to get all the information about the performance of all the departments in just one report. In this respect, the efficiency of integrated evaluation can be found only from the viewpoint of ministers and the President, whereas there is little evidence of improved efficiency in the evaluation process. Many civil servants complain that it has not only increased the control of the OGPC over wider aspects of business but it has also increased bureaucracy (Kim 2006).

Lack of Ownership and Enthusiasm

Traditionally, duplication of evaluations and the overload of tasks have been negatively impacted the attitudes of civil servants toward the value and significance of evaluation and performance management (Park and Han 2004: 99-100; Kang and Kim 2004: 65; Lee *et al.* 2004: 40-42). Duplication and bureaucracy still remaining after the integration of evaluations have brought hardly any real changes in terms of the reduction of paperwork. Because many civil servants feel that paperwork for the evaluation is irritating and distracting, they are not enthusiastic about engaging with the GPE process, unlike the OGPC staff. This phenomenon partly results from the top-down character of evaluation, in which the process and subjects are set by the senior organisation such as the OGPC or the Office of the President. Many scholars stressed that the success of new initiatives or institutions depends on spontaneous acceptance by individuals (Park 2006: 9; Yoon 2002). The same logic can be applied to the GPE and other kinds of evaluation. However, the evaluation regime seems not to have succeeded in gathering the spontaneous acceptance and support of civil servants.

Among the reasons for the lack of individual ownership and enthusiasm about the GPE is the absence of effective personal incentives (Lee *et al.* 2004: 40). The GPE evaluates departments. Evaluations of individual performance or rewards mechanisms that directly affect individual, civil servants would encourage them to more positively engage with the system. Civil servants are more enthusiastic with regard to the process of departmental performance management of which the results have direct effects on their promotion and performance bonus. Details are looked at in Chapter 8.

Proceeding from what has been described above, performance management systems including the GPE, with all its long history, seem that they still have difficulty in taking root and producing visible accomplishments with which everyone can

empathize. The indifference and passive attitudes of the individual civil servants to the GPE will remain as an obstacle to the establishment of a performance-oriented culture through the GPE framework.

Misconceptions about the Nature of the GPE

The fundamental problem of the GPE as a performance management system originates from the definition of performance management in the GPEFA. According to Clause 6 of Article 2 of the GPEFA, performance management is defined as ‘a series of activities of establishing organisational mission, mid to long term objectives, annual objectives and performance indicators, and managing the implementation process and results in terms of economy, efficiency and effectiveness.’ The problem arises from ‘managing the implementation process’, because the implementation process is quite long and complicated, but more importantly it diverts the focus of performance management to inputs and processes.

Results-focused management is an overarching idea of the NPM and it indicates the direction of performance management. The emphasis on delivery in the UK public services underlines the importance of results being visible to the public. However, as shown in Tables 6.1 and 6.2, the focus of the GPE is mostly on the processes of policies, personnel management, organisational management, and e-government. The Korean government regards managing those in accordance with the process of the GPE as managing performance. Whilst managing the processes may be meaningful in some cases when the nature of the business is process-oriented, generally it is not when results are the main concern.

Among the five Self-evaluations in the GPE, the MPE and Programme Review have some focus on the policies and programmes of which the performance affects the quality of public services and the satisfaction of the public. However, the other three categories of evaluation are pure management tasks, which are basic activities necessary for any organisation. They are not important elements of results-based performance management. The GPE provides a comprehensive evaluation of a department, looking at the management of the business process inside the department together with some policies and programmes. It is more like the Capability Reviews of the departments in the UK introduced in 2006. Capability Reviews assess departmental leadership, strategy and delivery arrangements to meet the future challenges (see Appendix 8 for details). The PMDU has carried out the Capability Reviews for each department with a review

team composed of external reviewers from the private sector, wider public sector and board-level members of government departments. The GPE and Capability Reviews are quite similar to each other in the character of the main operating body and the nature of assessment (Bichard 2007a: 39, 2007b: 63, Walker 2007: 60).

The improper definition of performance management in the GPEFA leads to the system of using the GPE as an instrument of performance management, which is less effective in improving public services. Whilst admitting its legitimacy and utility as a tool of evaluating the overall capability of departments, the GPE is not quite appropriate as a performance management system, which should be more focused on results. The GPE is excessively focused on processes, and this is an intrinsic weak point of the GPE as a performance management system. To solve this problem and improve performance management, the concept that the GPE is an instrument of performance management should be discarded. It is not proper to rely on the GPE, which is basically a process-oriented evaluation system, for performance management.

The inappropriateness of performance management through evaluation is again illustrated by the contradictory provisions of the GPEFA. Clause 5 of Article 6 of the Act stipulates that departmental performance management practices and results should be evaluated through the GPE framework. This is the converse of the fundamental idea of the Act, which is performance management through evaluation by the GPE. Despite the fundamental idea that performance should be managed through the GPE, the regulation forces performance management to be an object of evaluation. This design flaw might be an example of the ‘displacement of goal’, and shows the lack of systematic consideration of performance management and an over-emphasis on the formality of evaluation.

Discord with Theoretical Models of Performance Management

As mentioned already, the process of the GPE is different from that of the theoretical model, when compared with the process of performance management presented in Figure 2.3. The process of performance management in Figure 2.3 belongs to the process of Self-evaluation. This indicates that the GPE is a large framework of evaluation containing the process of performance management as one element. This is additional evidence that performance management is used for the purpose of evaluation.

The process of the GPE starts with the initiatives of the OGPC, which sets up the GPE implementation plan and provides guidelines for the whole process. It has been

already mentioned that most of the evaluation objects are selected among the objectives of the Annual Plan for Performance Management in each department. Drawing up this annual plan is generally affected by the political circumstances of the time, although the established organisational mission is also considered. Because it is not reasonable to evaluate the same objects every year and there is a need to select different objects of evaluation every year, the selection of the objects of evaluation, especially in the MPE, is often influenced by the political contexts. In that case, the programmes of high political significance are most likely to be selected. This is a fundamental problem of the MPE from the perspective of performance management, and shows the lack of understanding of what a good performance management system should be. As the MPE is one of the most important parts of the GPE and it is critical to make the MPE flawless to ensure the successful operation of the GPE. According to Sanderson (2001: 309), targets should reflect the core values and objectives to avoid the distortion of actions and efforts. In this sense, there is an inherent possibility that the GPE would induce perverse effects due to the inappropriate selection of objectives for evaluation. In short, there is a lack of a clear link between the strategic planning and performance planning illustrated in Figure 2.3.

The inclusion of three areas of internal management in the evaluation also obscures the identity of the GPE as a performance management system. To undertake Self-evaluation of these areas, departments should set performance objectives, targets and indicators. However, drawing up performance objectives, targets and indicators about the process of internal management makes little sense from the perspective of performance management.

Drawing on the evidence, it could be argued that the GPE does not fit into the theoretical model of performance management. This is a predictable consequence, because the GPE was not originally introduced as a tool of performance management, but as a way of evaluating policies and programmes. Nevertheless, it is still classified as a performance management system by mainstream public administration scholars in Korea and the government. This is because it aims to improve performance through evaluation as stated in the GPEFA, which is the source of legitimacy for the evaluation. Whatever the parent law stipulates, it is accurate to classify the GPE as an evaluation system not a performance management system. The possibility of managing performance through those evaluations in the GPE is a separate issue.

8. Conclusion

This chapter has characterised Korea as an ‘evaluation society’ and examined its aspects mainly in terms of the development and practices of the GPE. There were numerous evaluations in the Korean public sector, and this caused the fragmentation that has been indicated as the problem by many scholars (Kang 2004: 93; Kong and Kim 2003: 1-2; Kang and Kim 2004: 23; Ha 2004: 237). The development of the ‘evaluation society’ has been helped by the power-seeking behaviours of departments who wanted to exercise control over other departments and secure the effectiveness of their policies through evaluation (Lee *et al.* 2004: 35-36). Although it is just one incident, the conflict between the OGPC and the MOGAHA concerning the evaluation of innovation indicates the power struggle of departments. The creation of the new GPE in 2006 was an attempt to establish an integrated evaluation system, highly influenced by the strong leadership of President Roh Moo-Hyun. It intended to improve both the efficiency and the effectiveness of evaluations. However, the aim of integration could not be achieved thanks to the power-seeking behaviours of departments who were reluctant to surrender their power of control through evaluations.

Apart from the claim of the OGPC about its contributions, the GPE has had various problems and side effects. Korean civil servants have still been pressurised by the huge amount of evaluations they are expected to undertake. Lack of accuracy and fairness of evaluation, process-orientation, duplication of evaluation, bureaucracy, and lack of ownership and enthusiasm have been pointed out as the problems of Korean ‘evaluation society’. Most of these problems had already been criticised by many scholars. There also have been a series of recommendations, which were not accepted by the government, for curing those problems. To cure those problems and make the GPE an effective tool, the Korean government needs to take the criticisms and recommendations both from the outside experts and inside civil servants seriously.

Above all, the fundamental problem related to the GPE is that it is far closer to an evaluation system rather than a performance management system. The basic approach to performance management of the Korean government is performance management through evaluation, but there is inconsistency in the keynote of this framework. Performance management, which is the aim of the GPE, is actually included in the GPE as one of the elements to be evaluated, an obvious contradiction. Moreover, most parts of the evaluations in the GPE are focused on the processes and internal management rather than results which should be the main concern of performance

management. This originates from the inappropriate definition of performance management in the parent law. Under such definition it is legitimate to focus its evaluation on the process of internal management and programmes. However, such a concept of performance and practices of evaluation are far from the current notion of results-based performance management. Needless to say, consideration of process is also important, especially in the public sector, but the GPE is too much focused on the process.

With so many problems and flaws in its framework, the contribution of the GPE may be found in its role as an instrument of control and symbolisation. Although the initial framework introduced in 1961 has been reformed many times, the basic focus on process has been maintained and the current GPE still has problems resulting from that. Looking from the perspective of historical institutionalism, it seems that the initial framework, focused on process, has been confining the path of development. Under the path dependency on this previous framework, the designers of the GPE seem to have been so enthusiastic that they designed a system for evaluating the whole process of policies of the whole departments every year, in spite of the limited capabilities of both the OGPC and departments. This bold plan, which overestimated the capabilities of departments involved, resulted in both superficial examination and a huge amount of paper work, which have been the major factors behind the sceptical attitudes of the civil servants.

The misconception of the nature of the GPE and the ambiguous relationship between evaluation and performance management have resulted in a weak performance management system. There should be a clear direction whether evaluation is conducted for the purpose of performance management, or performance management should be conducted for the evaluation of the internal management. Considering the ultimate purpose of evaluation, the GPE should have focused more on results than process. Compared with the shortage of available manpower and time, the GPE covers too many aspects of the process of management. It is difficult to produce meaningful evaluation results in this inappropriate setting. As a performance management system, its focus has been incorrectly placed on the area of process. As a policy evaluation system, it has not contributed to the improvement of policies (Roh 2006: 487). In the long term, considering the ever-lasting problems related to the GPE, there is a serious need to reconsider its validity and effectiveness. The existence of the GPE may be a duplication of system in a situation in which the framework of departmental performance management, about which civil servants are more enthusiastic, has been introduced.

Performance Management in Korea: Performance Agreements and Financial Performance Management System

1. Introduction

This chapter follows on from Chapter 6 to examine in depth two further aspects of performance management in the Korean government. Many important arguments about the performance management in Korea have been suggested in the analysis of the GPE in Chapter 6. Because the GPE has evolved over nearly half a century and has always been at the centre of discussion, many points at issue in performance management in Korea can be explained through the analysis of the GPE. However, the Performance Agreements and the Financial Performance Management System (FPMS), which were recently established, address performance management from a different angle than the GPE. They fit better into the theoretical model of performance management, and furthermore, there have been less criticism of them than of the GPE. The Performance Agreements and the FPMS are both applied to all central departments, and they represent a centralised framework of performance management together with the GPE. In this regard, it is important to properly understand research on those systems and the nature and effects of performance management in Korea.

The Performance Agreements were introduced for the purpose of managing individual performance, and the FPMS is focused on resource allocation. These systems were established just before the integration of evaluations into the GPE in 2006. The FPMS has something in common with the PSA system in that the basic framework is linked to budgeting. Since its establishment, the FPMS has been expanded to include three sub-systems: Performance Monitoring, Programme Review and Programme Evaluation. At first, Performance Monitoring alone was represented in the FPMS, then, two years later a new system of the Programme Review was introduced. As the GPE came to include the evaluation of financial performance, the Programme Review was selected as a way of evaluating financial performance in departments within the framework of the GPE. That means that Programme Review, which is one of the

components of the FPMS, is also one of the elements of the GPE. This chapter will look at the process and structure of the two systems and explore their implications in light of the new performance culture in the Korean government, which will be finally examined in the case study.

2. Introduction of Performance Agreements

Performance Agreements were introduced in 2006 by the Civil Service Commission (CSC) in the form of a presidential decree, which holds high authority as a substitute for the MBO. The Korean Government introduced MBO in 1999 for the purpose of improving individual performance by setting agreed job objectives for the civil servants of Grade 4 or higher. However, due to the convention of seniority rule and a lack of enthusiasm among civil servants, it brought few positive changes and soon became an ineffective ritual. It did not succeed in developing a performance culture or improving performance. The Performance Agreements were introduced in a situation characterised by the failure of MBO and great pressures for innovation, which was the top priority of the Roh Moo-Hyun Government. The word ‘innovation’, which was of foremost interest to President Roh, has covered all of the public sector since he came into office. He encouraged the civil service to take part in innovation not as a group to be changed but as a leading party of innovation. He sent letters to the civil servants emphasising the importance and necessity of innovation and complimenting their efforts, whilst holding frequent forums and workshops with ministers and civil servants to exchange thoughts on innovation. No department could help but try to achieve innovation in every aspect from minor day-to-day business to major policies and programmes. The introduction of the Performance Agreements represents one of the best practices of innovation in the field of personnel management. It was an embodiment of performance-oriented management specified in the Roadmap of the Civil Service Reform, which mainly dealt with personnel management. Those Roadmaps were established by the PCGID, which had an absolute authority over departments. In this regard, like the GPE, the introduction of the Performance Agreements has been highly affected by the leadership and the direction of the President. For preparing the introduction of Performance Agreements, the CSC undertook research of similar systems in some OECD countries such as the UK, New Zealand, Australia and Canada. Generally in these countries, contracts between the heads of departments

and senior civil servants are made for the performance targets, and the performance results are used as the basis of performance pay or bonus and contracts for the following term. On the basis of the theoretical concept and model of performance management and in reference to various examples of other countries, the CSC has produced a new system.

Like the MBO, the Performance Agreements were introduced to manage individual performance, but they do not rule out the possibility of being used as instruments of managing organisational performance. It is clear that the aim of introducing the Performance Agreements is to improve organisational performance through the improvement of individual performance (CSC 2006: 6-7). They are applied to high-level civil servants, in Grade 4 or higher, including the SCS. All the civil servants in Grade 4 or higher have to make agreements with their supervisors about their performance objectives and indicators. The performance results are considered when deciding their performance pay, bonuses and promotions. Performance Agreements are believed to make a contribution to managing and improving organisational performance, rather than remaining just a device for personnel management. Individual performance objectives and indicators are produced on the basis of the organisational mission, strategic aims and objectives with a free exchange of views between the supervisors and subordinates. The mutual linkage between organisational objectives and individual objectives through this process is the core factor that enables improvement of organisational performance through individual performance management.

Institutional Background: The Civil Service Commission

Personnel management in the Korean government is centralised, and the CSC is the organisation that is responsible for it. This is different from the UK, which has decentralised the power of personnel management to each department. Although there has been decentralisation in the Roh Moo-Hyun Government in various aspects, the CSC still holds significant power and influence over the policy and implementation of personnel management. It has decision-making power regarding a wide range of matters such as promotion, secondment, training and development, remuneration and grievances. It formulates personnel management policies through legislation whilst controlling the detailed implementation of personnel management in each department. Therefore, it can be said that the CSC has a superior position over other departments due to its power of

personnel management, although the head of the CSC is legally at the same level as Ministers of other departments. The superiority of the CSC over other departments is similar to the superiority of the OGPC. The power of the CSC is secured by the written laws regulating the duties of the CSC and other departments, of which the logic is the same as the relationship between the OGPC and other departments. One difference is that the CSC exercises more substantial influence over other departments. This is because personnel management is a more specific and delicate function that directly affects the status and position of individual civil servants, whereas the GPE is related to the matters of organisational dimension and there is less incentive for civil servants to be directed by the GPE. With this background of superiority and the atmosphere of innovation in the government, the CSC could effectively enforce the introduction of the Performance Agreements. Every department has been, in fact, forced to introduce the framework.

Aims of Performance Agreements

Performance Agreements are an instrument to manage and improve individual performance. However, the performance objectives of each individual are drawn from the organisational mission and objectives in order to align individual performance with organisational goals. Therefore, it can be said that it is an instrument for improving both organisational performance and individual performance. The CSC (2006: 6-7) defines the aim of Performance Agreements as improving organisational performance and the competency of individual civil servants. The underlying logic of this aim is that organisational performance can be improved by evaluating individual performance against results-oriented indicators drawn by a combination of organisational and individual objectives. Because the agreements are formally made under the initiative of a minister, the interest and sense of responsibility for performance could be increased. It would incentivise individual civil servants more effectively than the GPE.

While it is not an official aim of the Performance Agreements, it might be possible for the CSC to control or intervene in departmental operations of performance management through them. The CSC has asked each department to submit a Strategic Plan of performance management, which illustrates the framework of organisational mission, strategic objective and performance indicators. Here the CSC may be able to intervene with the departmental plan regarding the appropriateness of the objectives and performance indicators. The case study in the next chapter enlightens this issue.

Implication of Performance Agreements

The Performance Agreements system was introduced with the support of the President who emphasised change and innovation. It is a new face of individual performance management system, which substituted the MBO. The improvement of the system itself looks more substantial and effective than the GPE, which has decades of history. The institutionalisation of the SCS in 2006 for the civil servants from Grade 3 to 1 provided a stable framework for securing the effectiveness of the Performance Agreements, as all SCS members were to make Performance Agreements and their pay was linked to their achievement against the agreements.

The Performance Agreements are equipped with the necessary elements and processes of the model of performance management and they gathered support from politicians. Its incentive structure seems to be far more effective than that of the GPE. In this regard, it may be expected to bring a change to the culture of the civil service where the conventional seniority rule had been dominating. The case study in the next chapter considers this aspect.

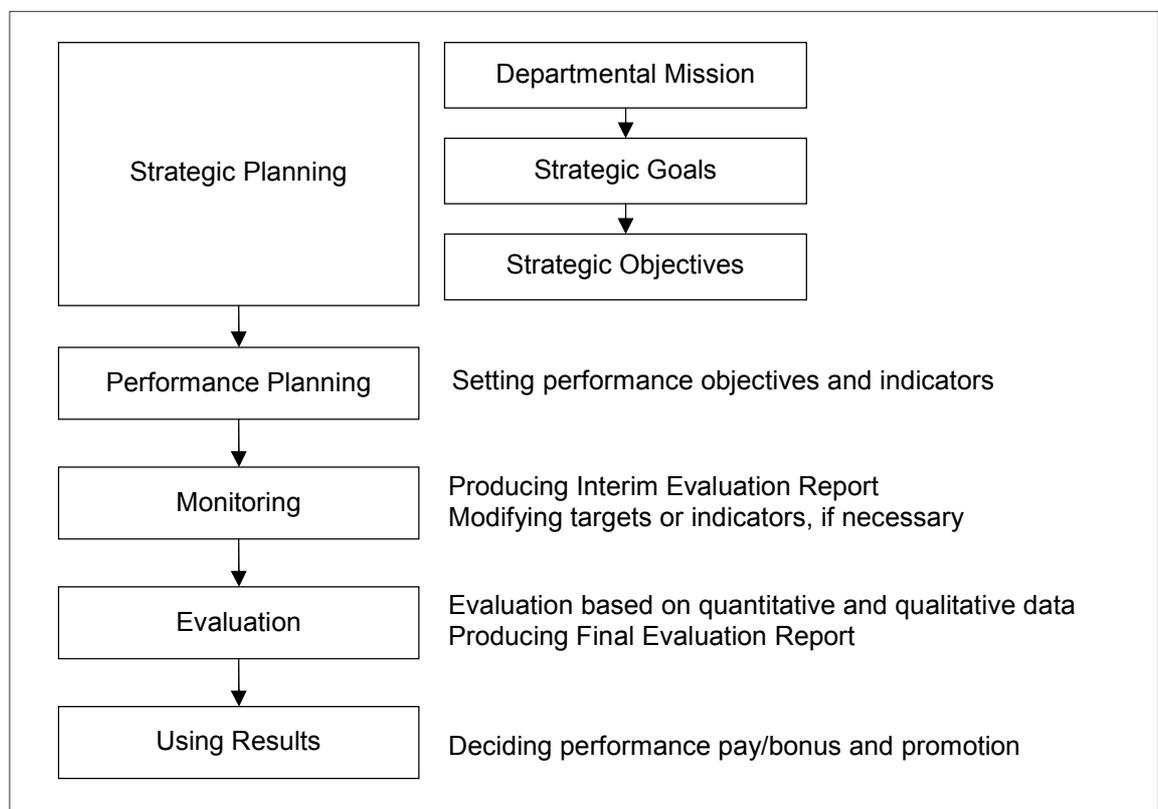
3. Process of Performance Agreements

The CSC introduced the Performance Agreements as a measure of improving performance and human resource management, which is its core policy area. The CSC legislated for the Performance Agreements, and departments are obliged to manage the performance of their staff through this framework. The CSC has provided standard guidelines about the procedures to be followed in the operation of the Performance Agreements. Some of the guidelines concerned with the basic principle that individual performance objectives should be drawn from the organisational mission and objectives are compulsory. However, most of the ways that departments practice those principles are at their discretion. For example, the CSC does not control the choice of detailed methods for developing objectives and indicators from the departmental missions. Departments have the freedom to choose their own way of shaping appropriate systems within the guidelines.

The process of forming Performance Agreements is prescribed in the guidelines provided by the CSC and the main elements of this process are agreed performance objectives and indicators between the supervisors and the relevant civil servants of Grade 4 or higher who are in charge of a division, bureau or office. For example, civil

servants who are equivalent to the Permanent Secretaries make agreements with their ministers. Figure 7.1 displays the process of forming the Performance Agreements. Generally the agreements are signed at the start of a year and the results are evaluated at the end of the year. In practice, the final evaluation is processed in January for the performance of the previous year. So it has a one-year cycle. The agreements are about performance objectives, indicators and principal tasks. As displayed in Figure 7.1, performance objectives are drawn from the organisational objectives, which have a close connection with the missions of the department. Generally, the higher the position of individual is, the closer the relationship between the performance objectives and high-level objectives is. The relationship between the performance objectives and organisational objectives is critical for the Performance Agreements to achieve their aim.

Figure 7.1 Process of Performance Agreements



Source: Adapted from CSC (2006)

Once the performance objectives and indicators are agreed through the discussion between the supervisor and the subordinate, the monitoring process continues throughout the year. And once in its cycle, the Interim Evaluation Reports are produced by the supervisor of the agreements. It is possible to make a change to the objectives or indicators, when it is appropriate due to a change of situation; for example, the reform

of an organisation or changes in the staff. Evaluation is conducted from the quantitative perspective to examine whether the agreed objectives have been met or not, and the qualitative perspective to find out how much the contribution of individual to the objectives has been. When the one-year term of evaluation comes to an end, usually in January, the Final Evaluation Reports are produced.

