

Performance Management in Public Institutions: An Overall Evaluation

Özlem Sökmen Gürçam¹

Rabia Ceren Tekin²

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Abstract

Performance management is a process that is directly related to the performance of employees. However, performance management is not only an issue for employees but also an important issue for employers. Because both employees and employers should be trained in performance management so that this process can be implemented in the best possible way. If necessary, the employer must also be able to reward the employee, such as a bonus or salary increase, based on performance. It is thought that private institutions and organizations are more successful in performance management system than public institutions. Here too, it is seen that in public institutions the activities and the services offered are not known precisely and there is no purpose of profit. However, today, public institutions also attach importance to performance management. This study primarily focuses on the definition of performance management, its purpose, its benefits and processes, and its conceptual framework. Then, performance management in public institutions, the benefits of performance management in public institutions, the processes of performance management and limitations of performance management in public institutions are explained.

Keywords: Performance management, performance auditing, performance measurement

JEL Classification: H83, H89

1.Introduction

Performance management system is a concept used in almost all areas today. The concept of performance management previously used in private sector has now been a concept used in public institutions and organizations. Performance management system includes a number of goals to be achieved both in private and public institutions such as setting up goals and achieving these goals, making a profit, have a competitive power, evaluating the performance and rewarding. With performance management system, institutions are expected to carry out healthier and more reliable studies to develop themselves. In addition, performance management allows supporting education, which helps develop employees' professional development. Also, for a good performance management, performance should be evaluated well. Performance evaluation is a part of the process of performance management including planning, application and taking the necessary precautions. Performance management system is a concept used especially in private sector, yet in recent years, it has become a concept for

¹Assist. Prof., Iğdır University, Faculty of Economics and Administrative Sciences, Economy department.

osokmengurcam@gmail.com

²Afyon Kocatepe University, Faculty of Political Sciences, Public Administration Graduate Student, rabiacerentekin@gmail.com

public institutions to work effectively and productively. The present study aims to carry out an overall evaluation of performance management system in terms of both private sector and public institutions by focusing on the performance management system, which is a new concept for public institutions.

2. Performance Management: Conceptual Framework

Performance management is a process of management which creates new activities to develop employees' performances and try to make this development process constant and which collects information about the situations influential on the development of employees' performances (Ertas and Atalay, 2016: 71; Altıntaş, 2008: 4). Shortly, performance management can be defined as a process which contributes to organizational performance of individuals and teams by developing their performances (Armstrong, 2006: 1). In this respect, performance management tries to create an understanding of establishing a clear-cut connection between performance goals of an employee and the organizational goals to determine what should be achieved and how to do it (Aguinis, 2013: 3). The framework of performance management system includes such factors as vision and mission, key success factors, organization structure, strategies and plans, key performance measures, target setting, performance evaluation, reward systems and information flow (Ferreira and Otley, 2009: 268).

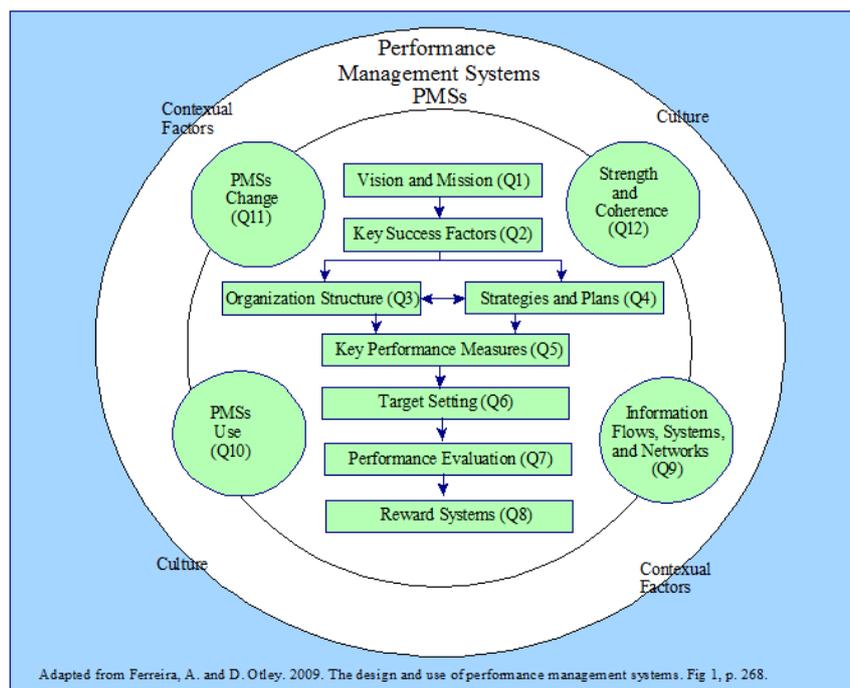


Figure 1: Framework of Performance Management Systems

Reference: Ferreira and Otley, 2009: 268.

