

ENTREPRENEURSHIP IN THE PUBLIC SECTOR OR THE CONCEPT OF PERFORMANCE MANAGEMENT

Introduction

The term “performance management” is commonly used in Western literature whereas in Poland it has no commonly accepted equivalent. More frequently the term “budżet zadaniowy” (the performance budget) is used, even if the performance budget constitutes only one of the elements of the wider conception of the performance management. In the Polish public sector the conception of the performance budget¹ has been implemented for twenty years, although neither in the local government sector nor in the government sector has the decision concerning the replacement the traditional budget by the performance budget been taken. What is more, foreign experiences in this field are much richer, because the first attempt at introducing to the public sector the new methods of management took place in the United States at the beginning of the twentieth century.

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As mentioned above, the performance budget is only one of the elements of a broader concept of performance management. However, in Poland in this context mainly the term “performance budget” is used. Such a terminological solution has also its substantive consequences. Namely, often the application of methods of New Public Management (including the concept of performance management) unfortunately is limited to preparation of the financial and substantial plan (the performance budget), whereas this plan is used in a very limited manner for the management and the improvement of efficiency and effectiveness of the public sector.

The method of the performance management is the instrument transferred from the private sector. The entrepreneurs whose business does not bring profit, which is they do not work effectively and efficiently, are not able to survive on the market. For the record is important to remember that the entrepreneurship is action aiming at ensuring rational and effective coordination of economic resources of the company and entrepreneurs should be characterised by the capability of seeing the needs and of making the improvements of ideas, ability to use emerging opportunities as well as willingness to take risks.

Therefore the performance management enforces the effectiveness (i.e. quality) and efficiency (i.e. the corresponding ratio of expenditure for services provided). It should be mentioned that the objective should not consist of measurement only of the apparent results (“the outputs”), such as the number of trained unemployed people or the number of graduates of maritime schools, but real results (“outcomes”) relevant to the citizens (such as the reduction of unemployment).

The aim of the paper is to show how the entrepreneurial elements used in the private sector are transferred to the public one. In view of such aim the research hypothesis was formulated as follows: although through performance management instruments it is possible to introduce to the public sector elements of entrepreneurship, the obtainment of the satisfactory results encounters the difficulties greater than in the private sector because of the specificity of the public sector. These difficulties are illustrated by the example of the U.S. program to combat unemployment and poverty (called the Welfare Transition Program), and the example of the functioning of the U.S. and German employment jurisdictions.

Performance management exemplified by the U.S. program to fight unemployment and poverty (Welfare Transition Program)

In Western literature, despite the recognition of the unquestionable advantages of the method of the performance management the attention is paid to the fact that at times it produces

the unintended results and sometimes even counterproductive ones. J. Soss, R. Fording, S.F. Scharm² conducted empirical researches concerning the influence of management practices on the beneficiaries (clients in terms of the performance management) of public services on the example of the U.S. government program to combat unemployment and poverty (the Welfare Transition Program). The purpose of this program implemented in each state is the delivery of services in the field of job research, professional counselling as well as financing childcare, transportation, education and training.

In accordance with the concept of the performance management the particular offices implementing this program are evaluated and compared with others, and the results of this evaluation are spread through the so-called "Red or Green Report". Only these offices that achieve satisfactory results are indicated as green ones and as part of the prize they receive additional funds for the implementation of the tasks of the program, the rest of the offices receive only "the red light". Such a procedure should motivate the public managers to make effective and efficient decisions, what surely should be considered as justified. On the other hand, such a solution results in negative behaviours that are typical also of the private sector. The study of the functioning of this program shows that individual institutions implementing this program compete with each other - hiding the solutions that enable to improve the effectiveness and efficiency. Although the federal government encourages sharing these so-called "good practices", they are rather treated as a "trade secret" (functioning also in the private sector). This phenomenon should be regarded as a natural consequence of leaving the public managers freedom to achieve planned results and introducing the mechanisms of accountability concerning the obtained effects.

The other negative effect of introducing the performance management to the public sector consists of "punishing" the beneficiaries of this program whose behaviour contributes to realisation by the office worse outcomes (the studies have shown that the highest rate of application of sanctions against beneficiaries of the Welfare Transition Program is being recorded in Florida). The citizens who violate the requirements (most often the conditions of professional activity in a specific temporal dimension are breached) are immediately deprived of all forms of aid. Another type of "sanctions" applied in Florida consists of the assignment in each state office implementing this program only one official who can eventually restore the right to this aid. What is more, for this purpose, a personal meeting is necessary. However this official is on duty only for two hours a week. When there is not enough time for meeting of all the interested, it is necessary to wait till the next and next week.