Table 7.1 provides a real example of an agreement made between the Innovation Planning Officer (Grade 3) and the Head of Performance Management Team (Grade 4) in the MOGAHA. The Head of the Performance Management Team has four performance objectives, most of which are derived from one of the organisational objectives set in the Annual Plan for Performance Management. The first three objectives are set to achieve the organisational objectives, ‘establishing government organisation culture characterised by self-control and performance’, and the last objective of ‘enhancing the competency of staffs’ is an essential objective mandated by the Civil Service Training and Development Act. As shown in the table, each performance objective is linked to performance indicators, whilst the target scores are set to assess the level of achievement of the performance objectives. The agreement also includes implementation plans describing how to achieve those performance objectives, and they play a critical role in the assessment of the achievement of performance objectives. Thus, the target scores are decided by the qualitative evaluation of the evaluator who would consider both qualitative and quantitative data about performance related to the implementation plans. In all these processes of setting objectives, altering objectives and evaluating the results, the interviews between the persons concerned is critical. The evaluation results are not published but notified to each person, and anyone who has objections to the evaluation results can call them in question. When the objections are accepted and concluded to be valid, the evaluation results are amended. The confirmed evaluation results are kept on the individual’s database and used for decision making in personnel management such as promotions, transfers to other positions, and deciding performance pay and bonus. Once again, the question of how much effect these evaluation results would have in motivating civil servants and in improving performance arises, as it did when discussing the GPE. The case study, which will follow in the next chapter, provides some answers for it.

The Performance Agreements system is similar to the process of performance management illustrated in Figure 2.3. It starts with strategic planning, and performance objectives and indicators, which play an important role in the process. Performance information and results are utilised for feedback and rewards.

Table 7.1 A Real Example of the Performance Agreements

	Office	Position	Name	Signature
Evaluator	Innovation Planning	Officer		
Evaluatee	Performance Team	Team Leader		
Above evaluator and evaluatee agree to the following to achieve the institutional mission and objectives based on their mutual agreement.				
Date of agreement made:				
Performance Objectives	Performance Indicators		Implementation Plan	
	Performance Indicators	Target Score		
Settlement and refinement of performance management	Improvement of objectivity and fairness of performance evaluation	100	<ul style="list-style-type: none"> ▪ Consulting and involvement of staffs in setting evaluation plan and performance indicators ▪ Evaluation in every quarter ▪ System improvement and revise agreements based on consultation 	
	Acceptance of performance evaluation culture	100	<ul style="list-style-type: none"> ▪ Conduct a survey on the conception about the performance management system 	
	Achievement of the plans for internalisation of performance oriented culture	100	<ul style="list-style-type: none"> ▪ Publishing performance management manual ▪ Providing learning programme for performance management including tailor-made training. 	
Establishment of sharing system of performance management	Accomplishment of the dissemination of performance management	100	<ul style="list-style-type: none"> ▪ Public relations ▪ Introducing and Supplying the system to other organisations 	
Revitalisation of the Knowledge Based Administration System	Achievement of revitalisation plans	100	<ul style="list-style-type: none"> ▪ Setting up a plan for the revitalisation 	
Enhancing the competency of staffs	Accomplishment of the Regular Training and Learning System	100	<ul style="list-style-type: none"> ▪ Average time spent in learning by staffs 	

Source: MOGAHA (2007a: 13-14)

In this sense, the Performance Agreements are much closer to the theoretical model of performance management than the GPE is. And also, most readers will now be aware that the structure and process of drawing individual performance objectives have some common points with those of the PSAs, as the PSAs have a similar structure of Aims, Objectives and Targets. The difference is that, for Performance Agreements, the

responsibility to meet the objectives belongs to the individual civil servants, whilst meeting the targets of the PSAs is usually the responsibility of Secretaries of State, the head of each department.

4. Introduction of Financial Performance Management System

Outline of the Budget Process

As the FPMS is operated within the context of the annual budget process, a brief description of the budget process in Korea would be helpful in understanding the FPMS. Budgets are planned annually and there is little ‘end year flexibility’ except for very special cases. The financial year is analogous to the calendar year and runs from the 1st January till 31st December. The budget process starts from the provision of guidelines for drawing up the draft of departmental budgets usually in February for the next financial year. In accordance with the guidelines, each department submits its draft budget to the MPB. The MPB examines the budget demands and adjusts them. Departments have always demanded more than they actually needed, expecting the potential reduction by the MPB. The MPB, who knows departmental drafts are over-figures, has always tried to cut them. The negotiation between the MPB and departments is the most critical process of budgeting within the Executive branch. Systematic analysis of the cost-effectiveness of programmes was limited, and it demonstrated a typical portrait of incrementalism. When the draft budget is confirmed, the MPB submits it to the National Assembly, usually in September. Each Select Committee scrutinises the budget proposal of relevant departments, and then the Special Committee on Budget and Accounts confirms the budget for each department. The scrutiny of each Select Committee is characterised by the ‘battle’ of related stakeholders, and political negotiation among political parties affects this process. Finally it is confirmed at the plenary session, usually in December.

The introduction of the FPMS has brought new elements into this process. Traditionally, documents that explain the programmes and necessity of increase in budget have been included in the budget proposal. The FPMS demands a performance plan and performance reports including performance objects and indicators, rather than those traditional ones. Because the Korean government must consider the improvements made by the spending, it is considered to have the features of performance budgeting.

Background of the Introduction

The FPMS is focused on the management of resources to be used at the best efficiency and effectiveness. It is an integral part of budget process. Its origin is the experimental performance budgeting in the late 1990s, just after the financial crisis hit Korea. After the first experimental implementation of performance budgeting, the MPB introduced a new system for the management of budget allocation and the FPMS in 2003 as a pilot study. It was a new instrument for managing performance to improve budget allocation. The aim of the FPMS is to improve the efficiency and effectiveness of public expenditure by paying more attention to the results of programmes rather than the inputs or processes (Jin 2006: 20-21).

As with the Performance Agreements, at the background of the establishment of the FPMS was the innovation movement emphasised by President Roh. Each of the five sub-committees of the PCGID published a Roadmap of Government Innovation. The introduction of the FPMS was mandated by the Roadmap of Fiscal Reform, and it was the MPB that established the new system. The MPB benchmarked the Government Performance Results Act (GPRA) of the US for the introduction of the FPMS. The FPMS was not originally introduced by legislation, which is different from the GPE and Performance Agreements. It started as the directives of the MPB, but finally the Government Finance Act 2006 included the basic articles for the FPMS, thus giving the FPMS a stronger force. However, the FPMS had already been holding power, because it had been an essential process to be taken when departments apply for budgetary resources since its establishment. Moreover, it was based on the Roadmap designed by the PCGID, which was strongly supported by the President. No department would dare to act against the will of the PCGID. If any departments refuse to follow the instructions for the FPMS or any other instructions provided by the MPB, it would be very difficult for them to receive the necessary amount of budgetary resources for the next financial year. Such an incident has never happened, nor is it likely to happen in the future. Thus, the FPMS has been very much in effect even without legislation, which is usually required in cases of reform initiatives.

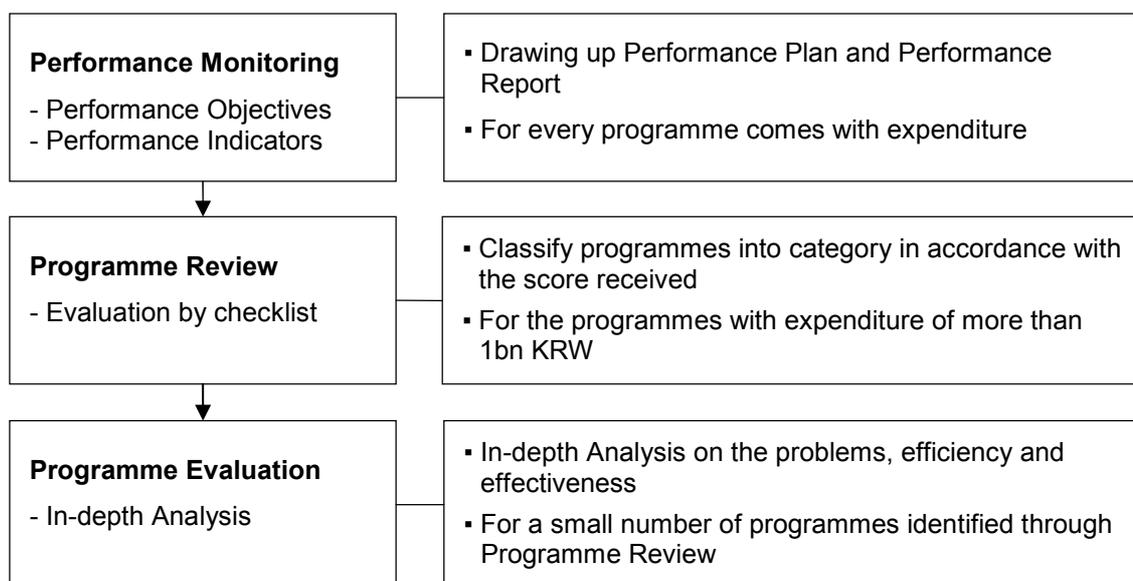
5. Structure of the Financial Performance Management System

The three elements of the FPMS are Performance Monitoring with Programme Review added in 2005 and Programme Evaluation in 2006. These three elements are

themselves a framework for performance management; however, they form a bigger framework of performance management from financial perspective through a loose link. Figure 7.2 illustrates this framework of the FPMS.

Performance Monitoring is a system for managing the performance objectives and indicators of programmes. Performance management framework by the GPRA is the benchmark of Performance Monitoring. The concept is similar to the objectives and target structure of the PSAs, although the specification of targets is not found here. Departments should provide a Performance Plan linked to the budget and Performance Report for the previous year when they submit their annual budget proposal to the MPB. The Performance Plan should be able to explain what the department is going to achieve during the financial year with the expenditure and should specify strategic objectives, performance objectives and indicators. Thus, the Performance Plan and Performance Report cover one year and they are drawn up every year.

Figure 7.2 Framework and Elements of the FPMS



Source: Adapted from Jin (2006: 26)

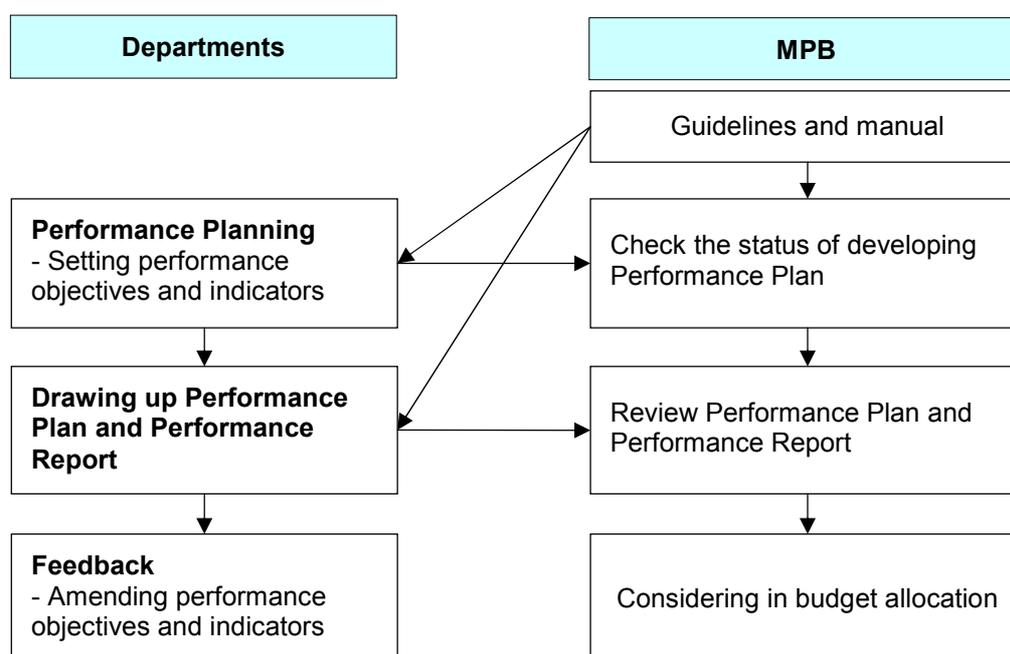
Programmes with expenditures of more than 1bn KRW (1 GBP \doteq 2,000 KRW) are subject to a Programme Review, which evaluates their performance in planning, implementation and results. The Programme Review is basically a self-assessment and it is reviewed by the MPB and they finally confirm the score of each programme. In principle, when programmes are classified as ‘unsatisfactory’, they face 10% reduction of budget. In case any programme looks too problematic or needs more a detailed analysis to clarify matters, Programme Evaluation is conducted for a small number of

programmes. Thus it appears that there is a systematic link among these three elements of the FPMS for managing the financial side of programme performance. The next paragraphs provide a detailed explanation of those three sub-systems.

Performance Monitoring

The process of Performance Monitoring starts with the drawing up of the Performance Plan which sets performance objectives and indicators for each programme. The Performance Plan is produced by each department every year. It contains high-level strategic objectives, from which the performance objectives and performance indicators are derived, and methods that will be used to measure the achievements against those objectives. The Performance Reports for the previous year are also produced by each department every year. For the unity and consistency of the process, the MPB provides guidelines for the preparation of the Performance Plan and Performance Report for the departments. In Performance Monitoring, performance planning and reporting are the core activities. The core elements of this process are performance objectives and performance indicators. Departments have to organise performance plans each year when submitting budget proposals, and in the next financial year they have to produce reports about the performance achieved by the spending, using performance objectives and indicators. These reports are an important source of information for the MPB to make a budget decisions. This process is illustrated in Figure 7.3.

Figure 7.3 Cycle of Performance Monitoring



Source: Yoon and Park (2005)

The Performance Plan is composed of the description of the framework of performance measurement and the major programmes of which the performance will be measured. The performance measurement framework consists of defining performance objectives, performance indicators and how to measure and verify the performance. Performance objectives are drawn from the organisational strategies and missions. Performance indicators are set for each objective to measure the performance. Table 7.2 shows the example of strategic objectives and performance objectives of the MOGAHA in 2006.

Table 7.2 Strategic Objectives and Performance Objectives of the MOGAHA in 2006

Strategic Objectives	Performance Objectives
Accomplishment of sustainable government innovation	<ol style="list-style-type: none"> 1. Driving government innovation forward 2. Innovation in the management of government documents 3. Fostering customer-oriented government 4. Management of government organisation based on performance and autonomy
World No.1 electronic government	<ol style="list-style-type: none"> 1. Improving the efficiency and services through the establishment of electronic government
Improving local administration	<ol style="list-style-type: none"> 1. Strengthening the competency of local government 2. Promoting co-operation
Sound local finance	<ol style="list-style-type: none"> 1. Devolution and accountability in fiscal management in local government 2. Balanced regional development
Vital civil service and safe society	<ol style="list-style-type: none"> 1. Uplifting morale through upgraded office environment 2. Tackling anti-social behaviours and crimes
Secured future and welfare for the customers of the civil service pension	<ol style="list-style-type: none"> 1. Raising customer satisfaction and more profit

Source: MOGAHA (2006a: 8)

There are 177 performance indicators for these objectives, and the average number of indicators for each strategic objective is 29.5. For example, the strategic objective, world No.1 electronic government, has 25 performance indicators such as ‘progress in the roadmap of e-government project’, ‘number of people took part in the

IT training courses', 'UN ranking of e-government', 'Satisfaction about the privacy of personal information' and so on. The guidelines by the MPB regarding the Performance Plan indicate that all the indicators should be outcome-based, though other indicators can be used in exceptional cases (MPB 2006a: 6-9). In case of the MOGAHA, among the 177 performance indicators in 2007 Performance Plan, the number of outcome-based indicators is 87, output-based is 76, process-based is 13 and there is one input-based indicator. This figure shows that the outcome-based indicators are less than half of total indicators. It indicates that designing outcome-based indicators is a challenging task. However, it is a somewhat positive picture when compared with the GPE. As shown in Figure 6.3 and Table 6.4, performance indicators in the GPE are far less focused on outcomes. The reason for this seems to be that the GPE is focused on the evaluation of processes. Measuring and verifying performance is similar to the Technical Note of the PSAs. It should contain a clear way to measure that can be understood by anyone concerned.

When departments are allocated resources after the review of the Performance Plan by the MPB and the endorsement of the National Assembly, they implement their policies and programmes ranging from the everyday tasks to the specific objectives set in the Performance Plan. Then the performance of each year is analysed and reported early in the next financial year. Performance Reports are produced by each department and submitted to the MPB. The report should contain information about the achievement of objectives. The information in the Performance Reports is considered when making decisions about the budget for the next financial year. If there are unachieved objectives, then the departments have to produce reports containing countermeasures whilst explaining the reasons.

Increasing or reducing the amount of budgetary resources in accordance with the performance results was one of the main concerns of the MPB at its introduction. In theory this could be an effective driver for the MPB to take control of departments and make them achieve performance objectives with efficiency. However, the MPB found that Performance Monitoring was not effective in achieving the aim of linking resource allocation to performance due to the limited information it could provide (MPB 2006b: 5). Whereas the performance objectives and indicators are related to departmental objectives, which are achieved by several different programmes, the information about budgeting and spending comes from each programme. In this situation, it was difficult to find out how each programme affected the achievement of the performance objectives. Accordingly, the system could not provide useful information for allocating

resources among programmes, and the enthusiasm for Performance Monitoring has waned. This problem was already noticed in the implementation of the GPRA, which the MPB benchmarked, in the US. In 2002 the Office of Management and Budget (OMB) of the US introduced the Programme Assessment Rating Tool (PART) to generate useful information for improving the link between the performance and resource allocation (OMB 2003: 47-53; Dull 2006: 187; Bouckaert and Halligan 2008: 375; Park 2005a: 9). The MPB once again benchmarked the PART and introduced the new Programme Review in 2005 to complement the Performance Monitoring.

Programme Review

Programme Review was introduced in 2005 through the benchmarking of the PART in the US. PART was introduced in response to limitations found in allocating budgets, precisely in accordance with performance within the GPRA framework. Like the US, the MPB also could not exactly match the budget allocation with performance by Performance Monitoring because it could not provide enough information, and that was the reason for introducing the Programme Review. In other words, the purpose of introducing the Programme Review was to improve the efficiency of public expenditure, and the MPB set the principle of a 10% budget reduction depending on the evaluation results. An important background of the introduction of the Programme Review was the change of the way of budget allocation from the MPB to individual departments. Traditionally, the MPB distributed departments with ring-fenced budget for each programme, but the system has been changed in a way that the MPB supplies a lump sum to each department and departments do the allocation for each programme. This new system is referred to as a 'top-down' system. Under the new 'top-down' system, the MPB was not able to interfere with the use of money in each programme. Thus, the intentions of the MPB in introducing the Programme Review were to monitor the spending in departments and maintain control of public expenditure (NABO 2006a: 20).

All the programmes that expend more than 1bn KRW are reviewed. Approximately 1,700 programmes fell into this category in 2005. About 30% of those programmes, from 500 to 600 programmes, are reviewed each year, thus each programme is reviewed every three years. The Programme Review is carried out by departments themselves. Basically, it is a self-assessment carried out with the given checklist by the MPB. The MPB reviews and confirms the evaluation by departments and makes a final decision about each programme. The MPB provides the criteria and

guidelines for the self-assessment of each department, and utilises the information generated through the review for the allocation of resources. Each programme should be classified into one of the four categories according to the total scores distributed by the review questions presented in Table 7.3. The four categories are Excellent, Good, Fair and Unsatisfactory. In principal, the MPB demands a reduction of 10% of the budget for the next year for the programmes that fall into the category of ‘unsatisfactory’. Departments calculate scores for their programmes in accordance with the criteria. When the total score is below 50, the programme is deemed to be ‘unsatisfactory’, and programmes with above 85 are classified to be included in the ‘excellent’ category.

Table 7.3 Checklist of the Programme Review

Stages (Score)		Questions	Score
Planning (30)	General Plan (15)	1. Are there clear objectives and grounds of programme?	3.75
		2. Is public spending necessary for the programme?	3.75
		3. Is there any duplication of objectives with other programmes?	3.75
		4. Is the current implementation method most efficient?	3.75
	Performance Plan (15)	1. Are there clear targets and indicators?	5.0
		2. Do those targets and indicators have clear relationships with the programme objectives?	5.0
		3. Is the level of performance targets appropriate?	5.0
Implementation (20)		1. Is there regular monitoring of implementation?	5.0
		2. Were the problems occurred during the implementation resolved?	5.0
		3. Was the programme implemented as planned?	5.0
		4. Are there any efficiency savings?	5.0
Results (50)		1. Did the comprehensive and objective evaluation follow the implementation?	5.0
		2. Was the planned performance achieved?	30.0
		3. Have the customers and stakeholders been satisfied with the results?	10.0
		4. Have the evaluation results been used for complementing or amending programme?	5.0

Source: MPB (2007)

The real figures for 2005 to 2006 suggest that the Programme Review was conducted for 1,132 programmes – 555 programmes in 2005 and 577 programmes in 2006 – of which the total budget was 71 trillion KRW (£35.5 billion). Among those 555 programmes in 2005, 87 programmes (15.7%) received an ‘unsatisfactory’ decision, and

65 programmes (11.3%) among the 577 programmes in 2006 fell into the poorest category. The MPB set the principle to cut down on budget by at least 10% for the programmes in the 'unsatisfactory' category, and allowed departments to allocate more budgets for the programmes in the 'excellent' category. The MPB has kept this principle in the allocation of budget since the introduction of the Programme Review. For instance, in the budgeting for the 2006 financial year, the MPB reduced the budget by about 400 billion KRW (£200 million) from the 87 programmes in the 'unsatisfactory' category, which resulted in 13.5% of reduction of the budget from those programmes (MPB 2006b: 13). On the contrary, programmes in the 'excellent' category including 'IT Skills Development Programme for Farmers' and 'Fostering Technological Innovation in Enterprise' have received increased budgets. The average increase of budget in those 'excellent' programmes was 21.4% (NABO 2006a: 28). In this respect, the Programme Review is the first system that mandates a direct link between the performance of programme and budget allocation.

However, the definition of performance in the Programme Review is more focused on processes not outcomes as in the GPE, which is indicated by the evaluation criteria. This focus on processes does not match the overarching aim of the FPMS, improvement of performance with more focus on results. It may be a result of direct copying of the US system or it may be a result of the lack of deliberation on the aim of performance management and the characteristics of the Programme Review.

According to a survey conducted by the National Assembly Budget Office (NABO), a majority of the civil servants who participated in this survey thought that such a direct link was a proper choice (NABO 2006a: 41-42). However, some of them have complained that the evaluation of departmental reviews by the MPB was not relevant, because they thought the MPB was neither well aware of their business nor had enough information to evaluate it properly. Similar criticisms have already been expressed regarding the MPE when the OGPC and GPEC made some irrelevant decisions about the departmental programmes. Those who criticised it felt that it was just interference. In fact, there are limitations that prevent the superintendent departments such as the MPB and OGPC from being completely aware of departmental business, in a personnel system based on grade where the staff members are changed frequently. In this regard, the focus of the review of the MPB and OGPC should be placed on the accuracy of the departmental evaluation and the data used for the evaluation in departments.