Performance management first starts with the goals and targets known as vision and mission. In line with these goals and targets, there are such key success factors considered to be important for administrators as quality, competency and skill for the success of an organization or an institution. The organization structure determines accountability and responsibilities of organization participations. In addition, organization structure has also influence on individuals' motivation, information flow and productivity. Strategy is the way an institution prefers to use

in the long term as a tool to achieve its organizational targets. Key performance measures are financial or non-financial measures used by institutions to achieve their goals, key success factors, strategies and plans. Target setting constitutes an important part of performance management. Performance evaluations can be objective, subjective or in-between. Rewards are generally the result of performance evaluations, and the reward system is important for the framework of performance management system. The reward system includes issues such as employees' long-term progress, giving bonus to employees or increasing their salaries. Lastly, information flows have a structure that tie the whole performance management system together. Information flows transmit the information from one end to the center and from the center to the end, and thus they can be resembled to the nervous system of a human body as (Ferreira and Otley, 2009: 267-273). In this respect, performance management can be said to be a system which determines the working targets of an organization and its performance standards, which allows evaluation of the staff and assignment of duties to the staff, which provides performance feedback for employees, which determine the educational and developmental needs of employees, and which gives rewards to employees (Briscoe and Claus, 2008: 15). Therefore, it could be stated that performance management system is prepared to motivate employees (Gruman and Saks, 2011: 131).

Performance management is a fairly important issue both for employers and for employees. The reason is that it is important quite important how employees contribute to their institution or organization. Therefore, a good performance management system should help understand the performance of employees in an organization. With the help of performance management, organizations should make a comprehensive examination of their employees' educational needs, determine the development plans and monitor the use of the management process for the employees' performances to determine their individual wages and salaries. Also, performance management system helps create transparency in terms of performance in the work place and allows evaluation the needs for career development (Mustafa, 2013: 4). In this respect, performance management is regarded as a holistic process with respect to the improvement of the performances of all individuals in institutions and organizations (Chubb et.al., 2011: 5).

The goals of performance management system can be gathered in three main groups: administration, improvement and identification (Karasoy, 2014: 259; Uysal, 2014: 15).

- **Administrative goal** involves determining and applying the performance criteria of the goals to be achieved as well as involves individuals to share the goals and evaluate the process.
- **Improvement goal / goal of Improvement of the organizational effectiveness** refers to evaluation of the process and employees in accordance with the related feedback by comparing the identified performances of employees with the performances they demonstrated. This goal allows what employees have done or failed to do, which has influence on the productivity of the organization or institution.
- **Identification goal** reveals institutional and individual skills by determining the strong and weak points of the organization or institution and identifies the

internal and external factors important for the strategies belonging to performance management.

It could be stated that performance management has different goals involved in these three groups. These goals could be said to include monitoring whether the services have been conducted in a way to serve the purpose, increasing the decision-making authorities of administrators, increasing the responsibility of accountability encouraging the productivity, increasing the budget performance and focusing on the services and customer demands by determining the service priorities (Özer, 2013: 41).

For performance management system to be successful, the performance management process should be organized well. Performance management process is made up of the phases of planning, education and evaluation of the employees' performances. Performance management process also allows an institution to become aware of its expectations from its employees, to give more constructive and objective feedback to its employees, to provide better guidance, to plan their employees' personal development and education needs effectively and to have more productive relationships with their employees (Helvacı, 2002: 157). In performance management process, determining the performance gaps depends on the performance inspection. Performance inspection refers to examining the works in the institution to see whether the sources are used well in terms of productivity, effectiveness and economy and whether the financial responsibility is taken into account or not (Özer, 1992: 33). Here, the purpose is to make an evaluation regarding a project or the activities of the institution and to present related views. In order this view to be credible, reliable and respectable, it should be clear and especially objective (Özer, 2013: 53). Today, while doing performance inspection, the following questions are directed: "What are you trying to do? Why do you do it? To what extent do you do it? What else should you do? And How better should you do it?" (Özer, 2013: 54). Performance inspection not only allows the institution to revise the goals regarding the units that fail to serve in the long term but also helps the institution to put forward rules and regulations in relation to achievement of the goals set (Özer, 1997: 71). Thanks to these features of performance inspection, it tries to make performance management work better.

