

CHAPTER 8

**PERFORMANCE MANAGEMENT AND EVALUATION IN NORWEGIAN
LOCAL GOVERNMENT: COMPLEMENTARY OR COMPETING TOOLS OF
MANAGEMENT?**

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Abstract

This chapter identifies some important factors that can explain the use of performance management, and discusses how performance management and evaluation can complement each other. The chapter draws on the life cycle approach to performance management, as well as previous empirical studies of performance management in Norwegian local government. Both performance management and evaluation are subject to organizational and partisan politics, possibly to different degrees. Better utilization of complementarities could improve both performance management and evaluation. Performance management and evaluation compete for institutional power and scarce resources, which affects how well these tools are integrated or developed as competing systems.

The evolution of performance management and evaluation

Developments in public management have witnessed a growth in both performance management and evaluation. Evaluation prevailed in the late 1950s, and has arguably

developed through four waves (Vedung, 2010). Equally, performance management has a long history in public administration (Hood, 2007), and has existed in its modern form since at least 1911 (Williams, 2003). It has also been a central element in many new public management reforms from the late 1970s (Hood, 1991). Broadly defined, performance management encompasses target (management by objectives), ranking (benchmarking) and intelligence (monitoring) systems (Hood, 2007).

While both performance management and evaluation should be balanced in public sector organizations' toolkit, this is not common (Davies, 1999). Probably, because they compete for scarce resources and management's attention (Blalock, 1999; Davies, 1999; de Lancer Julnes, 2008; Nielsen and Ejler, 2008).

Thus far, performance management and evaluation have largely developed as two distinct academic fields (Blalock, 1999). Nevertheless, performance management and evaluation have many links and commonalities (Davies, 1999; Nielsen and Ejler, 2008), and in some respects they can complement each other.

The purpose of this chapter is to identify some important factors that can explain the use of performance management, as well as discuss how performance management and evaluation can complement each other. It does so based on previous studies of performance management in Norwegian local government.

Complementarities and alternatives to evaluation

Many authors have addressed the issues of performance management and evaluation as complementary and competing tools, with Wildavsky (1972: 509) arguing that: "The ideal organization would be self-evaluating. It would continuously monitor its own activities so as to determine whether it was meeting its goals or even whether these goals should continue to prevail."

Wildavsky also discussed how evaluation relates to politics. “Evaluation may be wielded as a weapon in the political wars. It may be used by one faction or party versus another” (1972: p. 515). When evaluation provides threatening information, organizational actors may engage in different types of gaming behavior. Consequently, a culture of trust and incentives for being open and willing to change may be important for both a self-evaluating organization and for those who want to utilize performance management and evaluation in an effective way.

Although performance management and evaluation are different yet still complementary, for instance differing with regard to their frequency of activity and the questions they address. Even so, performance management seems to outcompete evaluation with respect to dominance in public management (Blalock, 1999; Davies, 1999). Davies (1999) explains the predominance of performance management over evaluation with three main factors: First, the inadequacy of evaluation to meet decision-makers’ unrealistic expectations; second, the rise of managerialism and the “business-knows-best” approach that followed new public management and the neo-conservative policies of the 1970s and 1980s; and third, the growing influence of accounting and auditing in public management. The accounting community has developed non-financial performance audits, and provided means for addressing accountability by performance indicators and annual reporting. This may also have gained them legitimacy over evaluators because accounting and auditing are more institutionalized professions.

Blalock (1999) has focused on the “estrangement” – or competition – between the performance and evaluation research communities, and how they can better complement each other. She observes that management often seems to favor performance management over evaluation, arguing organizational decentralization is a major contributor to this fact in the context of public sector reform. When reforms result in many more and smaller units than

before, for the purpose of accountability, policy makers and executive management also need ongoing monitoring and reporting more than before. Performance management may therefore be the tool of choice in this respect, due to its versatility, relatively low cost and timely flow of information as compared to evaluation.

Blalock also argues that performance management is a blend of planning and management ideas and is a management tool, whereas evaluation research is an applied offshoot of basic social science research and is a research tool. Thus, they have different purposes and typically involve different activities. Performance management mostly conducts the managerial monitoring of ongoing organizational programs, while evaluation mostly conducts scientific evaluation activities that aid in the design, or review, of social programs.

Performance management often focuses on users' short-term gross outcomes rather than on a program's long-term net outcomes (net effects) that evaluators typically would emphasize.

By better integrating evaluation into performance management, many problems associated with data reliability and validity, as well as attribution and cost-benefit issues, could be prevented or reduced.