In addition to the reduction of budgets for the low performing programmes, up to 1,383 recommendations for the institutional improvement have been also provided for the related departments by the MPB. Those recommendations have an important role in improving the implementation of programmes and their future review. The evaluation results of each programme have been open to the public through the MPB's website, thus enabling the public and the National Assembly to understand how the government is trying to improve efficiency and effectiveness with regard to spending. According to the interviews with officials from the MPB, citizens' groups and members of the National Assembly were active in criticising low-performing programmes. Academics were more interested in the analysis of the evaluation results than in criticising under-performances. Bang and Yoon (2006) pointed out the variation of results between different types of programmes. They have found that programmes implemented solely by the government produced better results than programmes in the partnership with the private sector. In addition, programmes that were characterised by a complex relationship between stakeholders received lower score. Again these variations can be explained by the focus on processes in the evaluation. At any rate, it seems that the Programme Review has brought positive effects in improving the transparency of programme performance and facilitating productive debates about the programme performance.

Programme Evaluation

Programme Evaluation is conducted for a small number of programmes that need more detailed analysis. The criteria for selecting these programmes have not been consistent, but generally they have been selected from the programmes which were identified as problematic by the Programme Review. It evaluates programmes in terms of their relationship with other programmes, the problems they have and their efficiency and effectiveness. To secure the objectiveness and fairness of the evaluation, it is conducted by the Korea Development Institute (KDI) in the wider public sector with the participation of related departments. The KDI, which is a national research institute established and funded by the government, established the Office of Financial Performance Evaluation to undertake the Programme Evaluations. When the conclusions of the evaluations prove it is inappropriate to continue the programme, it is abolished or merged with other programmes with an improvement plan. Nine programmes have been selected as the objects of Programme Evaluation in 2006 and

three of them – International Marketing Support Programme, Youth Employment Support Programme and Self-Support Working Programme – have been terminated or received reduced budgets for the 2007 financial year due to their unsatisfactory results. Six programmes, which are long-term based, were still under evaluation at the time of writing. The significance of Programme Evaluation is found in the possibility of preventing ineffective programmes from wasting money. In the past, once a programme was in progress, there were no means to halt the process, even when the effectiveness of the programme was in doubt or there was duplication between programmes resulting in inefficiency. Such a programme could end up wasting resources. It seems that the introduction of Programme Evaluation has created a new environment where such inefficiency can be removed.

6. Issues with Financial Performance Management System

Direct Link between Performance and Budget Allocation

As described in the previous section, there have been budget reductions for the low performing programmes and increases for the best performing programmes. The OGPC emphasises that such a link should be strengthened, not only in the Programme Review, but also in other parts of the GPE (OGPC 2007: 154). However, it might be inappropriate to terminate or downsize some programmes considering their significance in various public values. Further to this, there is an argument that there should be an effort to find out the reason for low performance rather than just sticking to the principle of reducing budgets, and this is more important for the overall improvement of public services than mechanically reducing budget (N. W. Park 2007: 14). According to NABO (2006a: 61-62), there is at least some ambiguity about the influence of various factors surrounding the performance of particular programmes and many of them have long-term effects. The checklist presented in Table 7.3 suggests that there are various factors affecting the scores of programmes. Thus, when a programme receives a bad score, the reason may be the lack of demands for the programme or problems in the implementation process. Dorey (2005: 198) lists eight prerequisites for ‘perfect implementation’ of public policy most of which are related to external factors rather than the policy itself. Similarly, Hogwood and Gunn (1997: 217-223) suggest 10 reasons of ‘Why ‘perfect implementation’ is unattainable’ drawing on a number of previous works. They demonstrate that the success of implementation highly depends

on various outside factors. The lack of a relevant performance monitoring system may be another reason for a low score. In this regard, the measure for poor programmes should be selected in accordance with the reason for poor performance (N. W. Park 2007: 14). Mechanically adjusting the budget with insufficient analysis of the cause and effect would be inappropriate in the wide framework of performance. When the emphasis is placed on the achievement of a high score to avoid the budget being reduced, it is likely to induce strategic or perverse behaviours. The fact that there are many programmes that scored just over 50 may be the evidence for this. It is possible that departments intentionally gave those scores to the poor programmes to avoid a reduction of budget.

Yoon and Park (2005: 155) and NABO (2006a: 61) note that the practices of the GPRA and PART, the benchmarks of the FPMS, are focused more on improvement through analysis and recommendations, than the direct link between budget and performance. The OMB is more concerned with the improvement of programmes in their design, implementation and system of evaluation through detailed and effective recommendations. The Government Accountability Office (GAO), which is the US counterpart of the NAO, also has a similar opinion that providing recommendations and the fulfilment of them is an important aspect of the PART. A survey conducted by NABO (2006a: 25-45) indicates that the civil servants who responded negatively to the link between the results of the Programme Review and budget allocation also had a similar view on the use of the results. Budgeting is not free from political context (Nutley 1999: 171; Hughes 2003: 166; Hilton and Joyce 2007: 247; Peters 2001: 262). For this reason, allocating resources purely by the results of evaluation may not be proper. Practices in the US and opposing arguments to the direct link between performance and resource allocation suggest that the MPB should reconsider its principle and practice.

There is evidence showing that the direct link has not been always the case. 16 programmes among the 65 'unsatisfactory' programmes in 2006 evaluation did not receive reduced budgets in 2007 and budgets were actually increased for some of those programmes (NABO 2006b: 298). This indicates the practical difficulties of directly linking the evaluation results and resource allocation, which cannot be free from political considerations. It reflects the complex nature of resource allocation and raises the question of whether it is appropriate to maintain the rigid principle of 10% reduction. However, it is difficult to deny that those drastic decisions to cut down the budget have contributed to securing the authority and efficacy of the system. In some points of view,

it may be necessary to change the culture within the government to a new one, which is performance-oriented. It may be regarded as a measure for a period of transition. In the long-term the focus of the Programme Review should be moved to the provision of useful information for improving programme performance. When the focus of using the results of the Programme Review is placed on improving programmes through recommendations, it becomes critical for the MPB to provide useful recommendations and monitor the observance of departments. However, current states seem to fall short of the expectation, as discussed in following paragraphs.

The Quality of Recommendations for Institutional Improvement

According to the argument that the direct link between the results of Programme Review and budget allocation is not appropriate and the focus should be placed on the improvement of programmes through recommendations, it is critical to maintain the quality of recommendations at high level. Monitoring whether departments fulfil provided recommendations is also important. According to the data from the MPB, there were 1,383 institutional recommendations provided by the MPB in 2006. As the number of programmes reviewed in 2006 is 577, it means that each programme had 2.49 recommendations on average. It may not be a large number of recommendations for one programme, however, more importantly, Park (2005b: 112-114) points out that the quality of the recommendation is low and they are insufficient to be helpful for the departments to improve the design and implementation of programmes. The reason is assumed to be the limited time and human resources put into the operation of Programme Review in the MPB. As one civil servant who is in charge of the budget of a specific department does the review of many programmes in the department, he or she is likely to suffer from a shortage of time and information needed for the analysis of the programmes. The results of the survey by NABO (2006a: 51) also indicate this problem of the shortage of information needed for the MPB to make the final decision. It is suggested that an independent research institution be established so that it would be able to contribute to the development and improvement of performance budgeting system for the long-term solution (Park 2005a: 18, 2005b: 113).

Leniency of Self-assessment

The problem of leniency is quite often pointed out in evaluations based on self-assessment (OGPC 2007: 152; OGPC 2006a: 54-55). Like the GPE, the Programme

Review is based on the self-assessment of departments. The MPB checks and verifies the self-assessment reports and confirms the score and grade of each programme. As discovered in the Self-evaluation of the GPE, the problem of leniency is also found in the Programme Review. The argument of leniency is supported by the differences between the average scores given by departments and the scores confirmed by the MPB. As shown in Table 7.4, departments rated their programmes better in all three stages of programme implementation than the MPB finally confirmed. According to the score 85.6 which is the results of the assessment of departments, the programmes would fall into the ‘excellent’ category, whereas the score confirmed by the MPB shows they are just ‘fair’ and even close to ‘unsatisfactory’ category.

Table 7.4 Average Scores of Programme Review Given by Departments and the MPB

	Planning	Implementation	Results	Total
Departments	28.1	17.1	40.4	85.6
MPB	23.1	15.1	21.0	59.2

Source: NABO (2006a: 55)

Another aspect of leniency is found at the level of the government as a whole. According to N. W. Park (2007: 13), there may be some unbalance in value judgements arising from the tendency of rationalisation. He suspects that departments did not review the on-going programmes and surrounding conditions in a neutral attitude when undertaking the evaluation. Most programmes were assessed to be positive with regard to the questions regarding the necessity of the programme and expenditure for the programme and the appropriateness of implementation methods in the General Plan section of Table 7.3. The average score in this section confirmed by the MPB was 14.3 with the full marks of 15. He argues that departments, as the enforcers of the programmes, may have been overly generous in assessing the necessity of the programmes especially for the programmes that were already in process.

These two aspects of leniency in the Programme Review may undermine the credibility of the information generated by it. One of the recommendations for this problem would be the involvement of the National Assembly in the process. It is similarly worthwhile to think about the implication of the fact that Parliament has made recommendations to the Treasury about the involvement of the NAO and Select Committees within the PSAs process in the UK.

7. Conclusion

The Performance Agreements and the FPMS are both important components of performance management in the Korean government, along with the GPE. The introduction of those systems has been significantly influenced by the initiative of President Roh. As a left-wing politician, he wanted to strengthen welfare policy as well as bring innovation to the government. He also wanted to see the results of new policies through a performance management system. The initiatives taken by the PCGID for the innovations in performance management have affected the formation and establishment of those systems. The OGPC, CSC and MPB have designed and spread out the new frameworks for performance management in each field in accordance with the Roadmap for Innovation, which embodied the ideology of President Roh. Generally the role of leadership is regarded as an important factor of successful reform and innovation (Broussine 2003: 177; Hartley and Allison 2000: 39). In particular, Toonen (2001: 189) argues that strong political leadership is required to bring 'change' in centralised countries. Rhodes (1997: 44 cited Pollitt and Bouckaert 2004: 50) also points out the strong leadership of Prime Minister Thatcher as one of the factors that contributed to the radical reform in the UK in the 1980s. Indeed, the strong leadership of President Roh in reforming performance management has been consistent during his term of office. The result of the general election held in 2004, which made his party dominant in the National Assembly, enhanced the degree of centralisation. Surely it can be said that he has played a positive role in disseminating performance-orientated culture and practices within the government through the emphasis on performance management.

Among the three performance management systems, the Performance Agreements and the FPMS seem to have been more influential than the GPE in transforming the management practices of the government. They have been more effective because they were linked to personnel management and budget allocation. In the Performance Agreement framework, the use of evaluation results in personnel management such as promotion and pay has been mandatory, whilst the FPMS has succeeded in directly linking performance with budget allocation. This is a contrast to the GPE, which does not have such an incentive mechanism within its framework. Although all those three systems had political support from the President and there were no big differences in terms of resources owned by the OGPC, CSC and MPB; the GPE was not as successful as the others in getting the civil servants emotionally motivated. It

demonstrates that political leadership and support without systematic mechanisms to ensure its influence is less effective for making changes happen.

Compared with the other systems, the GPE is the most problematic system and it is the biggest factor by which the aspects of 'evaluation society' can be explained. Of course the Performance Agreements and the FPMS might be criticised in some points, and they can also explain the features of 'evaluation society' in Korea. In the interplay of those systems, there has been an unnecessary duplication of the Strategic Plan in the Performance Agreements, Performance Plan in the FPMS and the Annual Plan for Performance Management required by the GPEFA. Departments have to produce and submit those papers that contain the same substance to different organisations. Such unnecessary bureaucracy has been caused by the self-interest of powerful departments including the OGPC, MPB, MOGAHA and CSC who did not want to concede monitoring and supervising powers. Duplication also happened in the dimension of programmes. The same policies and programmes have been often included in the evaluations of both the GPE and the FPMS. Contrary to the fair structure of individual systems, there has been a lack of harmony with one another. Huge amounts of paperwork and bureaucracy caused by the duplication have negatively affected the civil servants, preventing them from engaging positively with the systems, especially with the GPE.

Meanwhile, the official report by the Korean government states that the FPMS has contributed to the change of performance culture from the old tradition of input-orientation to the results-oriented culture. The Performance Agreements framework is claimed to have played a similar role. It is presumed that the attitude of civil servants toward the performance management regime is improving. Indeed, Park (2006) demonstrates that there is a fundamental agreement among many civil servants, experts and scholars on the premise that the performance management system is necessary to manage and improve performance. Such a positive perception of the civil servants on the necessity of performance management was also found in the interviews.

The institutional arrangements and on-going practices suggested in Chapter 6 and 7 seem to indicate the wide range of radical reforms in performance management. Especially the Performance Agreements and the FPMS have benchmarked the system of other OECD countries. Performance Monitoring and Programme Review of the FPMS have benchmarked the GPRA and PART in the US, and their structure and process are quite similar to their benchmarking models. The questions in the checklist of the Programme Review are very similar. It probably was the best choice for the Korean

government to adopt the system of a country that had the same presidential government system. At some point, the Korean government is operating the system more strictly than the country of origin by directly linking performance and budget allocation for all programmes. Consequently, the introduction of the Performance Agreements and the FPMS, especially with the Programme Review whose principle of resource allocation is more strictly applied by the Korean government, can be construed as an example of voluntary policy transfer or lesson-drawing (Dolowitz *et al.* 2000: 12; Evans 2004: 11, 36). However, such a direct link may be inappropriate considering the political context of budget process. In its current stage it seems that such a radical practice has done something positive in the dissemination of the performance culture.

In conclusion, each of those three performance management systems has its own legitimacy, and did at least make some contribution to the improvement of the performance culture. However, in a wider perspective they have generated unnecessary duplication and bureaucracy. This has contributed to the negative attitudes of many civil servants toward the performance management systems whilst they generally accept the necessity of performance management. Among those three systems, the GPE has been most problematic in its character and functions. It may be true that it has just been a symbolic institution. It is necessary to reconsider the overall framework of performance management in the Korean government. The effectiveness of evaluation, especially in the GPE, as a performance management system should be seriously examined. Most of all, the overall framework should be reduced to improve the efficiency and effectiveness of the performance management system itself. The case study in the next chapter provides more evidence for the discussions and arguments in this chapter.

Chapter 8

Case Study (2): The Ministry of Government Administration and Home Affairs

1. Introduction

This chapter undertakes a detailed case study, which provides an analysis of a Department that is at the heart of performance management in Korea and presents empirical evidence for three purposes. The first is the verification of the characteristics of performance management as an important element of the NPM to test the hypothesis advanced by Pollitt (2006a) that different cultures and contexts produce different national attitudes to and practices of the reforms of the NPM. If the results of Pollitt's (2006a) research are applied to the comparison of performance management in the UK and Korea, it is expected that the two countries will show differences in the practices, because the cultures and contexts of the UK and Korea display characteristics that place them at opposite ends of Pollitt's spectrum. The focus of analysis for this purpose will be placed on the nature and use of performance management system, looking at how radical and fast the introduction was and how individuals and organisations reacted to it. The integration of performance information with other management systems is also an important point to be analysed when looking at finance and personnel management. According to the hypothesis based on Pollitt's (2006a) research, the practices in Korea would not be radical, whilst some resistance is expected and the integration with other management system would be weak.

The second purpose of this analysis is to support the arguments displayed in Chapters 6 and 7. It has been argued that the GPE has problems regarding its identity as a performance management system and it has not succeeded in motivating civil servants to have positive attitudes toward performance management. It is excessively focused on process evaluation and the bureaucracy still remains in spite of the integration of evaluations. In short, the GPE seems to be failing in achieving the aims of its introduction. On the other hand, the Performance Agreements and the FPMS have been more successful in terms of effectiveness. It seems that they have had some real impact on the internal management practices such as personnel management and budgeting.

More importantly, civil servants have a more positive perception of the roles of the Performance Agreements and the FPMS than they have of the GPE.

The third purpose is to undertake a comparison of the performance management systems themselves and their operation and effects in the two countries. The case study provides targeted information on which to base judgments on the similarities and differences between the practices of performance management of the UK and Korea in light of the theoretical discussions in previous chapters. The core object of comparison is the effect of performance management on accountability, performance improvement, exercising control and incentives and motivation in addition to the features of good performance management systems described in Chapter 3. The comparison will reveal what different results have been brought about by the similar or different performance management practices based on different cultures. It would provide some useful insights for lesson-drawing for each country. This overall comparison is undertaken in the next chapter.

The department selected for this case study is the MOGAHA, because it is a good department in which to study performance management. The focus of the mission of the MOGAHA has been changed from the general administration of the central and local governments to the vanguard of government innovation, which was the top priority of the Government, whilst maintaining a basic administrative role. This new mission of the MOGAHA was authorised by President Roh, and the MOGAHA has been in quite an influential position over other departments. For example, it established a business processing system that covers task management, performance management, electronic document management and customer management in one integrated system in 2005. It is called HAMONI (Harmonised Model of New Innovation) System; it was praised by the President as a best practice, and it quickly spread out to other departments on the basis of a systematic plan of the MOGAHA to make it a universal system of the Government under the political support of the President. The important tasks newly imposed on the MOGAHA were steering government innovation and evaluating the achievement of innovation in departments. It was difficult for other departments not to follow recommendations of the MOGAHA with regard to anything related with innovation. As the superintendent department of government innovation, the MOGAHA itself has been assessed in the GPE to be excellent in achieving innovation including the establishment of a departmental performance management system. It has been awarded prizes by the President for four consecutive years since 2003 as one of the best performing departments by the overall assessment of the GPE. It

also won the '2006 Korea BSC Awards' endowed by the Korea Economic Daily and WesleyQuest. In 2007 it was awarded the '2007 BSC Hall of Fame' both in the Global Public Sector and the Asia-Pacific Sector by the BSC Collaborative which was founded by Kaplan and Norton, the inventors of the Balanced Score Card (BSC) model of performance management (Palladium Group 2007; MOGAHA 2007b). The MOGAHA was the first institution to win in both areas in the world since the BSC Hall of Fame began in 2000. In summary, the MOGAHA is an appropriate object of case study because it has been taking the initiative in government innovation and it has been playing a leading role in establishing departmental performance management systems.

Since this research is not about the comparison of performance management in healthcare, but rather about performance management as a government management tool, the MOGAHA is an appropriate choice for this study. As explained in Chapter 1, it was not necessary to match the nature of the task carried out by the institutions in order to compare the practices and effects of performance management. In fact, it could have been misleading to select two functionally similar departments, because the similarities of functions may result in the similarities in practices. Therefore, for the comparison in this thesis, it has been more relevant to select the institutions of which the nature of their tasks is different to each other.

2. The MOGAHA and Its Performance Management Framework

Implications of the New Mission

The MOGAHA was established in 1998 by merging the Ministry of Government Administration (MOGA) and the Ministry of Home Affairs (MOHA). Both the MOGA and MOHA were established in 1948 when the first democratic government was established in Korea. Therefore, the history of the MOGAHA started in 1948 with the establishment of the government. There were no significant changes in its main tasks throughout its history until the Roh Moo-Hyun Government reorganised it to strengthen the role of steering government innovation. The traditional roles of the MOGAHA were the general administration of central government including personnel and organisational management, coordination of local government and finance and improving public security through the administration of the National Police Agency. President Roh, who emphasised innovation, reorganised the role of the MOGAHA to have the initiative in leading government innovation by transferring the administrative reform function of the

MPB in 2004. Accordingly, three new organisational aims have been established: to lead government innovation, to bring about decentralisation and to initiate balanced development based on fairness. To underpin the aim of government innovation four strategies have been selected: advanced e-government, maximum customer satisfaction, performance management and improved workplace environment.

The MOGAHA became the top-priority department of the President through the reorganisation of its structure and functions establishing the Headquarters for Government Innovation as one of its units. It has also increased the number of staff to 2,300, which includes 10 Deputy Ministerial posts and 12 SCS officials, far larger figures than those of other departments. Its evaluation of the achievement of innovation in departments – one of the Specific Evaluations in the GPE – became an effective tool to steer the direction of innovation. The MOGAHA encouraged departments to establish their own departmental performance management system by including it as a category in the evaluation of government innovation. These responsibilities indicate that the MOGAHA is the top priority department, just as the Department of Health is in the UK, and the role of the MOGAHA has been important in the recent development of performance management in Korea.

The Performance Management Framework

As outlined in Chapter 6, the performance management systems commonly applied to all departments are the GPE, Performance Agreements and FPMS. In addition, all departments have to establish a departmental performance management framework covering every aspect of their tasks as legislated by the GPEFA in 2006 and represented by the Annual Plan for Performance Management. Therefore, every department is placed within the performance management framework composed of those four common instruments of performance management. The first Annual Plans for Performance Management, for 2007, were drafted at the end of 2006. The bigger framework which includes this Annual Plan for Performance Management is referred to as an ‘integrated performance management system’. However, as has been noticed in the integrated GPE introduced in 2006, it is not clear that the performance management framework is really an integrated one. The use of the expression ‘integrated performance management system’ might be understood as an embodiment of aspirations for the system, or the Government ‘blowing its own trumpet’. The real integration of systems seems to be far away for performance management in the Korean government.

3. The Nature and Use of the Performance Management System

The Degree and Speed of Change

Generally speaking, the change of system and practice caused by the introduction of performance management seems to be rapid and radical. The leadership of the President has been highly influential in the enforcement of the performance management system and, for this reason, it was important to realise the visible change. The political system in Korea is less centralised than that of the UK in that the executive government does not always take the majority in the National Assembly. However, the high-speed culture in Korean society is also found in the organisational culture within the government, and this enables high-speed change. The high-speed culture is salient in the MOGAHA. For example, it is not unusual to produce a report and act on it the next morning when there is a direction to do so.

The nature of the performance management system such as the Performance Agreements and Programme Review have been quite radical in that it has had a real impact on the traditional conventions of budgeting, personnel management and remuneration. All of the interviewed civil servants from the MOGAHA (see Appendix 1) responded that their promotion and performance pay/bonus are highly affected by the performance results against their objectives set in the Performance Agreements and other objectives set in the Annual Plan for Performance Management. Currently, the MOGAHA classifies individuals into four groups of S (20%), A (30%), B (40%) and C (10%), and grants different amounts of performance bonus to each. Individuals in group S receive 1.5 times their monthly salary, group A receive the same amount as their monthly salary, and group B receive only 40% of their monthly salary, whilst individuals in group C receive nothing. As mentioned earlier, when the performance bonus was first introduced, the amount of money was small and the payment was not linked with real performance. Now it is clearly linked with the performance results and the amount of money is larger. This has made the civil servants recognise the importance of performance.

The recent practice of budget allocation based on performance is more radical and hard to find in the UK. In fact, the link with budget has been always emphasised as a motto of performance management, as with the GPE and the Performance Monitoring of the FPMS. However, there has not been much room for it in those systems, as the performance evaluation structure was not matched to the structure of budget allocation. Thus the linkage between performance and budget in those systems was limited to the

consideration of performance in budget allocation, which did not effectively match resources to performance in many cases. The Programme Review was introduced to solve this problem of difficulty in linking budget allocation to performance. And the results have been remarkable. As mentioned in Chapter 7, many programmes with low performance had to face budget reductions. Even the US, which originally introduced the PART, the benchmark of the Programme Review, does not adhere to the principle of directly and exactly linking the amount of resources to performance.