3. Performance Management in Public Institutions

Public institution is one of the biggest and oldest institutions in the world. However, the problems with the functioning of public institution are gradually increasing in almost all countries. There is currently an increase in the number of negative public views about general administration as well as about local administrations. Such concepts existing in private institutions as effectiveness, productivity and quality concerns are not prominent in public institutions at all. In fact, effective and productive functioning of public institutions has also influence on the financial state of a country. Public institutions are supposed to meet the standards and quality that private institutions have. Failure to meet these standards sometimes makes it difficult for some public institutions to survive. Such survival of an institution is based on the reliability of that institution. This reliability is related to the importance that taxpayers give to the quality of the service provided by the institution and to the mission of the institution (Yıldız, 1995: 77).

In terms of public institutions, performance management can be defined as the services supposed to be given successfully by public institutions and as the works to be carried out in relation to the tools and methods that are used to provide these services. In other words, performance management in public institutions focuses not only on to what extent the public works are carried out in line with the institutional goals and targets but also on the measurement and evaluation process (Kırılmaz, 2011). With the help of performance management process in public institutions, strategic decisions are made to manage the long-term goals of institutions, their budget and human sources for future (Cederblom and Pemerl, 2002: 138).

The basic purpose of performance management in public institutions is to make the most of the services and products of public administrations or to let public institutions achieve their goals, to create transparency and accountability in the activities carried out by public institutions and to make maximum contribution to the welfare levels of those making use of these activities (Altıntaş, 2008: 7). In line with these goals, institutions establishing a good performance management system are those which are effective, productive, transparent and participatory and which produce and spread information and put forward solutions to problems (Bilgin, 2008: 62). However, in public institutions without any performance management, sources are not used effectively and productively, and they miss opportunities to take competitive advantages as these institutions lack effective strategies. In addition, since there is no performance management in these institutions, they are influenced even by current cyclical fluctuations and are likely to experience serious problems (Akyüz, 2001: 119).

There are a number of benefits of performance management in public institutions as follows (Celep, 2010: 37);

- It helps public institutions reach their targets.
- Employees become more conscious of what they should do.
- It allows public institutions to follow the changes and renovations in competitive conditions.
- Public institutions will have the opportunity to learn their weak and strong aspects and take the necessary precautions accordingly.
- Public institutions establish coordination between the lower-level and upper-level employees and prevent them from moving away from the institutional goals.
- Waste of sources in public institutions are hindered.

Performance management process in public institutions includes the phases of planning, application, inspection and taking precaution. the performance management process starts with strategic planning, which is followed by performance programs. With this phase, performance measurements are done, and the targets are set. Following this, the activities to be carried out to reach the targets and the costs of these activities are determined. Lastly, the process ends with inspection and taking the necessary precautions, which involve evaluation of the performance measurements of the previous year (Celep, 2010: 38).

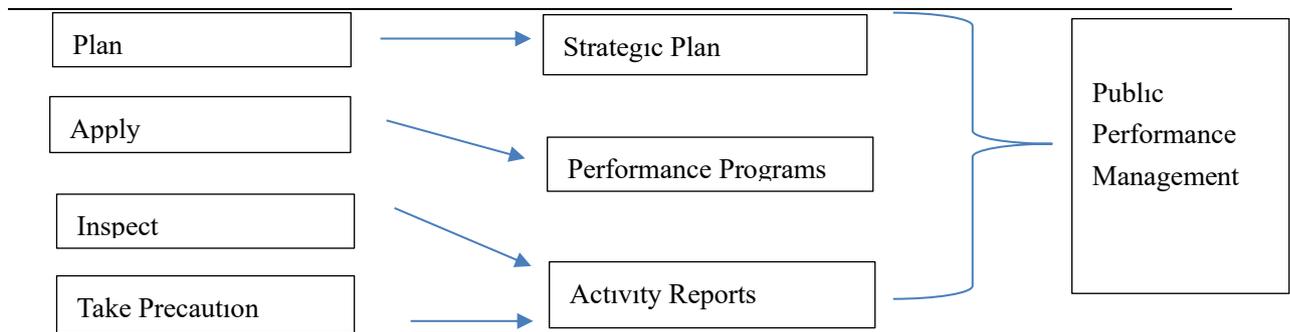


Figure 2: Public Management Process

Reference: Celep, 2010: 38.