An interesting phenomenon observed consists of the manipulation of the data in order to be able to show better results. For example, the desired effect of the Welfare Transition Program is a high rate of socially useful works. Therefore, in order to show the effects, some offices collect the information concerning, for example taking a minister for Sunday services and qualifying it as socially useful work.

Although sanctions within the Welfare Transition Program in Florida are the highest in the entire United States, actually no one believes in their effectiveness. As noted by one of the employees, sometimes it is absurd to oblige somebody to a 40-hours work week in exchange for the benefits. For example, in the case of a person who comes for help because was evicted from the apartment, he has neither clothes nor money for food. Program managers indicate that sanctions should be as low as possible because, as one of them noted, "It is just like a private company, our goal is to find employment for those who need it and not to punish them".

The employees of units implementing the Welfare Transition Program feel constant pressure of achieving the planned results, because they are monthly evaluated on that basis. In the case of this program, finding and maintaining of workplace to people in need is the expected results. However, in the case of certain beneficiaries (e.g. with alcohol abusing problems) it is an extremely difficult task and the lack of effects often does not result from the fault of the officers.

What is more, the possibility of the positive motivating of beneficiaries of the program to respect its principles is very limited. Admittedly, it is possible to reward them by the additional vouchers to pay a babysitter or public transport, but these benefits practically are available to all the participants of the program. Therefore, the sanctions remain the only motivating factor. Their imposition (i.e. deprivation of the right to aid) is sometimes preceded by a call to deliver to the specified date the certificate of the number of hours worked; however, these activities rarely bring the desired effect. Therefore, powerless employees implementing the program, in a certain sense “take revenge” on the beneficiaries and inflict a penalty for the lack of results, i.e. deprive them of their right to benefits.

The example of the Welfare Transition Program shows that although the performance management should allow the application of free-market instruments of autonomy, innovation and efficiency, in practice its use is limited. Despite this, the program conductors are individually assessed for the results achieved and, as the researches show, they feel enormous pressure of its achievement. Therefore, with limited possibilities to use other tools they resort to punishing beneficiaries by deprivations of benefits for not fulfilling the fixed conditions of aid.

Performance management exemplified by employment jurisdictions in the United States and Germany

In this section the difficulties in transferring the methods from the private to public sector will be illustrated with the example of American and German employment jurisdictions. The researches carried out by M. Schneider³, who compares the work of judges in the U.S. government agency (National Labour Relations Board’s Division) responsible for the judiciary work in the United States and the German employment tribunals, led to interesting conclusions. Although the author openly admits that in this field it is not possible to determine the salaries of judges depending on the achieved results, as well as to rewards tribunal as a whole (as is the case of the above-described American Welfare Transition Program), without even mentioning the possibility of inflicting sanctions on judges; however there are some hidden mechanisms that help to ensure the adequate level of efficiency and effectiveness.

Using the terminology of performance management the role of judges in the analysed countries is related both to the outputs (i.e. the number and timeliness of resolved cases) and the outcomes (i.e. the substantive results and fairness of judiciary decisions). The correctness of the judicial decisions is influenced by the qualifications, experience and the average age of judges (which in the case of judges of the German employment appeal tribunals and American judges of NLRB is approximately 44 years).

The judges are independent, therefore it is expected that their decisions were issued without any external influence. Their remuneration is regulated by law and cannot depend on the results of their work. However, it should be noted that in the German district courts judges are subject to regular evaluation and its results have a significant impact on their promotion, i.e. transfer to regional tribunals where the evaluation mechanisms are not more applied.

There is no doubt that the essential influence on the quality of judgments has to be ascribed to the choice of adequately prepared judges. In both cases in point, the dominant influence on the selection of new judges has the management of the institutions concerned (i.e. the U.S. agency NLBR and the German employment appeal tribunals). It should be noted that on the one hand, in general the management is interested in ensuring the quality of judgments and therefore proposes the elections of the candidates who have a common system of norms and values. On the other hand, there is some danger of favouring some candidates which can result in the deterioration of the quality of judiciary decisions. Due to the high level of independence and autonomy of judges and the complex nature of their work, the selection of appropriate judges is crucial from the point of view of achieving the desired results.