The introduction of the new integrated GPE was the result of the direction of the President. A task force was immediately organised with academics and civil servants and they produced the first draft of a plan one month later and tried to legislate it. The legislation process took several months, but due to the criticisms about the structure and framework of the new system, the first version of the bill was rejected in the National Assembly. At last, after some alteration it was confirmed in early 2006. Depending on the view as to whether this process is efficient or not, this case does not seem to provide an example of a reform being delayed by an element of or the nature of the decision-making process that is different to those in the UK. The legislation of other systems such as the FPMS and Performance Agreements also went smoothly and were completed as scheduled.

The introduction of the BSC system is a good example for explaining the high-speed change in Korea. The Korea Coast Guard (KCG) first introduced the BSC among government departments in December 2004 with little debates on the relevance of introducing it. When the MOGAHA introduced the BSC in February 2005 and recommended it to other departments, most departments followed it without questioning it. They seem to have regarded the introduction of the BSC as a matter of course in the atmosphere of performance management, and spent time discussing how to design the system rather than whether to introduce it or not. Thus, 33 departments introduced the BSC by 2006 (OGPC 2006b: 4). This shows a striking contrast to the Dutch example, which spent a long time in making a decision about the introduction of the system, according to Pollitt (2006a: 31). The culture of attaching importance to speed in Korea has been also been recognised by a foreign journalist (Ward 2002).

Importance as a Tool for the President and Ministers

For the President and ministers, the performance management system is an important tool for taking control of their organisations and realising the vision of their

organisations. When the OGPC confirm the departmental scores of the GPE, they are not published, but reported to the President. Thus, the scores of departments in the GPE have become an indicator for the President to judge the performance of ministers as well as departments. This has been the main reason that ministers regard the GPE as very important, whereas junior civil servants have been sceptical of the value of the GPE.

At the ministerial level, the performance management system is also an important tool to realise departmental vision and strategies and to successfully manage important tasks. It is estimated that the Minister of the MOGAHA, Park Myung-Jae, has upgraded the BSC in his department from just a performance evaluation system to a wider strategic management system (MOGAHA 2007b). To realise departmental vision and achieve organisational missions, important objectives are included in the performance management framework. Policies and programmes of high significance are included as the objects of the GPE, and individual objectives in the Performance Agreements are derived from the organisational missions and objectives. The Performance Agreement framework, which is based on the agreements between the ministers and director generals, has provided ministers a mechanism for steering the direction of performance. Those visible impacts brought by the Performance Agreements and the Programme Review seem to have made ministers and managers perceive the performance management system as an important tool for internal management. Indeed, all the civil servants interviewed said that their ministers attached great importance to performance management systems.

Compliance

Conformity has been pointed out by a series of academics as one of the most prominent features of administrative culture in Korea (Kim 1968; Kim 1985; Oh 1998; Kim and Park 2002, all cited C. O. Park 2007). Conformity in Korea means the behavioural tendency of civil servants to show unconditional obedience to orders and adherence to regulation. It has been criticised as causing an authoritarian culture and passive attitudes, whilst hampering creative and innovative thinking and behaviours (Kim and Park 2002, cited C. O. Park 2007).

All the interviewees from the MOGAHA have responded that they perceive performance management systems as being both important and necessary. They also take them very seriously, and they have tried to get the best results possible under the framework. The leadership of the President has generated the wave of performance

management in the Government, and the establishment of performance management systems was an important task for the departments. Resistance to the directive might be imaginable, but not possible in practice. However, it is not clear whether the formal compliance to the new regime means that the departments have a favourable attitude to the introduced systems. While searching for data on the Internet, it was found that two anonymous civil servants complained about the new performance management regimes and the bureaucracy caused by them. One of them, a team leader from the Fair Trade Commission, logically criticised the problems of the new regimes on his personal web-page. The other person used a free bulletin board on the organisational website which did not show the name of writer. When asked about the problems of the GPE and their attitudes, interviewees pointed out the inefficiency of the process, including duplication and the amount of documentation, strategic selection of performance objectives and indicators, and too much focus on quantifiable indicators. Five interviewees from the MOGAHA responded that the GPE has not been helpful in improving the quality of public services or customer satisfaction. However, those who mentioned the above problems and showed less enthusiasm with the GPE still recognised the significance of it and the importance of participating in the process. Once again, it has been confirmed that the GPE was failing to motivate civil servants and boost enthusiasm.

4. Integration of Performance Information with Other Internal Management Systems

Budgeting

Altering financial allocations using performance information generated by performance management systems may enhance the value of those systems. There have been various attempts to do this in the history of budget reform, but they have been hardly successful because of the political nature of the budget, the complexity of process and the massive amount of information to be processed. In Korea, the intention to link budget allocation to performance has been one of the aims of the GPE as noticed in the GPEFA, which prescribes the use of evaluation results in budgeting. However, the structure of the GPE was not appropriate to provide relevant information for budgeting (Lee *et al.* 2004: 47). The only possible way involved considering the evaluation results when allocating budgets. Utilising this information in budgeting has

not been a major aim of the GPE, and because of many other important elements of programme and the budget process, it has tended to be neglected.

More substantial efforts were made in the late 1990s, when the MPB first applied experimental performance budgeting to the budget process. More recently, the MPB introduced the FPMS, which is composed of the Performance Monitoring, Programme Review and Programme Evaluation. The GPRA and PART in the US were the benchmarks of the Performance Monitoring and Programme Review system. The Performance Monitoring system provides information about the achievement of performance objectives, just as the PSA system does. As such information is provided in accordance with each performance objective, it is still difficult to use it directly in budgeting where resources are allocated at the programme level. The Programme Review tackles this problem and the information about performance provided by this system is directly related to each programme. The direct link between the performance and budget allocation within this framework has been already mentioned in Chapter 7. As seen in the practice of budget allocation within the framework of the Programme Review, performance information is directly linked to the budget. In the MOGAHA, among 17 programmes evaluated in 2005, 5 fell into the ‘unsatisfactory’ category and the budget of those programmes was reduced by 20.9 billion KRW (MOGAHA 2006b: 4). The principle of a 10% budget reduction for ‘unsatisfactory’ programmes may be suggested as an innovation of budgeting, considering the incremental budgeting practice that has existed for decades.

Personnel Management

Using the evaluation results in personnel management is one of the intended uses of performance information and motivating individuals within the GPE framework. Such a way of using performance information has been prescribed not only in the GPEFA but also in its older versions. However, as with budget allocation, the possibility for such use of performance information has been limited (Lee *et al* 2004: 47). This is because the GPE has been a framework for evaluating performance at the organisational level. It has been difficult to clarify who contributed to the achievement of objectives through the performance information provided by the GPE. Consequently, using the evaluation results in personnel management practices was an impossible task.

The Performance Agreements introduced in late 2005 strengthened the link between individual performance and personnel management. It is a general principle to

link performance to the decision about individual promotion and performance pay and bonus. The CSC, which introduced the framework, let departments select their own methods of operation. As mentioned already, the MOGAHA has classified individual performance into four grades of S, A, B, C, and paid different amounts of performance bonus for the civil servants in accordance with their grades. Another important aspect of using performance results in personnel management is the promotion. In the Korean civil service, promotion is one of the biggest issues and greatest concerns of the civil servants. The majority of the civil servants are recruited by grades not position and receive the same salary regardless of their job. They are supposed to be promoted at some time after serving the minimum period for the promotion to an upper grade. Departments produce lists of candidates for promotion according to the merit and career scores of individuals, and the person in the highest rank is promoted first when there is a vacancy. As mentioned in Chapter 6, the traditional method of scoring was biased toward seniority, which emphasised the length of career. Although the system had a score of merit to be considered in promotion, the convention was to give higher scores to the senior members regardless of the real performance. However, such unreasonable practices have disappeared since the Performance Agreements were introduced in the culture of performance management emphasised by the President. The introduction of the Annual Plan for Performance Management also boosted the link between performance and personnel management. All departments, including the MOGAHA now carry out assessment of individual performance in accordance with the actual performance results, not the period of their service in the organisation. The evaluation results are recorded permanently on individual performance management files, and used not only for promotion, but also for other purposes such as transfer and job posting.

Those new practices demonstrate the changed performance-oriented culture in the Korean civil service and the significance of the Performance Agreements framework. Interviewed civil servants also responded that they thought the framework was an important factor that influences the decision of their personal matters such as promotion and pay. They agreed that the fairness of personnel management was improved by the framework.

Planning

Another possible way of using performance information is in planning. At the start of every year all departments report their annual business plan to the President. The

plan contains the major tasks to be carried out to achieve the mission and strategic objectives of the department. It is like a blueprint that shows the priorities of the department for the year. It was descriptive and contained the aim and methods of accomplishing the tasks. This has been a long tradition in the Korean government. The tasks included in the annual business plan have often been selected as the objects of the GPE and its predecessors. However, there was no specific monitoring mechanism to track the progress of the plan. The significance of the plan was rhetorical and it lacked binding power.

The character of the annual business plan was changed in 2005 when the President ordered it to be designed with the elements of performance objectives and indicators. Soon the plan became a synthesis of all important performance management plans such as the GPE, FPMS, Performance Agreements and the Annual Plan for Performance Management. The performance objectives and indicators included in the annual business plan are linked to those of each performance management system, and performance of the previous year is an important element considered in drawing up the business plan. There is a systematic link between them. However, it is also possible to criticise this for duplication and bureaucracy. At any rate, it is clear that the annual business planning has a close link to other performance management systems and performance information generated by them.

5. Effects of Performance Management

Accountability

It seems that accountability has not been a dominant subject of research among Korean academics of public administration. It is different in the UK where the doctrines of ministerial responsibility and Parliamentary accountability have been established and are at the centre of both academic and political debates. In Korea there are neither such established concepts with regard to accountability, nor much research on accountability. The reason for this may be found in the short history of democracy and the dominance of economic development policies in the Korean 'developmental state'. Until the late 1980s, the priority of national policy had been in economic development, which dominated other values in the society. As a result, at least in appearance, there was little interest in the concept of accountability during the long period of authoritarian

governments since early 1960s. The different aspects of the development of the theory of accountability might have originated from the difference of the constitution and political system, the written law of Korea and English common law and the politics based on those systems. One example of difference is that ministers in Korea are classified as civil servants by the National Civil Service Act. The Korean Constitution prescribes that 'civil servants are accountable to the people.' One interesting point about the Korean civil servants is that most of the departmental websites publish brief job descriptions together with names, email addresses and phone numbers. And civil servants – not only senior officials but also juniors – do quite often appear openly on media including TV, radio and newspapers to explain government policies and sometimes to express their own opinions. Mid-level civil servants are frequently seen being interviewed regarding government policies. The openness of civil servants regarding government policies has been institutionalised by the presidential decree, 'Regulation of Business Management' which introduced a 'real-name public policy system'. This system mandates the record of the identity of civil servants involved with government policies and programmes. It was introduced to improve accountability of civil servants, whilst encouraging them to make decisions with more prudence. As suggested by those practices and regulations, it has been the civil servants who have been sacked or submitted to a disciplinary measure for policy failure. However, in the UK civil servants provide advice to their ministers and remain anonymous, and ministers make the decisions and take the responsibility not only for the decisions but also for the mistakes of the civil servants (Pilkington 1999: 46-48). Thus, the accountability system is remarkably different between the UK and Korea. Considering that what is conventionally forbidden in the UK is a normal and institutionalised practice in Korea, it is quite natural that there is no such doctrine of ministerial responsibility in Korea. In short, the concept of accountability is approached from the perspective of collective civil servants or a bureaucracy, and it is civil servants who are blamed for any failure or error.

The analysis of the effects of the performance management system on accountability can be divided into external and internal accountability. External accountability is related to political accountability and internal accountability is related to managerial accountability (Law 1999: 83-91). Political accountability is composed of the accountability to the public and to the parliament. Politicians are accountable to the public for all aspects of performance through elections, and the government is accountable to Parliament for efficiency and probity through Parliamentary questions

and Select Committees (Law 1999: 83). These explain the accountability mechanisms in the UK political system, but need some reconsideration before they can be applied to the Korean system. As just explained, civil servants are important actors regarding the question, ‘who is accountable?’, and indeed they have been held accountable both internally and externally. This does not mean that politicians are free from accountability to the public. The accountability of civil servants is less important as far as the accountability to parliament is concerned, because officially it has been ministers who answer the parliamentary questions and respond to the General Audit of the Government conducted for every aspect of the tasks of each department by the National Assembly every year. In summary, civil servants as a bureaucracy are important actors to be considered together with politicians in the analysis of accountability to the public, whereas the politicians are more important in the analysis of accountability to the parliament.

Taking those into account, analysing the accountability to the public is not straightforward because there is no established mechanism within the frameworks for the public to hold the government or the civil servants accountable. Moreover, the performance management frameworks do not make the relationship with the public clear and there is no statement like ‘who is responsible for delivery?’ as found in the PSAs. In Korea there are no units like Boards of Management, which can officially be accountable for performance and the accountability has been often diffused through the hierarchical lines of management. It becomes even less clear in that the focus of performance management is not on the improvement of services but on the internal processes. The PSAs were claimed to be an agreement with the public, but Korean systems lack such a concept. The keynote of the performance management systems in Korea is suggested as realising a good government, inculcating a proper performance culture or effective performance management (OGPC 2006c: 3; MPB 2006b: 1). The remark about the quality of public services was made only with the Performance Agreements (CSC 2006: 2). As is evident from this structure, the focus of the performance management systems in Korea is more on internal management than the relationship with the public. Consequently, the improvement of the accountability to the public, which might have been possible through the publication of performance objectives and performance reports has been more ideological and abstract than practical.

The accountability to the National Assembly is more institutionalised. The GPEFA prescribes that each department should report the evaluation results of the GPE,

the Strategic Plan for Performance Management and the Annual Plan for Performance Management to its Standing Committee. However, as it has been in the UK, it seems that there have been few queries and discussions about the performance in accordance with the performance management systems represented by the GPE and FPMS. The report of the evaluation results of the GPE has been substituted with the submission of the paper. It goes without saying that the Standing Committee scrutinises and discusses performance issues of policies and programmes; however, they are addressed from a general perspective not specifically in line with performance management framework. In this regard, it may be argued that the operation of performance management systems has contributed little to the improvement of the accountability of the government to the National Assembly. However, the responsibility to report the evaluation results and performance management plans may have some effect, because departments come to recognise that scrutiny or inspection can happen anytime.

In the absence of an effective mechanism for improving accountability, a positive aspect with regard to accountability was found in the attitude of civil servants. All the interviewees from the MOGAHA responded that they were feeling more responsible for their duties related to performance objectives and targets. They pointed out the performance bonus and promotion as the main factors for their increased feeling of responsibility. However, the increased feeling of responsibility for their duties is not directly linked to accountability to the public; it is more internal and managerial. It seems to be necessary to build upon this feeling of responsibility and to make it contribute to the improvement of accountability.

Improving Performance

The primary purpose of performance management is to improve performance, defined as the quality of services and customer satisfaction. Improving accountability, resource allocation and control are secondary purposes. In this sense, it is natural to expect the improvement of performance when the government manages performance through a systematic framework. In the case of healthcare in the UK, there have been many visible improvements in performance made since the publication of the PSAs. For example, waiting times and lists have been reduced drastically. Other indicators in A&E services also show improvements. However, in Korea it has been difficult to see the improvement of performance, i.e. the achievement of objectives and targets, because most of performance indicators are changed once they have been measured in the

previous year. It has been discussed in Chapter 6 that such a change indicates the lack of consideration of priorities. When the small number of performance indicators that remained since the next year are examined, the numerical value of the measured indicators shows improvement. In this respect, it might be said that managing performance through indicators can improve performance that is identified by numbers.

One important point, which should be born in mind in understanding the improvement of performance in terms of indicators, is that such an improvement does not always mean the improvement of service. There may be a ‘separation of performance improvement and service improvement’, especially when the performance indicators do not reflect the core aspects of the services. Likewise, the improvement of performance identified by numbers does not match the improvement of services when the targets are intentionally set low. Indeed, it has been found that some of the targets have been substantially over-achieved. Whereas insufficient research or sharply changed circumstances resulted in such big differences between the target and the real achievements for some of the targets, some of the targets were set intentionally low in order to make them easily met (OGPC 2006a: 59-60).

Exercising Control

Operating a performance management system can be useful for the control of organisations or policies. Usually such a possibility is not officially announced, however, it seems that some organisations have considered it and used performance management system for the purpose of control. Among the three performance management systems dealt with in this thesis, the GPE and FPMS – especially the Programme Review – seem to have been used as tools of control to some extent. On the contrary, control by the Performance Agreements framework has not been prominent.

Firstly, the GPE can exercise control in designing the evaluation criteria and the review process by the OGPC and GPEC. As departments should consider the evaluation criteria in every stage including performance planning and implementation of programmes, it would be possible for the OGPC and GPEC to direct departments differently through different criteria. However, it is difficult to find a case of this, because the evaluation criteria mostly remained the same every year. Nevertheless, control is still possible by changing the evaluation criteria. Reviewing departmental Self-evaluation is an effective means of control for the OGPC and GPEC. They check fundamental facts and data, which support the Self-evaluation results, provided by

departments. They also analyse the appropriateness of performance indicators, and recommend reconsideration of indicators that they think are inappropriate. Every year they produce a general report of the GPE, which contains a brief analysis of contents, methods of implementation, problems and recommendations with regard to policies and programmes. Departments sometimes had to persuade the OGPC to make changes when they thought the analysis or the recommendations were wrong. Sometimes minor conflicts were generated by sensitive issues. It has been found that civil servants think that departments like the OGPC and the MPB interfere with departmental business that they are not well acquainted with (NABO 2006a: 33). Although the OGPC did not always win those arguments and conflicts, such a process has been the means of control within the GPE framework.

Departments other than the OGPC, such as the MOGAHA and CSC could also hold a certain amount of control through the evaluation of organisational management and personnel management within the GPE. According to the research of C. O. Park (2007: 306-308), who did a survey of civil servants, the MPB, MOGAHA and CSC were included among the four most powerful departments. The OGPC was excluded from this survey. As mentioned before, the MOGAHA is the superintendent department of the evaluation of innovation and organisational management, and the CSC is superintendent of personnel management. The scope of their control lies in the design of evaluation criteria. They can add what they think is important as an indicator and remove those they regard as unimportant, or adjust the weights of indicators. According to Ryu (2007: 33-34), a senior official who was in charge of the evaluation of personnel management in the CSC, the CSC made a significant revision of the evaluation criteria in 2007. It goes without saying that the new evaluation criteria reflected the judgment of the CSC on the desirableness and importance of indicators.

Secondly, the control by the MPB through the FPMS was most visible with the Programme Review. The background of the introduction of the Programme Review was a new budgeting system known as a Top-down System in which the MPB decides the total expenditure limit for each department and each department retains autonomy in distributing it to each programme. The purpose of introducing the Programme Review has been officially stated as monitoring and engaging with the allocation of budget among programmes within departments under the new Top-down System (Bang and Yoon 2006; MPB 2006b; NABO 2006a: 20; Yoon and Park 2005: 143). Indeed, as discussed earlier, the MPB has made departments allocate reduced budgets for programmes with poor performance. In addition to the direction regarding the direct

link between performance and budget allocation, the MPB could expand its influence with the recommendations accompanied by the meta-evaluation of the departmental Programme Review. With regard to the performance indicators developed by departments at the early stage of the FPMS, the MPB reviewed the appropriateness and recommended change when they seemed to be too much input or process oriented. For example, when the MOHW presented ‘secure sufficient amount of stock of vaccine’ and ‘prepare isolated rooms for patients’ as a performance indicator of the performance objective, ‘prevention and elimination of infectious disease’, the MPB recommended the indicator to be changed to ‘proportion of infection, treatment and recovery’ (Jin 2006: 26).

In contrast to the GPE and FPMS, the scope of the Performance Agreements for controlling other departments has been very limited. A senior official in the Performance Planning Team of the CSC, which was in charge of introducing the Performance Agreements, said:

I have not thought about intervening with departmental operation of the Performance Agreement. Departments retain the autonomy to set their own methods of operation. We only provide minimum guidelines for departments to choose the best way for them. It is impossible for us to control other departments through the Performance Agreements framework. Controlling is not the proper nature of it.

The limited scope of the Performance Agreements for controlling other departments is something that could be expected, because it is a framework for individual performance. Besides, the recent decentralisation of personnel management would have made departments more independent of the CSC, and this might have affected the power of control of the CSC. However, as discussed earlier, the CSC still holds some influence on the issues of personnel management in departments through the GPE framework.

Power Dynamics

The recent development of performance management has been highly affected by the strong leadership of President Roh who emphasised innovation. He was from the left-wing and tried to change Korean society that had been ruled by right-wing politicians for 50 years. He invested more resources into the public sector than the previous government. He wanted to manage those processes effectively and relied on performance management to do so. With his time in office limited to a single 5 year term by the Constitution, the President of Korea could not plan with long-term vision.

He had only one chance. He had to establish a new system and demonstrate results quickly, which can explain the rapid changes in the Korean government.

The Office of the President and PCGID supported the President on the one hand and had influence on the direction of innovation on the other. As mentioned already, they played a direct and important role in setting the agendas and direction of innovation, although they were advisory organisations in their nature. In this process, the MOGAHA has been the most powerful and supported department having the Headquarters of Government Innovation, which had mighty power. The Minister of the MOGAHA has always been the person who was most trusted by the President and shared ideas with the President. With a powerful Minister, the MOGAHA could drive forward agendas under the rhetoric of innovation. It can be said that additional power was given to Directors in the Headquarters of Government Innovation accompanied by the evaluation of government innovation, one of the Specific Evaluations in the GPE.

As noticed from the case of the MOGAHA, evaluation has been an important tool for departments to exercise control over other departments. As has been mentioned in Chapter 6, such a tendency of departments resulted in the ‘evaluation society’ and caused negative effects. The movement for numerous evaluations in the name of performance management was accelerated by the interest in performance management of the President whose term ended in February 2008. The new President from the opposition party has not yet mentioned innovation or performance management in his official statement. The powerful Headquarters of Government Innovation has been abolished. It is clear that there will be some change. However, it is difficult to ignore the importance of performance management in that the new President’s priority is efficiency. It is possible to expect the focus of performance management would be shifted to efficiency from the abstract notion of innovation.

Incentives and Motivation

Within the GPE framework, there have been annual awards to several departments which achieved excellent performance and to several individuals who most contributed to the performance. The awards are prescribed in the GPEFA, which the GPE is based on. Departments to be awarded have been selected in accordance with their scores, but there have been no objective criteria in the selection of individual awards. Usually the individuals have been selected in departments with high scores by internal decision-making or individuals who made a significant contribution to the

improvement of policies or programmes. For the individuals who have been awarded, it has been an honour rather than a direct benefit of, for example, promotion or pay increase. The number of individuals awarded has been very small compared with the total number of civil servants. In 2007, 53 civil servants and 12 departments were honoured for their contributions to the GPE performance, which means less than two individuals in each department. On the other hand, departments of which any programme is assessed to be problematic have to draw up a redress plan, and the OGPC and GPEC monitors the fulfilment of the redress plan. It has been an arranged procedure of the GPE, and has the effect of a penalty because no department welcomes the burden of drawing up a redress plan and fulfilling it. From the standpoint of ministers, it is never good to have many programmes classified in this category, as that will damage their reputation, which is very important as politicians and for gaining the recognition of the President.