As can be seen in Figure 2, public performance management processes include planning, application, inspection and taking precaution (Karasoy, 2014: 264):

- **Planning:** In this process, the targets set should be short, clear and easy to understand. The strategic plans, missions, visions and policies determined by public institutions to achieve reach these targets in the long run will influence their success.
- **Application:** The plans determined are related to the application of the performance specific to the institution. This process also includes performance evaluation.
- **Inspection:** The process of inspection is the extent to which the public institution reaches its targets. During inspection, information is obtained about the process by looking at the institutional performances. In addition, the process of inspection involves inspecting whether public sources are used effectively, productively and economically and whether accountability is taken into consideration or not.
- **Taking precaution:** The data collected via the inspections allow overcoming the negative aspects of the public institution and increasing the performance by developing its good aspects.

There are several principles regarding the application of public performance management. These principles help carry out public performance management in the best conditions. The principles of public performance management could be said to include accepting the performance understanding, monitoring the institutional performance, monitoring the individual performance, countable performance targets and performance development, legality, clarity, accountability and transparency (Bilgin, 2007: 62). However, it is quite difficult to set and explain performance criteria in public institutions. When public institutions are regarded as service organizations, effectiveness of organizations are determined with the organization culture, sense of duty, direction of the customer and customer and quality relations (Gözlü, 1995: 48). In general, quality management in public institutions is under the influence of a number of limitations. These limitations include (Gözlü, 1995: 48):

- Organizations giving public services are supposed to consider more than one target population.
- It is difficult to transform a state's responsibilities into concrete products.
- Mostly, use or consumption of the outcomes of organizations giving public service is not optional.
- These organizations have their own rules and organization culture formed in line with laws.
- These organizations do not have any elements for motivation and encouragement for consumers.
- In organizations giving public service, authorities do not have any commercial identities.
- As in private organizations, it is not possible to choose any of the target groups.
- People regard organizations giving public service as a business organization.
- Since it is difficult to measure the activities in organizations giving public service, certain difficulties are experienced in the evaluation of the results.

In addition, lack of measurement of performance management in public institutions could be considered to be a limitation as well. The reason is that it is quite difficult to determine success or failure where there is no performance measurement. For instance, public institutions do not generally provide undefined goods or services. A private institution which is an automobile factory obviously manufactures cars. However, it is not obvious what a university, a public institution, produces. In this respect, failure to explain what a produced good or service is makes it difficult to measure the effectiveness of an institution concretely. A similar situation is also true for non-profit public institutions. Lack of a purpose of profit in public institutions does not allow measuring the performance and thus makes it difficult to measure the productivity of public institutions (Akçakaya, 2012: 193-194).

Public institutions are generally less effective in performance management when compared to private institutions. The reason is that public institutions do not sell their products or services to consumers directly and that these products are sold to a political organ by the bureaucracy. Therefore, the quality of services and products is not always subjected by users to the test of purchasing or not purchasing. Lack of auditing by customers and lack of measurement of success in terms of profits make it necessary to use managerial inspection and chain of commands to increase effectiveness of the activities in public institutions (Kılavuz, 2000: 165-166).

4. Conclusion and Suggestions

Although performance management is a fully-understood concept in terms of private sector, it seems to be a new concept for public institutions. In current conditions, public institutions should be encouraged to get rid of their slowly-functioning structures and to have a more effective and productive structure. For this reason, public institutions have had to adopt the performance management system that the private sector used previously. With performance management, the purpose of public institutions is to keep up with all the changes done and to achieve effective and productive working in their institutions. Thanks to effective application of performance management in public institutions, the quality of public goods and services will increase; public administrators will have the necessary knowledge and skills for a better

administration; financial transparency issues will be become more important in line with increased accountability; and the quality of decisions made in relation to public institutions will increase. With the application of performance management system in public institutions, it will be possible to make comparisons between the past years of public administrations and their current states. These comparisons will bring about accountability and financial transparency and increase competitiveness and the quality of services. Consequently, the performance management system applied in public institutions generally provides benefits for the institutions.

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