Nielsen and Ejler (2008) also analyzed the complementarities between performance management and evaluation, and highlighted the issue that many evaluators are skeptical towards the widespread use of performance management in the public sector because performance management practice often neglects the need for a sound social science base. However, seeing the two sets of tools as complementary could strengthen performance management through appropriate utilization of evaluation inputs.

There are also issues of competition, for instance related to institutional power, personal careers or scarce resources. The problem with this competition over scarce resources is that absent performance monitoring from a performance management system, albeit

involving relatively crude methods and data, important issues may go undetected – and the late discovery, via an evaluation, may prove very costly in terms of poor results, lost opportunities, and embarrassment for those accountable.

The lifecycle approach to performance management (van Helden, Johnsen and Vakkuri, 2012) assumes that a system undergoes different stages such as (i) design, (ii) implementation, (iii) use, and (iv) assessment of the system and its impacts. The lifecycle approach also assumes that different factors affect the performance management system in the various stages (de Lancer Julnes, 2006; Nielsen and Ejler, 2008). Many of the above mentioned authors have detailed how evaluation can complement and strengthen performance management, and some of their insights will be utilized in the analysis and discussion below.

Performance management and evaluation in Norwegian local government

We now turn to local government in Norway in order to analyze factors that may explain the utilization of performance management and how performance management and evaluation can complement each other. Norway has ca. 5 million inhabitants and local government consists of 18 counties and 429 municipalities. The Local Government Act of 1992 requires that all local governments have systems for internal control, and that all decisions are well prepared with regard to informational background. Even though the use of evaluation, evidence-based policy and performance management are not directly regulated – in contrast to the situation in central government – many municipalities use performance management systems and evaluations, although few have specialized departments for these tasks.

Many local governments took part in developing and using performance management from the early 1980s onward, and Johnsen (1999b) found that 162 (98%) out of a sample of 165 municipalities voluntarily published annual performance reports in 1996. Furthermore,

99% of the 162 municipalities publishing annual reports also used some type of performance management, 93% used some type of quantitative performance indicators and 83% used management by objectives. Half of the municipalities had at least some emphasis on performance audit. If we assume that the performance management systems and performance audit practices must have been designed and implemented some time before being utilized in 1996, we can state that many municipalities had already had experience with performance information and evaluation for a considerable time by the 1990s, and also widely used performance management practices on a voluntary basis before it became mandatory in 2002.

From 2002 onwards, the regulations detailing the Local Government Act nonetheless required that all counties and municipalities annually report on the use of their financial resources, activities and users of the services to Statistics Norway in a local to central government performance reporting system (KOSTRA).

Statistics Norway uses these data for producing financial ratios and performance indicators, which are made publicly available and facilitated for various benchmarking analyses. The external reporting of performance information from the local to central government is mandatory, although local governments' usage of this information in their internal management still remains voluntary. There is no consistent information as to how local governments use evaluations, but there is a national survey every four years that documents how local governments are organized, including how they use different performance management tools such as management by objectives, performance reporting and benchmarking. All local governments are required to have both financial and performance auditing, and if we regard an audit as an instance of evaluative information we know that all local governments annually have access to, and to a varying extent utilize, performance and evaluation information. The table below documents the use of performance management in local government in 2004 and 2008. In the subsequent analysis, we will

discuss these data and some major explanatory factors commonly suggested in the empirical literature by the different stages of the life cycle of a performance management system.

Insert Table 8-1 About Here

Design

A large majority of Norway's counties and municipalities have designed their performance management system using management by objectives, and has implemented monitoring systems. Many counties and municipalities also utilize the data on inputs, activities and outputs in the mandatory local to central government reporting system in their internal monitoring systems. Utilization of the Balanced Scorecard, which is a modern version of the traditional management by objectives system (Johnsen, 2001), is expanding as is benchmarking. In fact, the data in the table underscores the extension of benchmarking because of the fact that approximately 70% of all municipalities participated in a national program of municipal benchmarking networks in 2004 (Askim, Johnsen and Christophersen, 2008).

Implementation

Implementation is an under-researched issue in performance management. There are no extensive empirical studies for the implementation of performance management systems in Norway, though Johnsen (1999a) explored how the measurement of performance indicators, and the analysis and reporting of performance taking place without comparing the

performance indicators to objectives, at least in the implementation stage (a decoupled implementation mode) could bypass resistance and enhance organizational learning in such a way that performance management could come into effective use in Norwegian local government. Such a loosely coupled system resembles monitoring and benchmarking insofar as these systems compare processes and performance to time-series or with other organizational units, and not to objectives, targets and goals. There are also many other dimensions to implementation such as top-down versus bottom-up involvement, top-management commitment, cooperation in networks, the use of consultants and gradual versus total implementation, all of which could affect implementation success.