The GPEFA prescribes the use of evaluation results in budgeting and personnel management to make the GPE an effective tool of performance management. However, as discussed earlier, the nature of information provided by the evaluation is not appropriate for use in budgeting or personnel management. The information regards organisational dimensions, which makes it difficult to apply to personnel management. As the cases of some civil servants who have been awarded when it was clear that they contributed to the improvement of programmes, the GPEFA prescribes such individuals to be recognised in departments by performance bonuses and special benefits in personnel management. However, such rewards in the individual dimension should also be based on the results of the Performance Agreements and the Annual Plan for Performance Management. Thus, the scope of the results of the GPE for affecting those rewards was likely to be limited. With regard to using the evaluation results for financial purposes, mainly budgeting, there is no established systematic mechanism to link the information to budget allocation. The available way of creating this link is to consider the evaluation results in each stage of budgeting process. It is expected that, generally, increasing or allocating large amounts of resources for programmes of poor performance would be difficult. In some cases, resources may be increased to secure performance where the cause of the problem is attributed to a budget shortage. Consequently, using the evaluation results for financial purposes seems to have been more feasible than using the information in personnel management, even though it falls short of the direct link between performance and budget allocation.

There have been some other means of motivation such as the publication of results and holding an open briefing session of the evaluation results, which the President takes part in. Every department has to open its performance report to the public through their website, and the ministers have to report them to the National Assembly. The attendance of the President at the open briefing session demonstrates the interest of the President in evaluation, and it is another factor that makes departments strive for best possible evaluation results. The OGPC (2007: 31) supposes that these motivations have had positive effects in making departments try to perform better and get better scores.

The Programme Review of the FPMS has been effective as an incentive to improve performance with regard to the planning, implementation and management of programmes. The established principle to cut at least 10% of budget for ‘unsatisfactory’ programmes has been quite effective. An official in charge of the Programme Review at the MOGAHA responded in the interview that managers pay great attention throughout the whole process of programmes to prevent them from falling into the ‘unsatisfactory’ category. According to the survey conducted by the NABO (2006a: 41-43), it has been found that civil servants generally have a positive perception of the principle of linking performance to budget allocation, whereas there is dissatisfaction about the Programme Review system itself. NABO (2006a: 41) states that the reason for the dissatisfaction was largely caused by the duplication of evaluation and bureaucracy. When the Programme Review was first implemented in 2005, there were many evaluations that were supposed to evaluate the same policy objectives or programmes. The feeling of inefficiency and bureaucracy in the civil service at that time may have caused some negative attitudes toward the introduction of a new evaluation system, the Programme Review. Indeed, all the interviewed civil servants from the MOGAHA responded that they thought the problem lay in the operation process and the behaviours of the related actors, whilst agreeing to the necessity of performance management. Although the design of individual systems had no major problems, the duplication of different systems and the bureaucracy have been obstacles to maximising motivation.

The incentive mechanism in the Performance Agreements is the utilisation of the evaluation results in personnel management including promotion, performance bonus, training and job positioning. Such a principle is briefly prescribed in the Presidential decree, on which the Performance Agreements framework is based, the Regulations of the Civil Service Performance Evaluation legislated in 2005 and came into effect in 2006. Before this regulation there was no such use of the evaluation results. As

mentioned earlier, the MBO had been used for performance management before introducing the Performance Agreements. One of the reasons that the MBO became meaningless for performance management is that there was no incentive mechanism within the MBO framework. In contrast to the MBO, the Performance Agreements have been regarded as a more effective tool for performance management because the evaluation results have been used in decision making about promotion and performance bonus, both of which are highly significant for individual civil servants. The detailed method of the distribution of performance bonus in the MOGAHA was mentioned in Section 4. Another effective incentive is using the evaluation results in making promotions. The aspect of promotion was also explained in Section 4. Training is a further area that has been connected to performance. Originally training was to offset the gap between the required ability and current ability. It means that training is for the people with low competency or performance. The training system in the Korean government is divided into domestic training and overseas training. Overseas training is divided into short-term training and long-term training. The long-term training is generally for one or two years of research at universities, research institutions or public sector institutions, which can be a great benefit for civil servants because the government pays tuition and living allowances. As the internal competition for the long-term training is quite high, considering performance in selecting the recipients of the long-term training – as happens in most departments currently – can be another effective mechanism of incentives.

Overall, as the wave of performance management and evaluation has taken over the Korean government and civil service, many traditional practices have been changing. One of the important aspects of this is the attitude of civil servants toward the new performance-oriented culture. Traditionally the civil service was a safety zone where pay and promotion were secured regardless of the real performance, and the civil servants were not familiar with the term ‘performance management’. However, it seems that the significance and real impact of performance on promotion and pay have been incentives to change their behaviours and attitudes toward performance management. The President’s enthusiasm about performance management could also be suggested as another very important factor of the change. According to recent research, the majority of civil servants have a positive attitude toward the notion of performance management (Park 2006; NABO 2006a). However, there have still been quite a few criticisms and complaints, mainly about the number of evaluations and the unnecessary bureaucracy. Most of the criticisms were expressed with regard to the GPE. Whereas the interviewees

were less critical of the processes and contributions of other systems, they were more critical of the GPE. This different attitude to the GPE indicates that the GPE has not successfully inculcated a proper performance culture of voluntary participation in the civil service, apart from the formal compliance to the regime. Another important point to pay attention to is the side effects of the incentives such as using performance results in promotion and pay. Many civil servants have said that cooperation is becoming difficult. Bringing the culture of competition into the civil service might be productive in some points. However, too much competition could increase the costs of performance management and delay the improvement of performance by hampering the cooperation as well as sharing of knowledge and experience, which might be necessary for the improvement of performance in wider perspective.

6. Conclusion

This chapter has examined the characteristics of performance management in Korea with evidence mainly from the MOGAHA. According to the findings, the case of Korea shows a similar trajectory to the case of the UK. The degree of change caused by the introduction of performance management systems has been radical considering the nature of the traditional ways of internal management such as the seniority rule of personnel management and incrementalism in budgeting. The speed of change has been fast, as seen in the introduction of the BSC system. Performance management systems such as the GPE have been instruments for the President to secure a picture of departmental performance, and a mechanism for the Prime Minister to control departments. Ministers also could use performance management systems as tools for realising departmental missions. Generally, civil servants have shown compliance with the operation of performance management systems; there would have been influence of the traditional culture of conformity at work here. Performance information has been used for other management purposes such as budgeting, personnel management and planning. The full-scale direct link between performance and budget allocation by the Programme Review is a good example of using performance information in budgeting, which is difficult to find in the PSA framework and even in its benchmark, the PART of the US. Integration with personnel management such as promotion and pay has been an important factor that made the performance management systems effective and secured the compliance of civil servants.

The effects of the performance management have been analysed in the dimension of accountability, improvement of performance, exercising control, power dynamics and incentives and motivation. The effects on accountability are ambiguous. Career civil servants as well as ministers are accountable for their performance to the public. However, the performance management systems lack a proper mechanism for accountability to the public. There is no visible impact on accountability to the National Assembly, either. Departments have to report the evaluation results of the GPE and annual performance management to the National Assembly by law. However, in practice it is being substituted with paper reports. Parliamentary questions about departmental policies and programmes are not specifically made in line with performance management framework. Nevertheless, it is difficult to assert that the performance management systems have not contributed to improving accountability. This is because the publication and submission of the reports would have some effect on making departments be more prudent and make efforts to improve performance. The problem is that it is difficult to verify the improvement of accountability. Tracking the improvement of performance is not easy to do, because most of the performance indicators are changed each year. This indicates many objectives are set on a short-term basis, and there is little consideration of priorities. The aspect of control was most salient with the Programme Review, which has the direct link between performance and budget allocation as well as the element of recommendations. The GPE also could be used for the purpose of control and coordination through the design of evaluation criteria. The three performance management systems have institutionalised mechanisms of incentives such as using the performance information in personnel management practices or budgeting. Those incentives have had some positive effects on motivating civil servants to recognise the necessity of performance management, whilst causing negative effects on cooperation between individuals or teams. The negative attitudes and complaints have been mostly related to the GPE, rather than the other systems. Too much focus on the process, remaining duplication and bureaucracy may be suggested as the reason for that.

This chapter has shown that many aspects of performance management in the Korean government are similar to those of the UK government. In terms of our opening three purposes, first, the chapter provides counterevidence of the research of Pollitt (2006a, 2007a, 2007b), and may be suggested as evidence of the convergence of the NPM-type reform. However, this does not mean that the performance management systems in the UK and Korea themselves are wholly similar. The GPE needs to be

clarified with regard to its identity whether it is a framework for the improvement of internal management or a framework for the improvement of performance in terms of results and outcomes. The second purpose, of providing evidence, is intrinsic to the discussion whilst the third purpose, providing raw material for comparison, identifies similarities and differences between the two countries, which are compared in the next chapter.

Chapter 9

Comparative Analysis

This chapter provides comparative analysis on the basis of the empirical data on the detailed practices of performance management which have been suggested in the previous case study chapters. The purpose of the comparison in this chapter is to test the hypotheses derived under the assumptions of the divergence theory of the NPM. The comparison is also useful for lesson-drawing for both the UK and Korean government. In this regard, this chapter reviews and summarises the similarities and differences between performance management in the UK and Korea under the following seven topics prior to drawing a conclusion on the whole thesis. These topics have been selected as the key foundations underpinning the four comparative hypotheses and the characteristics of a good performance management system presented in Chapter 3.

1. Comparison of the Performance Management Systems

The Purpose of Performance Management

Looking at the various aspects of the performance management system in the UK and Korea has provided insights into the purposes of performance management systems which are different in the two countries. The OECD (1997: 97) described the objectives of performance management in the UK as effective delivery of high quality services and improving accountability and value for money. They were defined mainly with the experiences of the Next Steps reform, which institutionalised the separation of implementation from policy and increased the use of performance targets. However, because PSAs have become the major performance management system of the UK, it is worth rethinking the purpose of performance management. Generally the objectives derived from the Next Steps are still valid. The PSA White Papers announced that the PSAs would improve accountability, value for money and the quality of services. They were referred to as agreements with the public. In addition to these official statements, another important purpose of performance management through the PSA framework has been the control of public expenditure, which can be interpreted as increasing control of

departmental policies. The PSAs have had a close link with the Spending Review process. Consideration of resource allocation has been informed by the achievement of PSA targets. They have been the mechanism of realising the priorities of New Labour. Departments could negotiate their PSA targets and resources with the Treasury, but generally the Treasury has been in the dominant position as a final decision maker. In summary, the purposes of performance management in the UK represented by the PSA system can be enumerated as:

- (a) improving the coordinated delivery of high quality public services,
- (b) improving the accountability and transparency of the government through the publication of the performance targets and reports,
- (c) strengthening the control of public expenditure and policies.

Meanwhile, the purpose of introducing performance management systems in Korea is somewhat different. With regard to the GPE, the GPEFA prescribes its aim, as improving efficiency, effectiveness and accountability of the government. However, considering the practices of the GPE as well as its institutional structure and process, the elements of improving effectiveness and accountability are less visible than the elements of evaluation. The evaluation would be useful when the evaluation results, i.e., performance information, are used for improving performance and other internal management. The GPE has not been successful in this point. It seems that the GPE regime in reality has enforced evaluation for evaluation's sake, which was caused by bureaucracy, duplication of evaluation, lack of priority and process orientation. The FPMS, especially the Programme Review, has been focused on the link between performance and resource allocation. The main concern here is the efficiency of resource allocation indicated by the principle of allocating less where performance is poor. The foremost function of the Performance Agreements has been in personnel management rather than improving public services. Consequently, the purpose of performance management in Korea represented by those three systems is controlling processes with a worrying level of complacency about results.

As pointed out in the evaluation criteria of the GPE and the Programme Review and the focus on efficiency in the Programme Review, there is little emphasis on improving the quality of public services in performance management in Korea. This is the most striking and fundamental difference between the two countries. Unlike the PSA framework, the targets in the Korean systems are not cascaded down through the delivery chain. All the targets are managed at the departmental level. As many public

services are provided by executive agencies, public and privatised corporations and local authorities, targets of service improvement cannot be owned only at the departmental level. A large part of the performance reports or evaluation reports deals with policy management processes and does not provide useful information about the improvement of public services or how to tackle obstacles to effective delivery. They just describe improvements in the management processes and progress against targets. It is different from the performance reports of the PSAs, in which the improvement of services is the main concern and the improvement over time is tracked by consistent measures. This provides evidence of the lack of interest in service improvement and an over-focus on the management process in the Korean performance management systems. This awkward structure of performance management has unnecessarily raised the workload of central departments whose main role should be policy development. Managing many inappropriate performance targets, which are focused not on the improvement of public services but on the management of the process, has hardly yielded any benefits to the public and has only wasted resources – both financial and human – which could be used for other purposes.

Target Setting

The issues and practices of target setting in the two countries show quite a different picture once again. The difference originates from the different orientation of performance management and evaluation demonstrated above. In the UK, targets are negotiated between the Treasury and each department. Agreed targets are cascaded down through the delivery chain and many sub-targets are generated. Thus, the control of the Treasury, the problems of national top-down targets and consultation with stakeholders and delivery partners emerge as important issues. The PSA framework, especially in health, demonstrates many of the side effects of performance management reviewed in Chapter 3. However, in Korea targets are set by each department, rather than being negotiated, and remain at the departmental level. Central control, top-down targets and consultation of targets are not important issues in Korea. Accordingly, the problems caused by such issues (e.g., resistance of professionals and infringement of local autonomy) in the UK are hardly found in Korea with regard to the operation of its performance management system.

Instead, problems of a different nature are found in Korea. They are related to the selection of objectives and targets. Unlike the UK where the consideration of policy priorities plays a large role in setting the objectives and targets, the Korean performance

management systems deal with each policy and programme of departments without consideration of priorities. Thus, one potential function of targets, suggesting the priorities of the government, has not been achieved. Another problem originates from the freedom in the selection of the objectives and targets. As a result of departments setting objectives and targets at their own discretion, it has been possible for them to avoid setting difficult objectives and targets to attain higher level of performance. Interviewees from both the MOGAHA and MOHW mentioned this.

Using Performance Information

The uses of performance information are quite similar between the two countries compared with differences found in the purpose of performance management or target setting. Both countries show the vigorous use of performance information for budgeting, personnel management and planning, as analysed in the case studies. Resource allocation is informed by the performance of the previous financial year, performance-related pay and bonus is widely used, and annual business planning is linked to the performance management system in both countries. However, a slightly different aspect is found in the resource allocation. Within the PSA framework, although performance against targets is considered in resource allocation, there is no direct and clear link between them. In Korea, the direct and clear link has been institutionalised by the principle of 10% budget reduction for any programmes falling into the ‘unsatisfactory’ category in the Programme Review. Although the appropriateness of such a principle is questioned, it shows the direction of financial performance management in Korean government, which is quite unique. Indeed, it is quite a surprising and radical feature of performance management in Korea compared with that of the UK which is one of the countries with a high commitment to performance management (Bouckaert and Halligan 2008: 131).

Incentive Mechanisms

Incentive mechanisms can be divided into personal and organisational dimensions. Firstly, personal incentives are mainly associated with personnel management in terms of pay and promotion. As the theories of motivation suggested, there are many other important factors of motivation beyond just pay and promotion. However, because of its convenience, performance pay and bonus have been the most common ways of rewarding in both countries. The proportion of performance pay and

bonus to total pay has been increasing in both countries, in line with the development of performance management. Especially in Korea, performance pay and bonus seem to have had significant influence on changing the administrative culture in Korea as demonstrated by the interviewees who were concerned about the problems of competition and cooperation between organisations.

Secondly, performance monitoring, performance reporting and the consideration of performance information in resource allocation are common mechanism of incentives for departments to comply with the performance management regime in the UK and Korea. There are league table schemes in both countries. In the UK, published performance ratings in education and health have attracted huge interest. On the other hand there were unpublished league tables of departments on the achievement of targets produced by the PMDU. This is similar to the ranking of departments in accordance with the scores given by the GPE in their significance and effects. They do not attract much attention from the public, but they are important for each department as an internal 'name and shame' mechanism, which would stimulate departmental leadership to make efforts to improve performance. Meanwhile, resource allocation informed by performance information is the key incentive for departments who have always wanted to protect their budgets. The UK Spending Review process has considered performance against the PSA targets. The foremost aim of the FPMS in Korea has been linking budget with performance. The Programme Review in the FPMS has created a direct link between them which has provided the MPB with an effective mechanism of public expenditure control. Concluding from the evidence, the existing incentive mechanisms in the two countries seem to have been generally effective in securing departments' compliance to the performance management regimes.

Accountability and Transparency

In the PSA framework, accountability is secured through monitoring and reporting, and transparency is secured through the publication of the performance plan and performance reports. The PSAs coupled with the Spending Review enumerate public services and targets on which the money from the public will be spent. Performance reports, which are made public, highlight what has been improved and what is slipping. In addition to this reporting process, periodical monitoring of progress against targets has been regarded as a factor for facilitating the improvement of accountability to Parliament and the public. However, the role of Parliament in the PSA

process has been quite limited. The external review of performance information by an independent body has been rejected by the Treasury. Missing the PSA targets has not been a significant enough factor to force ministers to resign. The absence of formal and legal sanctions and ineffective Parliamentary scrutiny of the PSAs have undermined the ambition of a 'fundamental change in the accountability of government to Parliament and the public' making the improvement of accountability assumed rather than evidenced. Improvement of accountability was institutionalised effectively only internally, through accountability of spending departments to the Treasury.

In Korea the framework of accountability and transparency is similar to that of the UK, monitoring and publishing performance reports. However, looked at in detail, the picture is gloomier than that of the UK. The PSA framework at least contains the idea of public accountability embodied in the targets and standards of core public services. In the Korean system, although objectives and targets are set, the main concerns are not placed on the quality of services but on the management processes. Once attention is paid to the process, whether the outcome has been achieved and expected results have been achieved is not given serious attention. It is a situation of goal displacement, one of the pathologies of bureaucracy, which adheres to the pre-determined rules and processes, and it may not be a problem limited to Korea. However, because the focus of performance management is on process and the systems do not deliver public accountability, the impact of goal displacement is more serious. One positive sign is the feeling of increased responsibility of the civil servants, though it is still not enough to be interpreted as the improvement of accountability to the public.

In conclusion, the improvement of external accountability to Parliament and the public is not as clear as the improvement of internal accountability in both the countries. Transparency seems to have been improved by the publication of performance plans and performance reports. To ensure the improvement of accountability and transparency, Parliament should play a more active role in the performance management process, and it may be necessary for an independent body such as the NAO and Audit Commission to review the performance reports.

The Operation of Internal Control

The two countries show some different trajectories between the control of public expenditure and policies. Whereas the Treasury of the UK holds a secure grip on the control of both spending and policies through the PSAs and Spending Review, control of the MPB in Korea is mostly on spending. The introduction of the FPMS has not

enabled the MPB to exercise control over departmental policies. Traditionally, in Korea intervention in departmental policies has not been the remit of the Ministry of Finance. Consequently, the Treasury holds far more power over spending departments than the MPB or OGPC does. Such a strong power of the Treasury is also peculiar among European countries (Bouckaert and Halligan 2008: 138)

At the level of the Prime Minister – the President in the Korean case – and other ministers, the importance of performance management systems as a tool of control and managing organisation can be found in both countries, as shown in the case studies. This seems to be a more significant element in the comparison of the practices of performance management than the power of the Ministry of Finance, which may have been shaped prior to the introduction of performance management system.

The Nature of Reforms: Speed and Radicalness

The highly centralised majoritarian system of government and the individualistic culture and low uncertainty avoidance in the UK are contrasts to the *Rechtsstaat* model of administration, collectivism and high uncertainty avoidance culture in Korea. According to the hypothesis generated from the different consequences that would be caused by the different politico-administrative and cultural background, the UK should show more radical and high-speed changes with regard to the introduction of the performance management system than Korea. However, as discovered in the case study, Korea also shows radical and high-speed changes. This has more significance because the political system in Korea is less centralised compared with the UK system. The election of the President and the election of the members of the National Assembly are separated, and the President's party may not be the majority in the National Assembly where the reform initiatives as well as policies of the government are scrutinised.

In Korea the changes in the traditional ways of making decisions on personnel management issues such as pay and promotion have been radical. The seniority rule of pay and promotion is being substituted by performance. The introduction of the Programme Review and its principle of budget reduction have put a break on the conventional incrementalism in resource allocation. The introduction of new performance management techniques of BSC demonstrates the speed at which departments have been moving forward for performance management reforms. Even though the introduction of BSC did not need legislation, it is an example that can explain how quickly a new initiative can be introduced in Korea.

2. Implication of the Comparison

In Testing the Theory

The comparison of performance management practices between the UK and Korean government is very revealing and demonstrates the advantages of a comparative approach. It has been useful in testing the hypotheses based on the argument of the critics who argue for divergence in adoption of the NPM-type reforms, based mainly on the perspective of historical institutionalism. Pollitt (2006a, 2007a, 2007b), as one of the main critics of the convergence argument, argued and demonstrated the different trajectories and practices of performance management resulting from the different politico-administrative and cultural backgrounds of countries where the NPM-type reforms were introduced. This thesis has derived four hypotheses to test the relationship between those backgrounds and real practices and trajectories of performance management seen in the case studies of the UK and Korea. Because the differences are stark, it was expected that they would show different trajectories and practices in the operation of performance management as Pollitt (2006a, 2007b: 158) and van Thiel and Pollitt (2007: 68-70) have demonstrated in their comparative research on several European countries.

However, as discovered in the review of the structure and processes of performance management systems and the case studies, the practices in Korea have shown a very similar picture to those of the UK. It is more surprising considering that the differences of background between the UK and Korea are by far greater than the differences between the UK and other European countries studied in previous research, which demonstrated that different backgrounds lead to different pictures of performance management. In this regard, the comparison between the UK and Korea in this thesis may be presented as an example of the convergence of performance management, one of the NPM-type reforms. Such a finding may stimulate additional research to clarify the reason of the convergence which might be unusual.

In Lesson-Drawing

As mentioned already, the comparison is also useful in lesson-drawing especially for the Korean government which has recently introduced performance management systems by benchmarking of other countries. Lessons can be drawn from some of the differences between the UK and Korean systems. The Korean government

can learn from the case of the UK in two points. Above all, there should be more focus on results and the quality of public services rather than processes. Process-orientation is related to the dependency on evaluation as a method of performance management. Policy evaluation is a complex and delicate process that requires a large amount of time and resources, but the evaluation in Korea has been ritualistic, looking at all the policies and programmes too briefly. By their nature, processes cannot be excluded from the objects of evaluation, but to end many problem of process-orientation, dependency on evaluation needs to be mitigated. Another lesson for Korea is the benefits of the negotiation of targets and resources in the PSA framework as an effective tool for setting challenging targets. Negotiation could prevent departments from setting targets at too low a level. However, too much interference with departmental policies through the negotiation process is not desirable. The performance management systems in Korea have been mostly influenced by the systems of the US. This thesis suggests that there are some useful points to be learnt from the UK as well as the US.

Conclusion

1. Reviewing the Thesis

Performance management, which has been transferred from the private sector to the public sector, has become a widely accepted part of public management. The ideas of the NPM were catalysts in this process. There are fundamental differences in nature between the public and private sectors, and these differences can hinder the success of performance management in the public sector. Nonetheless, despite some of the initial failures and limited perspectives on performance management, it is technically being improved as evidenced by the increasing number of sophisticated outcome targets.