The quality of decisions is related to the so-called organizational culture. O’Reilly and Chatman define it as a system of shared values defining what is important and standards of appropriate behaviours and attitudes. The organizational culture community of professional

judges that is relatively homogeneous plays the important role. It allows to develop the model of the performance management that combine the features of professional ethics and bureaucratic control. The ethics and professionalism are mainly based on the principle of self-management and the power of expertise⁴, whereas the characteristics of bureaucratic control model results from the fact that the units supervising the activity of judges, despite their independence and autonomy, do not resign entirely from affecting their results by influencing their organizational culture and hiring judges sharing a common system of norms and values.

In addition, an experienced judge may himself introduce certain performance standards dealing with his cases faster or slower, more or less accurately. A similar mechanism was applied by one of the presidents of the U.S. NLRB who has noticed the reluctance of the other judges to mediation⁵, engaged himself in a significant number of such negotiations, setting his own model of the desired behaviour.

The publication of results (e.g. list of overdue cases) can as well draw attention to "outputs" which are relevant and encourage judges to compare themselves with the others. Although, as O'Reilly and Chatman noticed, taking exclusively such symbolic actions may not be fully effective, if they reflect important and widely shared values they can shape and strengthen the inner significance of particular attitudes and behaviours. This mechanism is called "soft benchmarking". The "soft" nature of the assessment means that it does not result in a material rewards or penalties for judges. Therefore, to achieve the desired result it is necessary to internalise certain values and norms, such as the efficient resolution of disputes and attempts to bring to the settlement.

M. Scheinder⁶ draws attention to the fact that not only "outputs" should be taken into consideration because the work of judges is of a complex character and such manner of proceeding could lead to the stimulation of undesirable behaviours. In the American agency NLRB the management examines all contested decisions of the judges. In the German system of employment tribunals, the president of each appeal tribunal examines and signs every decision taken by the judges and the parties may, under certain conditions, appeal to the Federal Employment Court. Thus, both the American agency NLRB and German appeal employment tribunals realise various forms of outcomes control.

To sum up, in this part of the analyses, it should be noted that although the solutions used in both the American and German employment appeal jurisdictions allow to influence the improvement of performance ("the products" as well "the outcomes"), there are no mechanisms of the external accountability. The introduction of such instruments, due to the nature of the tasks realised by the judges is really controversial and difficult. E.B. Miller⁷, the former president of the U.S. agency NLBR, commenting on the American system of justice even said that judges are not motivated to efficient and effective work, "neither stick nor carrot".

Conclusions

The analysed mechanisms of transferring to public sector management tools from the private sector exemplified by the fight against unemployment and poverty, as well the judiciary system suggest that the entrepreneurial elements can and should be used to improve the efficiency and effectiveness of public tasks.

Presented above results of empirical studies conducted in the United States and Germany allowed us to prove the research hypothesis formulated in the introduction of the paper, according to which although it is possible to introduce to the public sector elements of entrepreneurship, the achievement of fully satisfactory results encounters greater difficulties than in the private sector because of the conditions and mechanisms of the public sector. These difficulties are the smaller the more the public tasks have similar character to the services delivered by the private sector. While it is possible to adopt instruments of accountability and to use the motivating factors to improve results in the field of the fight against unemployment and poverty, it would be much more difficult in the case of public services accomplished by tribunals due to the independence and autonomy of judges.

Greater or lesser difficulties in the implementation of entrepreneurship mechanisms introduced in order to raise the effectiveness and efficiency of delivery of public services appear in every area of public policy. Practically they are inevitable, therefore it is necessary to identify them and attempt to mitigate their effects in order to improve, not only apparently, the effectiveness and efficiency of public tasks.

REFERENCE:

1 However the term performance budget itself understood as a financial and material plan in the Western literature is used extremely rarely, more often the term performance budgeting is used designating the method of budgeting.

2 J. Soss, R. Fording, S.F. Scharm, The Organisation of Discipline: From Performance Management to Perversity and Punishment, *Journal of Public Administration Research and Theory* 2011, no 2 (21), p. 206.

3 M. Schneider, Performance Management by Culture in the National Labor Relations Board's Division of Judges and the German Labor Courts of Appeal, *Journal of Public Administration Research and Theory* 2004, no 1 (14), p. 19-32.

4 H. Mintzberg, *The structuring of organizations: A synthesis of the research*, Prentice-Hall 1979, p. 351.

5 In the United States, the judges not only exercise the role of arbiter but also lead mediation to reach an agreement.

6 M. Schneider, *op. cit.*, p. 25.

7 E.B. Miller, *An Administrative appraisal of the NLRB*, Philadelphia 1999, p. 60.