Use

Many factors are known to affect the use of performance management systems, and these factors may vary over time, between different tiers of government and between different countries. For example, a study of non-mandatory performance management in Norwegian municipalities in the 1990s revealed that large municipalities; scarce financial resources for other than producing core services; and with a socialist majority in the municipal council, had more performance management than other municipalities (Johnsen, 1999b).

Askim (2007) studied how Norwegian municipal councilors utilized performance information and found a surprisingly high level of utilization. Politicians used the performance information for (i) agenda setting, (ii) decision making, and (iii) implementation control, and there were also systematic variations in the utilization between policy fields. Politicians working with elderly care, administration and education used the performance information more than politicians working with cultural affairs, technical services and planning, and business development.

The reporting of performance information is crucial for effective use. Evaluation studies are often disseminated through elaborate analyses and formal reports. By contrast, performance monitoring often has less well developed information channels and such data are used for less formal reporting (Nielsen and Ejler, 2008). In Norwegian local government, the 10 biggest municipalities have cooperated in a benchmarking network since the early 1990s, with this network annually producing analyses and reports. However, these analyses have always been regarded as underdeveloped despite their organizational capacity.

Here, evaluators could contribute significantly by giving seminars on data analysis and reporting, as well as aiding (in particular) small local governments that lack both capacity and competence. This is what Nielsen and Hunter (this issue) call “methodical complementarity”.

Assessment

Evaluation can complement performance management by helping program managers understand to what extent their outcomes can be attributed to the program. In the Norwegian case, there have been pilot studies and evaluations of the system whereby local government report to central government performance reporting system (KOSTRA).

Askim, Johnsen and Christophersen (2008) found that a number of factors contributed to organizational learning from the performance reporting: networks with dissimilar network partners; management capacity; political-administrative regime stability; management involvement; socialist municipalities.

Some final reflections on competition and complementarity

Practitioners and decision makers should obviously pay attention to complementarities between performance management and evaluation. For example,

practitioners within both the performance management and evaluation communities need and use a common pool of social science theory and methods, “methodical complementarity” (Nielsen and Hunter, this issue). Hence, the education and training of both kinds of practitioners could be through the same university programs, and employers could recruit students with common educational background so they could switch back and forth in performance management and evaluation work. This has the potential to enrich and improve both domains. In designing performance management systems it would be useful for practitioners to know when they should increase the usage of evaluation in order for the organization’s performance management to work better, or vice versa for improving the organization’s performance and/or accountability. When organizational resources or management’s attention are scarce, performance management and evaluation obviously compete. Therefore, the choice between performance management and evaluation should normatively be informed by cost-benefit considerations. However, without performance culture that values interaction and cooperation between the performance and evaluation research communities, such choices could easily be driven by organizational politics rather than utility.

In Norway, all central government agencies are required to undertake evaluations. Local governments are not required by law to undertake evaluations as such, but all decisions are expected to have a firm footing in relevant performance information. Even where evaluations are mandated, the laws often will not spell out the details in how often the evaluations should be carried out, for which policies and with what methods. Here, partisan politics can play out relatively often, especially if the evaluation’s findings are regarded as crucial for a program’s future.

Implementation is obviously an area in which evaluation could contribute to performance management, not to mention that more knowledge in this area would also be

profitable for evaluation. For example, evaluation research that provides a better understanding on how to implement systems that produce good results measured against valid and reliable performance indicators could benefit future evaluation research by helping to build viable programs that in turn provide relevant evaluations. See Nielsen and Hunter's (this issue) discussion of "sequential and informational complementarity".

The issue of performance management and evaluation as competing management tools is important for both practitioners and policy makers in the performance management and evaluation research communities alike, and is an interesting area for future research.

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	Municipalities		Counties	
	2004	2008	2004	2008
Management by objectives	76%	74%	87%	81%
Balanced scorecard	26%	52%	21%	63%
Monitoring by performance indicators	61%	72%	87%	63%
Benchmarking	26%	33%	50%	71%
	N=309–337	N=300–314	N=14–15	N=16

Source: Hovik and Stigen (2008).

Table 8-1. Performance management in the Norwegian local government

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