In accordance with the increasing use of performance measures in the public sector, academics have been showing more interest in performance management recently. The amount of literature on the subject has significantly increased in the last few years, which has helped develop the framework of analysis and arguments in this thesis. The basic framework of comparison and analysis of the thesis was informed by the comparative framework of Pollitt (2006a, 2007b) and Pollitt and Bouckaert (2004), which deployed the approach of historical institutionalism. Behn (2003) and de Bruijn (2002) were helpful in identifying the characteristics of a good performance management system. Many arguments of Talbot (2000, 2004, 2007) and Hood (2006, 2007) provided insights for addressing the side effects of top-down control and performance targets. Kong (2003, 2005, 2007) and Kang and Kim (2004) were helpful in developing the theoretical model of performance management and analysing aspects of the GPE.

Following the theoretical review with this literature, the thesis has looked at the design and practices of the performance management systems in the UK and Korea, and tested hypotheses with case studies and empirical research in selected areas. As mentioned in Chapter 1, those hypotheses are based on the assumption that different politico-administrative and cultural traditions would result in different practices and trajectories of performance management. They follow the proposition of path dependency in historical institutionalism. In the UK, strong centralisation with a single-

party majoritarian government has been expected to make reform more widespread, speedy and radical with less resistance than in Korea, which is characterised by a *Rechtsstaat* system with less centralisation. Cultural characteristics of individualism and low uncertainty avoidance in the UK, which is favourable to the NPM-type reforms, were expected to bring more widespread and vigorous use of performance management in the UK than in Korea. The four hypotheses presented in Chapter 1 are listed again below as a reminder.

H1: The introduction of performance management in Korea would be less rapid and radical than in the UK.

H2: The use of performance information for other management purposes (e.g. financial management, human resource management) in Korea would be less vigorous and widespread than in the UK.

H3: Ministers in Korea would be less interested in performance management system as a tool of control than ministers in the UK.

H4: There would have been more resistance to the introduction of performance management system in Korea than in the UK.

As generic features of performance management, the objects of comparison, such as using performance information for other management purposes and using the system as a tool of control, have been selected to compare potential differences in performance management practices. In other words, those variables have been extracted from the roles of performance management – resource allocation, rewarding in terms of performance pay and bonus and exercising control – as discussed in Chapter 3.

According to the findings of the research, these hypotheses have been proved to be false. This thesis has demonstrated that there are converging aspects in the practices and trajectories of performance management, as opposed to the argument of Pollitt (2006a, 2007b) and Pollitt and Bouckaert (2004). On the other hand, it has also highlighted the different focus of performance management between the two countries, improvement of service delivery in the UK and process management in Korea. With regard to the theoretical model of performance management, most of the systems in the two countries have shown conformity with the standard model outlined in Chapter 2, except for the GPE in Korea. This concluding chapter reviews the findings of the research, tries to clarify the reasons of differences and similarities and suggests practical recommendations for both the government.

2. Findings and Contributions of the Research

Theoretical Aspect

This thesis has provided a comprehensive discussion on performance management. It has integrated most of the current literature and has drawn a model of performance management whilst specifying the characteristics of a good performance management system. Then it compared each of the performance management systems in the UK and Korean government. The thesis could be a comprehensive source of studying both theory and practice of performance management in government.

According to the analysis and case study in the thesis, the PSA system has many common elements with the theoretical model. On the other hand, there are some missing points in the performance management systems in Korea. It seems that this has originated from the lack of proper consideration of the purpose and implication of performance management based on a clear theoretical foundation. The unbalanced focus on the evaluation and process has caused negative side effects whilst neglecting the improvement of public services. What is necessary for the Korean government to improve the operation of performance management is to reconsider the meaning of performance and the purpose of performance management.

Empirical Aspect

This thesis has looked at the detailed practices of performance management through the case studies. The PSA system was introduced ten years ago, but research that deals with it is very rare. In Korea, performance management is an important part of public management and its impact is significant, but it is relatively unknown to many Western countries. This thesis has made an academic contribution in that it has undertaken a comprehensive research on the PSA system and has introduced the Korean performance management systems to English spoken countries.

According to the findings of the case studies, in spite of the relatively short history of performance management, the Korean government has introduced and established a strong performance management system very quickly. It is a positive development, assuming that performance management generally useful in improving public management. However, several points have been recognised as potentially problematic. Those potential problems may have originated from the conflict between the traditional organisational culture, which is not favourable to the NPM, and the new institution of the NPM. Apart from the organizational culture, the existing internal

process and systems might have not been supportive of the new practices of performance management. It can be said that a prudent approach is required to prevent potential side-effects caused by the operation of performance management rather than introducing and applying new system quickly. In the UK performance management, there has been loads of literature which point out the side-effects of top-down control and target system. The case study in Chapter 5 has suggested various examples in health, police and education, which confirms the previous discussions.

Methodological Aspect

Comparative analysis based on the case studies is the primary method of this research. Data for the case studies were collected by face-to-face interviews as well as literature review. Comparative method is a supplementary way of doing experimental research in social science where there are restrictions on conducting controlled experiments. It can be deployed to test existing theories and hypotheses. In this thesis, two qualitative case studies of the UK and Korea have been used to compare each other. It is analogous to the conduct of two experiments (Rhodes 1997: 82). Qualitative analysis based on those case studies has enabled the diagnosis of the types and nature of the problems, the seriousness of the side-effects. Through these analyses on the problems, it was possible to know what the governments should do to develop counter-measures against them.

In addition, the comparison between the practices of the UK – one of the countries where the idea of performance management based on the NPM was born and has the long history and experiences of performance management – and Korea – where ideological considerations and experiences are relatively in shortage – have shown various situations and problems which can arise during the process of performance management. These examples could be a useful source of learning for the other countries which are considering the introduction of performance management system.

3. Reasons for the Differences and Similarities

Factors of Convergence between the UK and Korea

This thesis has shown the converging aspects of the NPM-type reform in the two countries with almost completely opposite backgrounds. The converging aspects have

been demonstrated by comparing the practices of the core functions of performance management. Then why does Korea show such a radical and vigorous picture of performance management with all its politico-administrative and cultural characteristics that are negative to the NPM-type reforms? It might be due to the underlying universality of the theme of performance management. However, this does not explain the differences found in other European countries where the commitment to performance management is not as high as the UK. Indeed, the case of Korea seems to be a distinctive one, which cannot be explained by the divergence theory based on the approach of historical institutionalism. Is it just a special case of exception? What are the factors of convergence in the two countries?

Answering these questions might need another in-depth study. However, with careful deliberation based on the findings of this research, those converging factors are suggested to be the strong leadership of top politicians and effective incentive mechanisms. In both countries the role of leadership in disseminating performance management culture has been substantial. Performance management systems were introduced and developed with strong support of powerful Chancellor Brown in the UK and President Roh in Korea. Ministers and senior officials also have supported top politicians as noted in the managers-dominant Department of Health. Korean ministers and senior officials also supported and followed the idea of the President. Strong leadership in Korea was coupled with its top-down administrative culture of command and obedience, thus the impact of leadership has been expanded.

There are many terms that can describe the traditional culture of Korea. They are Confucianism, authoritarianism, collectivism, formalism and so on. These are generally regarded as pre-modern values, but they are still rooted in the administrative culture in Korea. For example, it can be said that the value of respecting seniors and older people in Confucianism resulted in the seniority rule in pay and promotion, which was a firm principle until recently. In public administration in Korea there has been a deep-rooted culture of command and control and a high level of compliance to the directions from the top. It is well indicated by the self-mocking statement of some civil servants, 'We are civil servants who do without soul.' This is a statement of the civil servants from the Government Information Agency, which has been severely criticised by the press and media for the execution of inappropriate policies, when they faced the closure of the Agency by the new President in the early 2008 and were asked why they executed inappropriate policies. This indicates not only the perception of the Korean civil servants that they have to do as they are told, irrespective of the appropriateness of the

policy, but also the culture of command and control and compliance to directions. The introduction of performance management systems and its vigorous use in Korea can be understood in the same context. President Roh emphasised government innovation throughout his five-year term and performance management has been one of the ways to put the theme of innovation into practice. Implementation of performance management systems has been encouraged and new legislation was passed for strengthening performance management. Under the administrative culture characterised by command and control and compliance, the strong and continuous emphasis on performance management reiterated by ministers and the President took effect in transforming the rigid civil service into a performance-oriented group at least in its appearance.

The second converging factor is effective incentive mechanisms in the two countries. The PSA framework has been equipped with a tight monitoring framework and future targets and resource allocation have been negotiated together informed by performance against previous targets. Individual performance objectives of the SCS have been linked to departmental PSAs, which ensured that achieving the PSAs was one of the important aspects of their duties. In Korea, the OGPC and MPB have designed similar monitoring framework. Departments had to produce various reports to them, which were prescribed by law.

Consequently, it can be said that the strong leadership and support of politicians combined with compliance culture and effective incentive mechanisms have been powerful enough to cope with the pressure of divergence from the different politico-administrative and cultural characteristics. In this regard, those two converging factors may be understood as suppressing variables affecting the relationship between the politico-administrative and cultural background and the trajectories of performance management.

Explaining the Differences between the UK and Korea

The comparison in this thesis has also highlighted some differences as well as similar practices between the two countries. Those differences have been suggested as a potential source of lesson-drawing for the Korean government. As with the questions on the factors of convergence, it is also interesting to explore the reasons of those differences. The first difference is the focus of performance management on the delivery of high quality services in the UK and process of policies and programmes in Korea. Focus on delivery of services is seen in the consistent emphasis on improvement

of services in health, education and crime. It is also seen in many outcome targets and the establishment of the PMDU. On the contrary, in Korea outcomes have taken a limited part in the overall areas of evaluation. To say nothing of the GPE, which was first introduced as a policy evaluation tool, the recently introduced Programme Review is also biased toward process evaluation. Indeed, for nearly half a century evaluation has dominated the Korean government departments.

This continuous dominance of evaluation may be explained from the perspective of historical institutionalism. In the early 1960s, when Korea had to develop its economy after the Korean War, it was most important to implement economic and industrial policies successfully. There were few concerns and resources (either time or money) to spend on the analysis of effectiveness. The earliest version of the GPE, which was introduced in this situation, was likely to have more focus on the input and process rather than outcomes which cannot be assessed quickly and required more time and resources. It seems that the original structure characterised by the focus on input and process has been affecting the path of development of the system. In addition, participation in the development of the system has been mostly made by academics. There has been little involvement of the private sector, very unlike the UK, as seen in the Efficiency Scrutiny by Derek Rayner from Marks & Spencer, the Next Steps by Robin Ibbs from Imperial Chemical Industries (ICI) and the PSAs by many business consultants. The dominance of academics is still going on in the GPE with the GPEC filled with only academics and ministers. It remains to be seen whether new President Lee Myung-Bak, who was a CEO at Hyundai Engineering & Construction and came into power in February 2008, will infuse private sector think-tanks and techniques into performance management in Government.

The second lesson-drawing difference is that there is no negotiation process on targets and indicators as in the PSAs, which partly originated from the different role of the Ministry of Finance. On one hand it might be positive because it means there is less central control on departmental policies. However, as discussed already, it provides departments with an incentive not to set challenging targets and indicators which may be necessary for the improvement of management processes and public services. The reason for not intervening with target and indicator setting could be found in the traditional role and incentive mechanisms owned by the OGPC and MPB. Unlike the UK Treasury, the OGPC lacked an effective power of resource allocation and the remit of the MPB was limited to the control of expenditure rather than policies. This institutional structure produced an environment in which the OGPC and MPB do not

specifically interfere with the details of departmental policies. Needless to say, it is good for the freedom of implementation, but has had a negative impact by leading departments to set targets and indicators which can be achieved without much effort.

4. Recommendations

Recommendations for the UK Government

There has been surprisingly little analysis of the PSA. With one or two significant exceptions (James 2004; Bouckaert and Halligan 2008: 360-369), most commentary has come from official sources and it is therefore important to report the findings of this thesis. It is clear that the PSA system has brought some benefits in terms of the improvement of public services, control and transparency. It might be said that the accountability to Parliament and the public has also been improved but the actual improvement is uncertain. The improvement of public services is clearly suggested by figures such as dramatically reduced waiting times in healthcare and increased numbers of arrests in police. Control of public expenditure and departmental policies is another area where the PSAs have contributed. Transparency also has been improved with the publication of the PSAs and biannual performance reports through departmental websites as well as in printed materials. The Whitehall civil service generally supported the PSA framework by which they could impose sub-targets to delivery agents. It may have been a good mechanism for them to avoid taking sole blame for top-down targets. The compliance and support of departments may be suggested as one of the factors that contributed to the successful operation of the PSAs.

However, apart from those positive aspects, the PSA system raised concerns over several issues. The biggest concern would be the excessive central control through the top-down targets and national standards as shown in health as well as education and police. There has been continuous negative press coverage on the national target system. Some of the reports criticised the large number of targets, many of which were expected to be missed, and some of them focused on the side effects of targets. There were also some incidents of resistance from the professionals in the NHS. In spite of the negative impact of top-down measures, they 'remain an integral part of the UK Government's approach to performance management' (PMSU 2006: 46). This is why it is necessary to develop appropriate countermeasures against the problems of top-down measures.

Meanwhile, the huge amount of money put into health and other priority areas increased the concern for efficiency. Although there were some visible improvements of services, the question whether it was cost-effective or not has been raised. The financial crisis in the NHS a few years ago suggests the importance of the financial management, which was somewhat neglected due to the focus on delivery. The keynote of public service reform and performance management of the New Labour has been the delivery of improved outcomes with the lessons of the Conservative era dominated by efficiency. Under the new system of PSAs the focus of performance targets and indicators has been successfully moved from input and process to outputs and outcomes (Pollitt 2006b: 47). It is difficult to deny that the focus on delivery in the New Labour government improved public services. However, efficiency is another important value and should not be ignored, even though it may not be as important as effective delivery of services.

For the visible improvement of the accountability to Parliament and the public, the participation of Parliament in the process of the PSAs should be institutionalised. Parliament may review the PSAs before they are finalised, and an independent body accountable to Parliament may review performance information before it is published. Admitting that the government recognises the publication of targets and performance information and pays more attention to their performance, it has not been clear to figure out the improvement of external accountability. This also matters in Korea where there is a similar problem with accountability. Regarding the relationship between performance information and democracy, Pollitt (2006b: 49) argues that the regular publication of performance reports is the first step to democratic accountability because 'the need to report 'keeps public servants honest'.' However, if just publishing a report makes the public servants honest, then it might be meaningless to review the performance information provided by them. Securing honesty cannot be completed without an external review of the reports. The publication of reports would contribute more to the transparency of the government than accountability. Even though the enhanced transparency is definitely a positive element, which could help to improve accountability, the link between transparency and accountability is not clear and there has been little evidence of improved accountability. The judgement on the improvement of accountability might be different depending on the approach to accountability, but it can be said that the improvement of accountability to Parliament and the public through the PSA framework has not been clearly demonstrated.

On the more technical side the problem of performance measurement has revealed real difficulties. For nearly half a century the UK government has developed

and tried various performance management initiatives. The history of using performance indicators goes back to the early 1980s. The UK started performance measurement in government far earlier than Korea where the systematic performance measurement was institutionalised in the early 2000s. In spite of the long history of performance measurement, the UK government still finds it challenging to develop effective and meaningful measures for outcome targets as discovered by the NAO survey (NAO 2001a: 22, 2006: 5-6).

In conclusion, the PSA system has been designed with reasonable conformity to the theoretical model of performance management, but lacked some important features of a good performance management system. There have been too many targets and many of them were set from the perspectives of the centre, which undermined staff morale and sound ownership of targets. The framework of external accountability, especially to Parliament, is ambiguous compared with the ambition expressed in its first White Paper. Overall, it still needs to be improved in its framework. Because some of those problems are related to the intrinsic nature of performance management, it might be difficult to solve them. However, it does not justify abandoning efforts to solve the problem. Firstly, the matter of cost-effectiveness can be improved through a more prudent approach to investment in the services. Secondly, the accountability to Parliament and the public can be visibly improved by allowing Parliament to participate in the PSA process in terms of target setting and reviewing performance as already recommended by the Select Committees. To minimise the problems of top-down measures, the government should first let go of the obsession with the target system and make the performance measures more flexible so as to confront unpredicted situations. This can be a useful strategy for coping with the potential problems of national targets and standards caused by the local diversities. Thirdly, the main purpose of performance measurement should be to improve performance by discovering the elements of poor performance and removing them, rather than to blame or penalise poor performers. The 'blame culture' undermines staff morale and may induce perverse behaviours (Moullin 2004: 112). Through the research on the impact of the star rating system in the NHS, Mannion *et al.* (2005: 22) discovered that 'The pressure to meet the performance targets ... have led to various degrees of bullying, intimidation and harassment of staff in the apparently under-performing trusts', which could seriously damage staff morale. As suggested in Chapter 2, performance in the public sector should be judged by considering its contexts rather than mechanical application of targets, because it is placed in complex and conflicting environment. More elaboration and investment may

be necessary to cope with technical problems such as the challenges of developing performance measures.

Recommendations for the Korean Government

As the PSA system in the UK has both brought benefits and problems, the performance management system in Korea also produced positive effects with some problems. The most significant positive change would be the transformation of organisational culture toward performance-orientation. The abandonment of the 'seniority rule' and consideration of performance in remuneration and promotion is one of the breakthroughs in the history of personnel management in the government. However, it may not be proper to assert that performance-orientation has been embedded as a sound organisational culture in the Korean government just by those recent changes in rules and practice. The deep-rooted organisational culture cannot be easily changed by legislation or direction. Positive attitudes and active participation of the civil servants would be necessary to foster the development of organisational culture. However, some obstacles to securing a sound performance culture have been found in the interviews. Many interviewees from both the MOGAHA and MOHW mentioned the unfairness of performance measurement caused by the different characteristics of the policies and tasks, which are not considered by the indiscriminate evaluation criteria. Concerns about effective cooperation have been also raised.

More fundamentally, there are three more issues to be mentioned. The first is about the impact of performance management systems on the improvement of public services. The performance management systems in Korea have been focused on the processes of management. Most of the evaluation criteria have been concerned with the appropriateness of managing the policy process. It diverts the effort to be put into the improvement of outcomes to process management, which may cause an inefficient use of resources. It is not a proper mechanism to pursue improved outcomes. Moreover, it is difficult to know whether public services have been improved due to too much focus on process and the lack of continuity of performance indicators. Management of process may be important, but it does not provide any benefits for the public by itself. The public would want to see how the public services have been improved by the operation of performance management systems. In this regard, it might be said that performance management in Korea, especially the GPE, has fulfilled a symbolic role by demonstrating that the government has been working on a performance management

system. The process-orientation of the performance management systems seems to have originated from insufficient deliberation on the meaning and aim of performance management. The GPE was introduced as a tool of policy evaluation, the FPMS was introduced as a tool of controlling public expenditure in terms of efficiency. The focus of performance management should be moved onto outcomes and service improvement with the consideration of what the ultimate aims of the government should be. Over-emphasis on process might induce goal-displacement.

The second is the emphasis on efficiency. It is represented by the principle of 10% budget reduction in the Programme Review. The emphasis on efficiency was a major concern during the 1980s in the UK and it has been recognised that focus on efficiency in the public sector brings many problems. Thus the New Labour government is concentrating their efforts on achieving real outputs and outcomes by the new performance management framework of the PSAs to maintain the balance. The emphasis on efficiency is likely to be strengthened in Korea thanks to the philosophy of new President Lee Myung-Bak. His top priority is efficiency which is presented in more sophisticated terms as 'creative pragmatism'. He is emphasising the entrepreneurial mind and urging that every aspect of public management should be considered with efficiency. However, as discussed in Chapter 2, government is fundamentally different from private companies in its character of public services and surrounding contexts. It should not be managed solely or dominantly with efficiency. There are many important values to be protected by government such as equity, equality, continuity and justice. Considering the ripple effect of the philosophy of the President in Korea, it is a concern that over-emphasis on efficiency would cause serious side effects undermining other important values. Generally the problem of a private sector organisation ends up within the limited boundary of the organisation, and customers can find substitutes elsewhere. However, the policy of the government affects the whole country and problem caused by the government just do not remain inside the government. This is why it is important to consider the complex contexts in which the government is placed so as not to miss other important values. Krugman (1996) warned that a CEO who made his or her company rich may not make a country rich emphasising the differences between the country and the company. A strategy of managing a company must not be directly applied to the management of a country.

The third is the quality of performance measurement. Performance measurement in the Korean government started in the early 2000s and it is as yet at a primary level compared with the decades of history in the UK. It may be acceptable that performance

measurement is not yet refined and has many points to be improved. Current performance measurement has problems in the selection of indicators and making them embrace the core values of the policy outcomes. Accordingly, there should be more interest and investment in the research and development of performance measurement systems. As the NAO in the UK review the performance measurement system for the PSAs, it is necessary for the Korean government to externally validate its performance measurement system. Crude performance measurement systems cannot provide accurate information on the real states of government policies and performance. It would mislead the direction for the improvement.

In conclusion, the GPE does not conform to the model of performance management and lacks many of the features of good performance management systems, as discussed in Chapter 6. The other two systems show a relatively high degree of conformity with the model, but they also lack the focus on the delivery of improved services. Fragmented and duplicate – with all the rhetoric of integration of the GPE – systems of evaluation, caused by power-seeking behaviours of departments, have had a negative impact on the civil service. The comparison in this thesis has demonstrated that Korea has high commitment to performance management and tight management framework, just as the UK has. If the problems noticed up until now are not effectively sorted out, the high commitment would affect negatively the overall productivity of the government only increasing transaction costs. This is the core reason why the Korean government needs to reconsider its current performance management framework.

Suggestions for Future Research

This research has found an example of convergence of the NPM-type reform despite the different political and cultural characteristics. It is a rare case, which disproves many studies and discourses of Pollitt (2006a, 2007a, 2007b), Pollitt and Bouckaert (2004) and van Thiel and Pollitt (2007). It leads to the question of why Korea provides different example from those previous studies. A possible explanation for this has been provided above, but additional empirical research for this would be useful in the generalisation of theory and developing scientific knowledge.

Meanwhile, it seems that there is a shortage of research on the impact of the operation of performance management systems. It has been a decade since the PSAs were introduced and the interest in performance management in Korea substantially increased. This thesis has concluded that both countries show compliance to the new

regimes and the performance-oriented culture is developing in the Korean government. However, those findings are based on the behaviours externally exposed and give little information about the internal perception of the staff. External behaviours cannot solely explain the culture of a society. In this regard, the degree of cultural change caused by the operation of performance management systems in both countries based on the cognitive aspects as well as behavioural aspects would be useful in examining the effectiveness of performance management systems. Furthermore, it might constitute another area of comparison to test the hypothesis of divergence of the NPM-type reform.

5. The Prospects for the Performance Management Systems

Legitimation of Performance Management in Government

Performance management has been broadly accepted as a management tool of government with rising expectations of the public for the efficiency and effectiveness of public services and the benefits of the NPM. The comparison in this thesis has shown the detailed picture of how performance management can be legitimised within the government. It may be represented by the change of administrative culture, which has become more favourable to the use of performance information in public management. Most of all, the institutionalised link between performance and resource allocation, performance-related pay and bonus have been the most effective mechanisms for legitimising performance management.

From a more fundamental perspective, performance management has been selected as a mechanism of legitimisation of increased public expenditure. In the UK consistent promises to improve service in health and education required huge increases in spending. In Korea emphasis on welfare policies and tackling inequalities in the Roh Moo-Hyun Government also required increased investment, which accompanied the increase in the number of public sector employees. In both countries there have been many criticisms of the increased spending from the opposition parties and media. Indeed, there was continuous critical media coverage of the increasing number of public sector workers in Korea during the term of President Roh. Under the pressure to produce for value-for-money, the politicians in both countries had to prove that they are not just spending more but improving services and they resorted to performance management systems as a shield against the criticisms of increasing spending.

Meanwhile, in the UK the agenda of ‘delivery’ has been another important driver for the legitimisation of performance management. ‘Delivery’ has been the priority of Blair since his second term, but the fundamental idea and interest in it were already expressed in his early speeches as shown in Chapter 2. Blair wanted the civil service to be the vehicle for delivering improved public services. In his recent speeches he reiterated the importance of ‘delivery’ and the role of the civil service in it. In 2003 he said to the permanent secretaries, ‘the civil service of the twenty-first century would be judged not so much on the quality of its policy advice (a trend starting with Thatcher) as on its success in delivering quality public services’ (Kavanagh 2005: 13). Performance management has been an incentivising tool for securing the active role of the civil service in ‘delivery’.

promotion in the Civil Service increasingly needs to reward delivering results on the ground ... So today’s document proposes much sharper performance management ... Rigour about performance must be at the heart of a leaner more effective Civil Service ... The goal is a transformed Civil Service ... We need a Civil Service which aims to amplify the implementation of successful change (Blair 2004).

As noticed from his speeches and the establishment of the PMDU, which managed the delivery of key targets, Blair has shown a strong will of improving delivery through a transformed civil service. Such a direction of leadership has effectively legitimised the use of the performance management system.

Considering that the acceptance of performance management can be a crucial factor for it to be successfully implemented, it is important for the government to maintain the mechanism of legitimisation. At present, in both the UK and Korea the strong leadership of the top politicians and the need to improve value-for-money are functioning as the mechanism of legitimising performance management.

The Future of Performance Management

Although the passion for the NPM has waned, performance management is becoming a core instrument for realising a ‘better government’ by improving accountability, transparency and the quality of public services. Performance management in the UK government started as early as the 1960s. Unlike past performance management systems, the PSAs have been maintained their high value as instruments of performance management for 10 years with strong support of Chancellor

Brown – also as the Prime Minister – and participation of departments. The PSAs have contributed to the improvement of public services and transparency. However, there have been many criticisms and complaints about excessive top-down control and the side effects of targets. The recently revised PSA framework tried to suggest alternatives to the previous model, but it does not show fundamental changes in the principle of top-down performance management. Because the PSA framework is not based on law and the Conservatives are negative about the wide use of a national target system, the future of the PSA framework is not secure. It may be abolished or substantially redesigned. In any case, two important points should be remembered. First, there should be earnest consultation with stakeholders and target owners for the design of performance management systems as well as the selection of targets. Second, it should not be forgotten that the purpose of performance management is not to meet targets but to improve public services. Obsession with meeting targets should be mitigated, and flexibility should be incorporated to achieve intended outcomes.

In Korea the interest in performance management in government has exploded since the late 1990s. In spite of its short history, the commitment to performance management in terms of the speed and radicalness of change is second to none. Korea even shows more radical aspects such as the principle of 10% budget reduction of the Programme Review and the epochal performance orientation in pay and promotion. The civil servants generally have positive attitudes, recognising its importance and benefits. However, it seems that the Korean government has relatively quickly introduced a new system with insufficient arrangements for the system to work properly and effectively. Thus, up until now problems such as the unfairness and inaccuracy of performance measurement, duplication of systems, exacerbation of bureaucracy and confusion about the relationship between performance management and evaluation have been identified. These problems have resulted in low enthusiasm among civil servants for current performance management systems. The operation of performance management systems may be necessary, but the important point is not how quickly it is introduced but how it can be properly and effectively operated to produce positive results. For performance-oriented culture to be rooted successfully in the civil service, the performance management system should be accepted as impartial by the civil servants. Considering the short history of performance management in Korea, it is necessary to seek continuous, but not hasty, improvement of the system through the consultation with civil servants as well as academics and consultants.

Appendix 1

List of Interviewees

1. British Interviewees

Name	Title	Date
Gwyn Bevan	Professor, London School of Economics and Political Science (Director of the Office for Information on Health Care Performance, Commission for Health Improvement from 2001 to 2003)	January 2008
Steve Blake	Head of Performance & Delivery Unit, Home Office	September 2007
Adrian Brigden	Chief Inspector, Devon & Cornwall Constabulary	March 2008
Peter Daffern	Programme Director and Consultant, National School of Government (Economist in Departments of Environment, Department of Transport and DCMS)	June 2007
Harriet Dickson	General Practitioner, St Leonards Medical Practice, Exeter	March 2008
Jim Higgins	Head of Resourcing, Department for International Development	March 2008
Richard Murray	Director of Financial Planning & Allocations, Department of Health	August 2007
Mark Robinson	Head of Profession for Governance & Conflict, Department for International Development	March 2008
Sam Woods	Team Leader, Value for Money Team, HM Treasury	February 2008
Anonymous	Policy Adviser, HM Treasury	September 2007

2. Korean Interviewees

Name	Title	Date
Jang, Young Min	Deputy Director, MOGAHA	November 2007
Jeong, Ji Man	Deputy Director, MOGAHA	November 2007
Jung, Eun Young	Deputy Director, MOHW	February 2008
Kim, Jin Gon	Director, OGPC	February 2008
Kim, Su Won	Deputy Director, MOGAHA	November 2007
Kim, Tae Kon	Deputy Director, MPB	February 2008
Lee, Heui Yeol	Deputy Director, MOGAHA	November 2007
Lee, In Ho	Director, CSC	November 2007
Lee, Jeong Ryeol	Director, MOGAHA	November 2007
Lee, Kyoung Soo	Director, MOHW	November 2005
Oh, Byoung Kwon	Director, MOGAHA	November 2007
Shin, Byung Dae	Director, MOGAHA	November 2007
Suh, Jeong A	Deputy Director, CSC	November 2007

Appendix 2

The 2004 PSAs of the Department of Health

AIM

Transform the health and social care system so that it produces faster, fairer services that deliver better health and tackle health inequalities.

OBJECTIVES AND PERFORMANCE TARGETS

Objective I: Improve the health of the population. By 2010 increase life expectancy at birth in England to 78.6 years for men and to 82.5 years for women.

1. Substantially reduce mortality rates by 2010:

- from heart disease and stroke and related diseases by at least 40% in people under 75, with at least a 40% reduction in the inequalities gap between the fifth of areas with the worst health and deprivation indicators and the population as a whole;
- from cancer by at least 20% in people under 75, with a reduction in the inequalities gap of at least 6% between the fifth of areas with the worst health and deprivation indicators and the population as a whole; and
- from suicide and undetermined injury by at least 20%.

2. Reduce health inequalities by 10% by 2010 as measured by infant mortality and life expectancy at birth.

3. Tackle the underlying determinants of ill health and health inequalities by:

- reducing adult smoking rates to 21% or less by 2010, with a reduction in prevalence among routine and manual groups to 26% or less;
- halting the year-on-year rise in obesity among children under 11 by 2010 in the context of a broader strategy to tackle obesity in the population as a whole. Joint with the Department for Education and Skills and the Department for Culture, Media and Sport; and
- reducing the under-18 conception rate by 50% by 2010 as part of a broader strategy to improve sexual health. (Joint with the Department for Education and Skills)

Objective II: Improve health outcomes for people with long-term conditions.

4. To improve health outcomes for people with long-term conditions by offering a personalised care plan for vulnerable people most at risk; and to reduce emergency bed days by 5% by 2008, through improved care in primary care and community settings for people with long-term conditions.

Objective III: Improve access to services.

5. To ensure that by 2008 no-one waits more than 18 weeks from GP referral to hospital treatment.

6. Increase the participation of problem drug users in drug treatment programmes by 100% by 2008 and increase year on year the proportion of users successfully sustaining or completing treatment programmes.

Objective IV: Improve the patient and user experience.

7. Secure sustained national improvements in NHS patient experience by 2008, as measured by independently validated surveys, ensuring that individuals are fully involved in decisions about their healthcare, including choice of provider.

8. Improve the quality of life and independence of vulnerable older people by supporting them to live in their own homes where possible by:

- increasing the proportion of older people being supported to live in their own home by 1% annually in 2007 and 2008; and
- increasing by 2008, the proportion of those supported intensively to live at home to 34% of the total of those being supported at home or in residential care.

STANDARDS

In addition to the targets the following standards will be achieved and maintained:

- A four hour maximum wait in Accident and Emergency from arrival to admission, transfer or discharge.
- Guaranteed access to a primary care professional within 24 hours and to a primary care doctor within 48 hours.
- Every hospital appointment booked for the convenience of the patient, making it easier for patients and their GPs to choose the hospital and consultant that best meets their needs.
- Improve life outcomes of adults and children with mental health problems, by ensuring that all patients who need them have access to crisis services and a comprehensive Child and Adolescent Mental Health Service.

WHO IS RESPONSIBLE FOR DELIVERY?

The Secretary of State for Health is responsible for the delivery of the targets in this PSA. The Secretary of State for Health, the Secretary of State for Education and Skills and the Secretary of State for Culture, Media and Sport are jointly responsible for delivering the element of target 3 which relates to obesity. The Secretary of State for Health and the Secretary of State for Education and Skills are jointly responsible for delivering the element of target 3 which relates to reducing the under 18 conception rate.

The Secretary of State for Health is also responsible for delivering the agreed efficiency target set out in the Department of Health chapter of the 2004 Spending Review White Paper.

Source: HM Treasury (2004)

Appendix 3

The 2004 PSAs Technical Note of the Department of Health: Under-18 Conception Rate

Target: Reducing the under-18 conception rate by 50% by 2010, as part of broader strategy to improve sexual health. (Joint target with DCSF)

Definition: The under-18 conception rate is the number of conceptions to under-18 year olds per thousand females aged 15-17. It is calculated on a calendar year basis.

Base Year: Calendar year 1998. The base line rate is 46.6 conceptions under 18 per 1,000 females aged 15-17.

Target Year: Calendar year 2010 (data will be published in February 2012). The target year rate is 23.3 conceptions under 18 per 1,000 females aged 15-17.

Sources of data: ONS conception statistics are compiled from birth registrations, abortion notifications and mid year population estimates. This is a well-established, published statistical series.

The target is measured using the percentage difference in England's 1998 under-18 conception rate and the rate for the latest year data are available. Formula: *Percentage change = (Latest rate – 1998 rate) / 1998 rate * 100*

Source: Department of Health website (<http://www.dh.gov.uk>)

Appendix 4

The Criminal Justice System (CJS): 2004 Cross-cutting PSAs

Objective: Reduce crime and the fear of crime, including organised and international crime, and ensure the effective delivery of justice.

1. Reduce crime by 15%, and further in high crime areas, by 2007-08.
2. Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08.
3. Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the CJS without compromising fairness.

Standards: Protect the public by ensuring there is no deterioration in the levels of re-offending for young offenders, for adults sentenced to imprisonment and adults sentenced to community sentences, maintaining the current low rate of prisoner escapes, including Category A escapes.

Source: HM Treasury (2004)

Appendix 5

Report on the Achievement of PSA Target: Under-18 Conception Rate

Target: Reducing the under-18 conception rate by 50% by 2010. as part of a broader strategy to improve sexual health (Joint target with DCSF).

Measure: The under-18 conception rate is the number of conceptions to under-18s per 1,000 females aged 15-17. Baseline year is 1998 (ONS conception statistics).

Progress: Slippage

The under-18 conception target is now a shared PSA target between the Department of Health and DCFS, in light of the move of the Teenage Pregnancy Unit to DCSF in June 2003.

Teenage pregnancy rates are falling. Between the 1998 baseline year and 2005, the under-18 conception rate has fallen by 11.4%. The rate is now at their lowest level for 21 years; however, progress needs to accelerate for target to be met.

Source: Department of Health (2007c: 14)

Appendix 6

Clinical Guidelines Published by the NICE

Ref	Title	Wave	Date Issued
CG50	Acutely ill patients in hospital	13	Jul 2007
CG39	Anaemia management in chronic kidney disease	9	Sep 2006
CG45	Antenatal and postnatal mental health	9	Feb 2007
CG6	Antenatal care	6	Oct 2003
CG22	Anxiety	6	Dec 2004
CG57	Atopic eczema in children	11	Dec 2007
CG36	Atrial fibrillation	9	Jun 2006
CG38	Bipolar disorder	8	Jul 2006
CG13	Caesarean section	2	Apr 2004
CG53	Chronic fatigue syndrome / Myalgic encephalomyelitis	9	Aug 2007
CG5	Chronic heart failure	2	Jul 2003
CG12	Chronic obstructive pulmonary disease	6	Feb 2004
CG42	Dementia	8	Nov 2006
CG19	Dental recall	7	Oct 2004
CG23	Depression	2	Dec 2004
CG28	Depression in children and young people	7	Sep 2005
CG52	Drug misuse: opioid detoxification	10	Jul 2007
CG51	Drug misuse: psychosocial interventions	10	Jul 2007
CG17	Dyspepsia	1	Aug 2004
CG9	Eating disorders	2	Jan 2004
C	Electronic fetal monitoring	Inherited	May 2001
CG20	Epilepsy	6	Oct 2004
CG49	Faecal incontinence	10	Jun 2007
CG21	Falls	6	Nov 2004
CG41	Familial breast cancer	R	Oct 2006
CG14	Familial breast cancer (replaced by CG41)	6	May 2004
CG11	Fertility	6	Feb 2004
CG47	Feverish illness in children	9	May 2007
CG56	Head injury	R	Sep 2007
CG4	Head injury (replaced by CG56)	2	Jun 2003
CG44	Heavy menstrual bleeding	8	Jan 2007
CG34	Hypertension	R	Jun 2006
CG18	Hypertension (replaced by CG34)	1	Aug 2004
D	Induction of labour	Inherited	Jun 2001
CG2	Infection control	2	Jun 2003
CG55	Intrapartum care	8	Sep 2007

Ref	Title	Wave	Date Issued
CG61	Irritable bowel syndrome	12	Feb 2008
CG30	Long-acting reversible contraception	7	Oct 2005
CG24	Lung cancer	6	Feb 2005
CG48	MI: secondary prevention	9	May 2007
CG8	Multiple sclerosis	1	Nov 2003
A	Myocardial infarction (replaced by CG48)	Inherited	Apr 2001
CG32	Nutrition support in adults	7	Feb 2006
CG43	Obesity	8	Dec 2006
CG31	Obsessive-compulsive disorder	6	Nov 2005
CG59	Osteoarthritis	10	Feb 2008
CG35	Parkinson's disease	7	Jun 2006
CG26	Post-traumatic stress disorder (PTSD)	6	Mar 2005
CG37	Postnatal care	8	Jul 2006
CG3	Preoperative tests	1	Jun 2003
CG7	Pressure relieving devices	6	Oct 2003
CG29	Pressure ulcer management	6	Sep 2005
B	Pressure ulcers (see Pressure ulcer management, CG29)	Inherited	Apr 2001
CG58	Prostate cancer	9	Feb 2008
CG27	Referral for suspected cancer	7	Jun 2005
CG1	Schizophrenia	1	Dec 2002
CG16	Self-harm	6	Jul 2004
CG60	Surgical management of OME	14	Feb 2008
CG33	Tuberculosis	7	Mar 2006
CG15	Type 1 diabetes	2	Jul 2004
G	Type 2 diabetes - blood glucose	Inherited	Sep 2002
CG10	Type 2 diabetes - footcare	R	Jan 2004
H	Type 2 diabetes - management of blood pressure and blood lipids	Inherited	Oct 2002
F	Type 2 diabetes - renal disease	Inherited	Feb 2002
E	Type 2 diabetes - retinopathy	Inherited	Feb 2002
CG40	Urinary incontinence	8	Oct 2006
CG54	Urinary tract infection in children	9	Aug 2007
CG46	Venous thromboembolism (surgical)	8	Apr 2007
CG25	Violence	6	Feb 2005

< Note >

- **Reference**

Reference letter or number of the guideline.

- **Title**

Clinical guideline title.

- **Wave**

The Department of Health (DH) and the Welsh Assembly Government refer topics to NICE in waves (batches). The wave number indicates when the topic was referred to

NICE. Before July 2001, guidelines and cancer service guidance were either part of the 'inherited work programme' (that is, they were in progress when NICE was established), or they were within the first or second programme of newly commissioned topics. The word 'wave' has been used since July 2001 (NICE also uses this term for its technology appraisals) - the 6th wave being the first to include guideline topics. From July 2001, there have been approximately two waves a year. For each topic, the second column will say:

- Inherited (in development when NICE was established)
- 1st programme (referred to NICE in November 1999)
- 2nd programme (referred to NICE in November 2000)
- *N*th wave (referred from July 2001 onwards)
- Review (an updated version of a previously issued document).

- **Publication (or issue) date**

The date the guideline was issued to the NHS in England and Wales.

- **Review date**

The date the evidence underpinning the guideline recommendations is due to be reviewed (usually four years after the guideline is issued, although it may be earlier). Updated guidelines will be available within two years of the review process starting.

Source: NICE website (<http://www.nice.org.uk>)

Appendix 7

Questionnaires and Responses of the 2005 National Audit Office Survey of PSA Targets

(Received from the NAO under the Freedom of Information Act 2000)

(Cover letter from the NAO to be attached in this page)

Questionnaire and Response from the Finance Directors of the Department of Health and the Home Office to the 2006 NAO Survey Report, PSA Targets: Performance Information

NAO VfM Study - ACTING ON PERFORMANCE INFORMATION: QUESTIONNAIRE FOR FINANCE DIRECTORS

Welcome to the National Audit Office's on-line questionnaire for Finance Directors.

This questionnaire consists of twelve questions in three parts. The first part concerns your Department's overarching performance measurement system. Part 2 examines the challenges in designing and operationalising outcome-based targets and measures. Finally, Part 3 asks a couple of descriptive questions about you.

Please attempt to answer all of questions. Our pilot results show that it should take no more than 50 minutes to complete the questionnaire.

If you wish to pause and then return to your questionnaire later, please click "Save" and then close your internet explorer. To return to your submission, click on the link in your email invitation and click "OK" when you are asked if you want to retrieve your previous responses. This functionality is not available once you submit your completed questionnaire.

The deadline for completion is **Friday 16th September**.

Thank you for taking the time to complete the questionnaire.

If you have any questions, please contact:

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Performance Measurement Area
National Audit Office
157-197 Buckingham Palace Rd
SW1W 9SP

Tel: 020 7798 5395
email: david.dorrell@nao.gsi.gov.uk

The Department of Health

PART 1 – THE DEPARTMENT’S PERFORMANCE MEASUREMENT FRAMEWORK

We are aware that many departments have developed considerably their systems to monitor performance against their key objectives. In some cases, PSA targets are the key element in these, in others PSA targets are a sub-component of the broader performance objectives monitored by the system. In order to give context to your subsequent answers, please answer the following questions.

Q1. Has the Department developed its own corporate performance measurement framework?

Please briefly describe the arrangements established, for example:

- the type of performance framework (e.g. corporate scorecard)
- the way arrangements are structured – reflecting major work programmes, core objectives, the department’s organisational structure etc.?

A balanced score card approach is under development as part of work on six high impact changes endorsed by the Management Board. Until this is deployed, the department will continue to operate arrangements based on its business group structure and corporate business plan (the ‘Forward Plan’), mainly through programme and project management arrangements. The Forward Plan is based on Departmental objectives and provides a framework for monitoring performance. The key objectives are supported by programme management arrangements and these are subjected to increasingly formal management disciplines and upwards reporting arrangements. Whilst the key priorities are managed within the Group and Directorate structure, the Department’s Delivery Board (a committee of the Management Board) receives regular progress reports and maintains a strategic overview. The Department is continuing to develop its programme and project management capabilities and to apply these disciplines to the delivery of its priorities. The Central Programme Office acts as the Centre of Excellence and provides support, assurance and reporting services on behalf of the Delivery Board.

Q2. How would you describe the position of the PSA targets within your Department’s Performance measurement framework?

For example, are they a key element of the framework, a sub-component or largely separate from the framework that you have developed?

PSA targets are a core element of the Department’s objectives set out in the DH forward plan for 2005/06. Progress against PSA targets are reported to the Delivery Board through the monthly report (as well as the Departmental report) as part of a broad programme to monitor progress against key objectives. National Standards, Local Action sets out an integrated framework that sets out the approach NHS organisations and social services authorities should use in planning to deliver priorities for the next three financial years. The national priorities for the three financial years 2005/06 to 2007/08 for the NHS and social services are based on the Department of Health’s PSA. PCTs have been allocated resources for these three years to commission health services at a local level. Local Delivery Plans (LDPs) set out how PCTs (and through them providers) plan to deliver national priorities (including PSAs). PCTs agree their LDPs with their Strategic Health Authorities (SHA). The Department approves SHA level plans (i.e., an aggregate of PCT plans), focusing on assessing the robustness of plans to deliver National Priorities. DH monitors and performance manages delivery of these targets through SHAs and reports national performance to Parliament in the Autumn Performance Report and the Departmental Report. Independent annual assessment and rating of the performance of NHS and social care organisations is carried out annually by the Healthcare Commission and Commission for Social Care Inspection, respectively. This includes assessing performance against key priorities such as PSA targets.

Q3. Please list any major programmes or areas of business for the Department that do not have a PSA target/standard and briefly describe how performance is monitored (e.g. the Department uses PSA target equivalents, Key Performance Indicators with no target, a mix or subset of measures, no formal measures).

Some key areas e.g. MRSA, choosing health WP commitments established as a national target and treated in a similar way as PSA targets. Included in local delivery plans developed with the NHS through SHAs, and performance reported through the main Departmental reporting tools. Other major programmes have been taken forward through National Service Frameworks, healthcare standards, which have formed part of the integrated performance framework, set out in National Standards, Local Action.

PART 2 – SELECTING AND IMPLEMENTING PERFORMANCE MEASURES

Q4. With reference to the objectives set following SR2004, what are the main challenges the Department have faced in selecting and designing high level outcome focused measures which clearly demonstrate achievement of objectives?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Identifying high level quantifiable measures of the intended outcomes				√
• Establishing measures which show the Department's contribution to final outcomes			√	
• Identifying meaningful high level measures which are sufficiently comprehensive to reflect the impact of all the Department's activities			√	
• Establishing agreed high level measures for outcomes which are shared with <i>or influenced by</i> other departments		√		
• Identifying measures which show the value of policy work			√	
• Obtaining measures which cover all the main dimensions of performance			√	
• Ensuring that individual PSA performance targets and measures are designed to minimise the risk of distortions			√	

Q5. With reference to the objectives set following SR2004, what are the main challenges in making PSA performance targets/standards and measures operational?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Estimating the range and volume of outputs required to deliver the desired outcome			√	
• Translating PSA performance targets/standards and measures into short term or annual targets				√
• Linking high level PSA performance targets/standards and measures with established business planning measures (e.g. departmental business plans, agency business plans)				√
• Ensuring that the department has sufficient leverage and influence to ensure that those who deliver services treat PSA performance targets/standards and measures as a priority				√
• Ensuring that there are rewards which encourage those who deliver services to achieve or exceed targets/standards				√
• Getting 'ownership' from staff involved in delivering the services which will impact on the achievement of PSA performance targets/standards			√	
• Allocating costs between outcomes			√	
• Ensuring areas of the department's business which are not covered by PSA performance targets receive adequate attention			√	
• Overcoming data limitations so that it is possible for PSA targets and measures to be cascaded and monitored at a local level.			√	
• Agreeing with those who deliver services, targets that are consistent with the PSA targets.			√	

Q6. With reference to the objectives set following SR2004, what are the main challenges the department have faced in collecting reliable and robust performance data in a cost effective manner to monitor PSA performance targets/standards?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Identifying and locating sources of data for performance measures			√	
• Acquiring data from outside of the departmental boundary (e.g. local authorities, private sector)			√	
• Getting assurance on the reliability of performance data			√	
• Acquiring performance data in a timely way				√
• Ensuring the cost of collecting performance data does not outweigh the likely benefits of the data				√
• Acquiring performance data from a range of providers in the exact form required				√
• Getting national and local performance data on a comparable basis.			√	

Q7. Do you think there are any additional challenges faced in designing and making operational performance measures for non-PSA target programmes/business areas?
If so, please indicate below:

--

Q8. To what extent do you agree with the following statements?

The performance reports received by senior management concerning the department's key objectives...	Strongly agree	Agree	Disagree	Strongly disagree
• ...are clear and comprehensible	√			
• ...describe problems as well as successes	√			
• ...are forward-looking, explaining what is likely to happen as well as what has happened		√		
• ...are action oriented showing what is to be done by whom and when.		√		
• ...highlight decisions to be made and provide recommendations.		√		

Q9. If you would like to add any further comment or explanation with respect to your answers in question 8, please do so here:

--

Q10. To what extent do you agree with the following statements?

	Strongly agree	Agree	Disagree	Strongly disagree
• The department's performance monitoring system(s) addresses all aspects of performance included in the department's objectives.		√		
• The performance monitoring system(s) provides information that helps the department set clear objectives		√		
• The performance monitoring system(s) provides information for external reporting and internal management purposes		√		
• The performance monitoring system(s) informs staff about departmental performance as well as the performance of delivery agents.		√		
• The various elements of the performance monitoring system(s) (e.g. delivery planning, business plans, agency KPIs, local performance agreements) are well-aligned and integrated.		√		
• Financial data are integrated effectively with performance monitoring system(s) to assist resource allocation decision making		√		
• The performance monitoring system(s) is viewed as an integral part of the department's management process		√		

Q11. If you would like to add any further comment or explanation with respect to your answers in question 10, please do so here:

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PART 3 – ABOUT YOURSELF	Years	Months
Q12. How long have you worked in the Department?	4	5
	Years	Months
Q13. How long have you been in post as Finance Director?	4	5

Thank you for taking the time to complete the questionnaire. If you are happy with your responses, please now submit your answers by clicking on the submit button below.

We plan to feed back the findings of our survey to all participants and will be in touch once the responses have been compiled.

The Home Office

PART 1 – THE DEPARTMENT’S PERFORMANCE MEASUREMENT FRAMEWORK

We are aware that many departments have developed considerably their systems to monitor performance against their key objectives. In some cases, PSA targets are the key element in these, in others PSA targets are a sub-component of the broader performance objectives monitored by the system. In order to give context to your subsequent answers, please answer the following questions.

Q1. Has the Department developed its own corporate performance measurement framework?

Please briefly describe the arrangements established, for example:

- the type of performance framework (e.g. corporate scorecard)
- the way arrangements are structured – reflecting major work programmes, core objectives, the department’s organisational structure etc.?

We have developed our own framework which consists of:

- Performance data
- High level presentations of the data (PSA reports and balanced scorecards)
- Our corporate balanced scorecard is an assimilation of balanced scorecards used in the businesses that comprise the Home Office
- Group Executive Board level meetings to focus on (a) PSAs and (b) whole business areas and (c) the Home Office group as a whole
- A team of business analysts that interpret the data, provide critical challenge and help develop solutions when performance is in need of improvement
- We also have a reporting system for bringing progress on major projects and programmes to the Group Executive Board

Q2. How would you describe the position of the PSA targets within your Department’s performance measurement framework?

For example, are they a key element of the framework, a sub-component or largely separate from the framework that you have developed?

- PSA targets stand at the top of our performance measurement framework.
- There are a small number of key priorities that are not captured as PSAs as such but are measured & monitored in the same way as PSAs.
- Beneath the PSAs we have a system of performance measurement that varies in complexity according to business need. In some areas for example the Policing Performance Assessment Framework we have established a range of data that is used to assess overall performance across a number of key domains.
- We generally have a good understanding of how the PSA targets – where we use outcome measures – link to the inputs we are able to measure in the business. So the PSAs are integrated with the performance measurement framework.
- In some cases (e.g. on the SR04 PSA1) we deliberately set out to make sure that the PSA integrated clearly with the metrics used to manage the business. This was achieved by creating a link between BCS (which we use to measure crime levels and changes in crime levels) and recorded crime (which we use to track crime locally).
- Similarly for PSA 3 (offences brought to justice) we are able to use the same metric for the national PSA as we are for setting Local Criminal Justice Board targets. We have been able here to use the same metric for the outcome as we use to manage progress.
- However, it is not always the case that we have been able to develop such a clear line of sight between the PSA and action on the ground. Our PSA 7 (race and cohesion) would be an example where the impact of action on the ground in local areas on the national PSA is much more difficult to establish. However, we have made progress in developing proxy measures to help us with this.

Q3. Please list any major programmes or areas of business for the Department that do not have a PSA target/standard and briefly describe how performance is monitored (e.g. the Department uses PSA target equivalents, Key Performance Indicators with no target, a mix or subset of measures, no formal measures).

- Performance on delivering major new capabilities such as ID Cards or CJS IT systems is measured using project management techniques (e.g. Gantt charts) until such time as the benefits come on stream at which point performance is monitored in terms of the benefits originally envisaged.
- We do not have a PSA for some priorities including organised crime and counter terrorism. Progress against these is monitored using the frameworks that are similar to (a) the PSA system – for example asset recovery where we can set targets and monitor progress or (b) the project / programme method where we monitor progress against key milestones / deliverables.
- For those activities that we would not class as our high level priorities but that are none the less important we use the same approach as stated above.

PART 2 – SELECTING AND IMPLEMENTING PERFORMANCE MEASURES

Q4. With reference to the objectives set following SR2004, what are the main challenges the Department have faced in selecting and designing high level outcome focused measures which clearly demonstrate achievement of objectives?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Identifying high level quantifiable measures of the intended outcomes		√		
• Establishing measures which show the Department's contribution to final outcomes		√		
• Identifying meaningful high level measures which are sufficiently comprehensive to reflect the impact of all the Department's activities		√		
• Establishing agreed high level measures for outcomes which are shared with <i>or influenced by</i> other departments	√			
• Identifying measures which show the value of policy work		√		
• Obtaining measures which cover all the main dimensions of performance	√			
• Ensuring that individual PSA performance targets and measures are designed to minimise the risk of distortions		√		

Q5. With reference to the objectives set following SR2004, what are the main challenges in making PSA performance targets/standards and measures operational?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Estimating the range and volume of outputs required to deliver the desired outcome		√		
• Translating PSA performance targets/standards and measures into short term or annual targets			√	
• Linking high level PSA performance targets/standards and measures with established business planning measures (e.g. departmental business plans, agency business plans)		√		
• Ensuring that the department has sufficient leverage and influence to ensure that those who deliver services treat PSA performance targets/standards and measures as a priority	√			
• Ensuring that there are rewards which encourage those who deliver services to achieve or exceed targets/standards	√			
• Getting 'ownership' from staff involved in delivering the services which will impact on the achievement of PSA performance targets/standards		√		
• Allocating costs between outcomes	√			
• Ensuring areas of the department's business which are not covered by PSA performance targets receive adequate attention			√	
• Overcoming data limitations so that it is possible for PSA targets and measures to be cascaded and monitored at a local level.		√		
• Agreeing with those who deliver services, targets that are consistent with the PSA targets.		√		

Q6. With reference to the objectives set following SR2004, what are the main challenges the department have faced in collecting reliable and robust performance data in a cost effective manner to monitor PSA performance targets/standards?

	A very great challenge	A great challenge	A moderate challenge	Little or no challenge
• Identifying and locating sources of data for performance measures			√	
• Acquiring data from outside of the departmental boundary (e.g. local authorities, private sector)			√	
• Getting assurance on the reliability of performance data			√	
• Acquiring performance data in a timely way			√	
• Ensuring the cost of collecting performance data does not outweigh the likely benefits of the data			√	
• Acquiring performance data from a range of providers in the exact form required			√	
• Getting national and local performance data on a comparable basis.		√		

Q7. Do you think there are any additional challenges faced in designing and making operational performance measures for non-PSA target programmes/business areas? If so, please indicate below:

• There is always a degree of challenge in setting operational performance measures and targets due to the uncertainty in linking operational performance (which is usually expressed in terms of outputs) to the outcomes we seek as expressed in the PSAs. We deploy various strategies for managing this risk including continually investing in the further development of our evidence base.

• The setting of operational performance measures in some of our delivery environments often relies on gaining commitments from organisations when there is no formal means for this. In general this has been achieved through a process of persuasion.

Q8. To what extent do you agree with the following statements?

The performance reports received by senior management concerning the department's key objectives...	Strongly agree	Agree	Disagree	Strongly disagree
• ...are clear and comprehensible	√			
• ...describe problems as well as successes	√			
• ...are forward-looking, explaining what is likely to happen as well as what has happened	√			
• ...are action oriented showing what is to be done by whom and when.	√			
• ...highlight decisions to be made and provide recommendations.	√			

Q9. If you would like to add any further comment or explanation with respect to your answers in question 8, please do so here:

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Q10. To what extent do you agree with the following statements?

	Strongly agree	Agree	Disagree	Strongly disagree
• The department's performance monitoring system(s) addresses all aspects of performance included in the department's objectives.	√			
• The performance monitoring system(s) provides information that helps the department set clear objectives	√			
• The performance monitoring system(s) provides information for external reporting and internal management purposes	√			
• The performance monitoring system(s) informs staff about departmental performance as well as the performance of delivery agents.		√		
• The various elements of the performance monitoring system(s) (e.g. delivery planning, business plans, agency KPIs, local performance agreements) are well-aligned and integrated.	√			
• Financial data are integrated effectively with performance monitoring system(s) to assist resource allocation decision making	√			
• The performance monitoring system(s) is viewed as an integral part of the department's management process	√			

Q11. If you would like to add any further comment or explanation with respect to your answers in question 10, please do so here:

PART 3 – ABOUT YOURSELF : Will Nye	Years	Months
Q12. How long have you worked in the Department?		
	Years	Months
Q13. How long have you been in post as Finance Director?	0	1

Thank you for taking the time to complete the questionnaire. If you are happy with your responses, please now submit your answers by clicking on the submit button below.

We plan to feed back the findings of our survey to all participants and will be in touch once the responses have been compiled.

Questionnaire for the Target Owners of the 2006 NAO Survey Report, PSA Targets: Performance Information

NAO ACTING ON PERFORMANCE INFORMATION: QUESTIONNAIRE FOR TARGET OWNERS 2005

Welcome to the National Audit Office's on-line questionnaire for Target Owners.

This survey consists of eight sections and focuses on the information that you use to manage performance to achieve your PSA target. The sections cover:

- Setting your target in context
- Identification of drivers and selections of measures
- Data analysis and interpretation
- The role of stakeholders
- Management levers

Please attempt to answer all of the questions. Our pilot results show that it should take no more than 90 minutes to complete the questionnaire. You may find it necessary to consult your colleagues.

If you wish to pause and then return to your questionnaire later, please click "Save" and then close your internet explorer. To return to your submission, click on the link in your email invitation and click "OK" when you are asked if you want to retrieve your previous responses. This functionality is not available once you submit your completed questionnaire.

The deadline for completion is **Friday 16th September 2005**.

Thank you for taking the time to complete the questionnaire.

If you have any questions, please contact:

David Dorrell
Performance Measurement Area
National Audit Office
157-197 Buckingham Palace Rd
SW1W 9SP

Tel: 020 7798 5395
email: david.dorrell@nao.gsi.gov.uk

PART 1 – THE CONTEXT OF YOUR PSA TARGET

Q1. Please confirm the number of the target to which your answers refer.	
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Q2. Please select the category that best describes your 2005-08 target.

Continuation of a 2003-06 target	
Modification of a 2003-06 target	
New PSA target for an established area of departmental business	
New PSA target for a new area of departmental business	

	Yes	No
Q3. Does the target adequately describe the priority outcome that it relates to?		

- Q4.** We appreciate that there is a great deal of variation in the targets set within the PSA frameworks and the environments in which Departments operate. In order to put your subsequent answers in context, please briefly describe the environment in which you are trying to deliver your target. For example
- The level of influence you have to affect performance
 - External bodies / factors that affect your target
 - The complexities of your target's delivery chain

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Q5. Can you estimate the total value of the resource allocated to deliver your PSA target during the spending review period? If this is possible, please provide an estimate. If not, please briefly explain why.

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PART 2 – MONITORING PERFORMANCE

Q6. To what extent does your PSA target provide a clear basis for monitoring performance towards achievement? Please indicate the extent to which you agree with the following statements:

	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
• The aspects of performance included in the PSA target are clear and need(ed) no significant additional interpretation				
• Data are available to measure adequately all aspects of performance included in the PSA target.				
• The level of expected performance expressed in the PSA target is unambiguous				
• The level of expected performance expressed in the PSA target is realistic.				
• The data collected specifically to measure and report progress for the PSA target are also useful for managing progress towards the target				
• The data collected specifically to measure and report progress for the PSA target reflect the influence of the department's management efforts more than external factors.				

Q7. How often is performance information available to you so that you can assess your progress against your PSA target? Where there is more than one data stream, please answer with reference to the most significant.

Weekly	Monthly	Quarterly	Annually	Less frequently than annually

Q8. Please indicate which of the following factors are important drivers for achieving your PSA target? Please add any other important factors not included in the list.

	<i>Critical driver</i>	<i>Major driver</i>	<i>Minor driver</i>	<i>Not important</i>
• Funding/resources provided by the Department				
• Efficiency and effectiveness of Departmental operations				
• Organisational changes in the way the Department operates				
• Commitment of Departmental staff to the objective				
• Departmental skills/expertise				
• Quality of relationships with stakeholders				
• Commitment of stakeholders				
• Effective co-ordination of different delivery agents' efforts				
• Efficiency and effectiveness of delivery agents' operations				
• Quality of service provided by other delivery agents				
• Involvement of service users/beneficiaries in delivery				
• Satisfaction of service users/beneficiaries				
• Department's ability to influence industry				
• Department's international influence				
• Changes in the international political climate				
Other (please specify):				

Q9. For the "critical" or "major" drivers identified in Q4, do you have the necessary data to assess how each is performing?

	<i>Good data availability</i>	<i>Adequate data availability</i>	<i>Limited data availability</i>	<i>No availability</i>
• Funding/resources provided by the Department				
• Efficiency and effectiveness of Departmental operations				
• Organisational changes in the way the Department operates				
• Commitment of Departmental staff to the objective				
• Departmental skills/expertise				
• Quality of relationships with stakeholders				
• Commitment of stakeholders				
• Effective co-ordination of different delivery agents' efforts				
• Efficiency and effectiveness of delivery agents' operations				
• Quality of service provided by other delivery agents				
• Involvement of service users/beneficiaries in delivery				
• Satisfaction of service users/beneficiaries				
• Department's ability to influence industry				
• Department's international influence				
• Changes in the international political climate				
Other (please specify):				

Q10. Please indicate the types of data and sources that best describe the monitoring data used to manage performance towards your target?

Who collects the data?	<i>Your department</i>	<i>Other gov't department(s)</i>	<i>Office for National Statistics</i>	<i>Contractors</i>	<i>Executive agency/NDPB</i>	<i>Local authority</i>	<i>Voluntary sector body</i>	<i>Audit/inspection body</i>	<i>International Bodies</i>	<i>Service user groups</i>
• Questionnaire survey										
• Existing administrative systems										
• Specifically developed administrative systems										
• National Statistics										
• International statistics										
• Sample data										
• Qualitative data										
• Focus groups										
• Formal/informal meetings										
Other (please specify)										
•										
•										
•										

Q11. How would you rate the quality of data available to monitor performance against your PSA target?

Aspects of Quality	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
• Timeliness – data are available sufficiently quickly to assist decision making				
• Frequency – data are available as often as required to assist decision making				
• Relevance – available data measure satisfactorily the key drivers				
• Precision – results are sufficiently accurate to permit confident interpretation				
• Coarseness – data are sufficiently disaggregated to allow detailed analysis of performance				

Q12. What practical problems – if any – limit your use of data to better monitor and manage performance

	Very great problem	Major problem	Minor problem	Not a problem
• Difficulties obtaining data from other organisations				
• Developing robust qualitative measures of performance where quantitative measures are not available				
• Insufficient resources to collect additional data				
• Difficulty in interpreting the data obtained for the important drivers				
• Difficulty in determining the desired levels of performance for key drivers over time				
• Responsibility for performance against the key drivers is not clearly defined				
Other (please specify)				
•				
•				
•				

PART 3 – ANALYSING THE PERFORMANCE DATA

Q13. What techniques do you use to analyse and understand the performance data that you use and why?

	Important part of monitoring system	Minor part of monitoring system	Have considered using	Not considered relevant
• Averages/totals (descriptive statistics)				
• Benchmarking (comparing the performance of different units in the delivery chain)				
• Outlier analysis				
• Geographical analysis				
• Key driver analysis				
• Trend analysis				
• Forward projections/forecasting				
Other techniques (please specify)				
•				
•				

We are particularly interested in examples where operational research or statistical techniques have proved useful in understanding and driving performance. Where applicable, please give any relevant examples below:

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Q14. What practical problems – if any – limit your ability to analyse performance against your PSA target?

	Very great problem	Major problem	Minor problem	Not a problem
• Insufficient support from analysts / statisticians to assist with analysis				
• Under-developed tools to analyse the data collected				
• Difficulty in interpreting the results obtained from the analysis				
• Difficulties in developing trajectories to show required performance against actual performance.				
• Other (please specify)				
•				
•				

Q15. To what extent do you agree with the following statements:

The analysis of the performance data provides information that...	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
• ...is clear and comprehensible				
• ...doesn't just describe the situation but tells me what's wrong				
• ...indicates what is likely to happen rather than just what has happened				
• ...informs directly the management decisions that I have to make				

Q16. What for you are the most important uses of the performance information provided by the PSA monitoring system?

	Critical use	Major use	Occasional use	Not used
• Supporting strategic and other long-term planning efforts				
• Assisting budget proposal formulation				
• Helping in operational resource allocation decisions				
• Meeting external accountability/reporting requirements				
• Meeting internal accountability/reporting requirements				
• Increasing the efficiency of service delivery				
• Motivating staff / delivery agents				
• As a basis for determining rewards for staff / delivery agents				
• Formulating and monitoring performance of contractors				
• Monitoring the performance of partners				
• Triggering and contributing to in-depth performance evaluation				
• Improving communications with users/the public				
Other (please specify)				
•				
•				
•				

PART 4 – STAKEHOLDERS IN DELIVERY

Q17. For each of the following groups, please indicate how important they are to your target?
Please add any important stakeholder groups omitted from the list.

	Critical importance	Major importance	Minor importance	Not important
• Other Government Departments				
• NDPBs or Executive Agencies				
• Local Authorities				
• External contractors				
• Private sector representative bodies				
• Voluntary bodies				
• Service users or representative bodies				
• Audit or inspection bodies				
• International bodies				
Other (please specify) •				

Q18. For stakeholders that play a critically or very important role in the achievement of your target, please indicate their level of involvement – if any – in the performance monitoring system. Please add any relevant stages that are not included here.

	Critically/very important stakeholders are...				
	... not involved	...kept informed	...consulted and views obtained	...participate in decision making	...responsible for decision-making
• Design of the PSA target					
• Selection of measures to assess interim progress towards the target					
• Determining what data should be collected, how and by whom					
• Selecting the techniques and analysing the data collected					
• Interpreting the results of any analysis and determining the appropriate actions					
Other (please specify) •					

PART 5 – COSTS OF PERFORMANCE MONITORING

Q19. We are interested in the cost of collecting, analysing and reporting the information used to manage your target. Can you provide an estimate of the value of the resource used annually? If this is possible, please provide the estimate. If not, please briefly explain why.

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Q20. To what extent do you agree with the following statements?

The performance management system...	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant</i>
• ...does not generate unnecessary paperwork					
• ...contains a method for screening out data and measures that are not really used					
• ...is continuously reviewed to improve methods for data collection and analysis					
• ...only places a reasonable resource burden on other stakeholders					

PART 6 – LEVERS TO ACT ON PERFORMANCE INFORMATION

Q21. Which of the following mechanisms are important levers in motivating other stakeholders involved in the achievement of your PSA target? Please add any other levers not included in the list.

	Critical	Major	Minor	Not important
• Funding arrangements managed by the Department (including financial rewards and sanctions)				
• Contractual arrangements between the Department and delivery agent(s)				
• Direct intervention by the Department				
• Departmental sign-off or approval of plans				
• Setting targets or expectations for delivery agents' performance				
• Support to assist delivery agents build their capacity				
• Granting delivery agents greater flexibility and responsibility				
• Formal influencing arrangements e.g. partnership agreements				
• Informal influencing arrangements e.g. working-level relationships				
• Involvement of stakeholders in performance measurement				
• Benchmarking/evaluation of delivery agents' performance				
• Public accountability of stakeholders for their performance				
• Involvement of service users/beneficiaries in performance reviews				
Other (please specify):				
•				
•				
•				

Q22. Please rate the effectiveness of the “critical” and “important” levers as a whole on influencing your key stakeholders.

	Highly effective	Largely effective	Partially effective	Limited/not effective
• Other Government departments				
• NDPBs or Executive Agencies				
• Local Authorities				
• External contractors				
• Private sector representative bodies				
• Voluntary bodies				
• Service users or representative bodies				
• Audit or inspection bodies				
• International bodies				
Other (please specify) •				

PART 7 – OVERALL

Q23. We are interested in which factors you feel have impacted most, in either a positive or negative way, on your department’s performance against the PSA target. Please rank the following factors in order where 1 is the most important factor and 5 the least important. If any important factors have been omitted, please add to the list.

	Ranking
Buy-in from delivery chain agents	
Commitment of other external stakeholders	
The quality of your performance information	
Your department’s capacity to act on performance information and implement changes	
Government policy changes throughout the life of the PSA.	
Other (please specify): •	

Q24. Please indicate to what extent you agree with the following statements.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant</i>
• Performance information is instrumental in improving performance against my PSA target.					
• More performance information would help improve performance further					
• The performance information produced as a result of the PSA target is helpful in improving performance in other areas of the business.					
• The results shown by performance information are used to manage the allocation of resources					

Please give an example where performance information has assisted you in identifying and addressing problems in performance. In giving your example, you may wish to consider the following:

- What triggered you to take action?
- What options for action were available to you?
- What influenced your decision?
- Did you achieve the required result?

Please give any other examples where performance information has been useful in improving your department's performance.

PART 8 – ABOUT YOU	Years	Months
Q1. How long have you worked in the Department?		
	Years	Months
Q2. How long have you been the owner for your target?		

Thank you for taking the time to complete the questionnaire. If you are happy with your responses, please now submit your answers by clicking on the submit button below.

We plan to feed back the findings of our survey to all participants and will be in touch once the responses have been compiled.

Appendix 8

The Model of Capability in the Capability Reviews



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 39 questions.

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

Source: Cabinet Office (2007b: 64)

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2. Korean

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