Abstract
Performance management and decentralised decision-making are spreading through the Dutch education system. This study shows how performance management works and what actors and relationships between actors are important. Research has shown that performance management can easily lead to unintended and undesirable effects. The question remains how to reduce these effects. A comparison of policy programmes in other countries shows that the success of performance management is highly dependent on the form that it takes. Depending on circumstances, performance management can be a useful and worthwhile management mechanism. We conclude this paper by outlining a number of conditions for successful performance management.

Introduction
The rationale of educational institutions is based on their ability to give their students the best possible education and, if possible, to help them fulfil their potential. In order to achieve that, schools are subject to government control and management. There has been a shift in recent years in the division of roles between the government and society, with government pulling back to give more responsibility to society. While the national government aspires to become more accountable to its citizens, public and semi-public organisations are being required to demonstrate the results of their activities to their customers. Management based on rules and procedures is gradually being replaced by a system based on performance management and decentralised decision-making. This new style of management stems from New Public Management (NPM): a generic term for more performance-oriented management methods. What this body of ideas boils down to is: desegregation of organisations (increasing autonomy), greater freedom of control for managers, explicit performance indicators, output-based management and accountability mechanisms with incentives (Bestebreur 2003, CPB 2004). New Public Management aims to modernise management in public administration, using management mechanisms from the private sector (Hood, 1995). A second key idea of NPM is that management through rules and procedures should be replaced by management based on performance, with its associated decentralisation of powers (Budding & Groot 2003; Van Gestel & Teelken 2003).
The paper begins with a brief explanation of how performance management is put into practice, followed by an account of the pitfalls and dysfunctional effects of performance measurement and performance management. The question remains, how such effects can be reduced? After that we make a diversion to look at experiences with performance measurement abroad. Our literature study appears to indicate that performance measurement can be useful and worthwhile under certain circumstances. We conclude with a summary of recommendations for successful performance measurement and performance management.

1. From management based on rules to management based on performance

The present transition to a knowledge- or network-society means that governments are increasingly being seen as one player in a network. This is expressed in phenomena such as interactive policy and public-private cooperation on projects. The new role of government is shifting then toward that of director, regulator or chain manager. These are completely different images from those of the government paradigm, when officers were put in place as fearless helmsmen on the bow of the ship of state. The government is pulling back, giving service providers greater scope to develop and implement their own services, but in exchange for that the government expects measurable performance levels.

The way this new approach to management is translated into reality is presented in Figure 1. This figure - borrowed from the CPB (2004) - presents the principal management, supervisory and accountability relationships in the Dutch education system. We added stakeholders to the figure, so that it reflects the actual situation in vocational education better. Stakeholders such as companies and social organisations have an important voice in the preparation of qualification profiles and vocational competence profiles, and they are also the place where students gain their first experience with their future occupations.
Figure 1
Principal management, supervisory and accountability relationships in the Dutch education system (based on Netherlands Bureau for Economic Policy Analysis (CPB), 2004)

1. Legislation on attainment targets or exit qualifications
   - Parliament
   - Minister
   - Department
   - Education Reports and institution reports (incl. school report cards)

2. Process control via funding
   - Promote quality
   - Institution report
   - School supervision

3. Provision of Information (School prospectus sometimes with results)
   - Institutions
     - Governing body
     - Management
     - Teachers

4. Choices made by students/parents
   - Students/Parents
     - Public
     - Press
   - Publications such as annual report in Trouw newspaper
These questions serve as a guide for both the preparation of policy and for the account of policy given in the annual report produced by each ministry. For the preparation of policy via the budget, the division of the policy section into a policy agenda and policy items is an important innovation. The policy agenda contains a brief outline of the key points of a minister’s policy for the coming year. It also indicates the most important developments in the policy to be pursued: which policies should be strengthened and which relaxed or scrapped?

The aim is to condense the policy into 10 policy items or policy areas. For each policy area, the policy agenda should indicate:

- what the objectives of government policy in that area are, these should be formulated in terms that are as concrete and measurable as possible;
- what instruments will be used and/or what activities will be carried out in order to realise the policy; and
- the funding required (Ministry of Finance 2002).

A more complete account of policy, performance and funding is given in the departmental annual report, which answers the questions: Have we achieved what we planned? Have we done what we should have done? And did it cost what we expected it to cost? The annual reports must be submitted to Parliament by the third Wednesday in May at the latest.

The formulation of system indicators is another example of this. There are also more and more examples of the government formulating performance targets or ambitions for funded institutions that serve as a guideline for the performance levels to be realised by institutions. Local authorities as policy-makers are missing from the overview; in their role as governing bodies for public education, they can be placed in institutions.

In block B (institutions) performance makes its appearance again in the form of management contracts and possibly team and/or individual performance-related pay. Institutions can use performance levels (such as success rates, inspection assessments) as indicators of quality in their communications with stakeholders, students and the general public. The arrows between A and B are more interesting here. Performance-related funding has existed in certain education sectors for quite some time. More recently, the government’s maxim has been: national ambitions, regional performance levels. Adult and vocational education institutions are used as regional leverage to mobilise and organise networks with stakeholders in order to convert national ambitions into performance.

This approach to management can be seen again in the way the Ministry of Education, Culture and Science makes agreements with institutions about policy objectives to be realised (performance agreements) and with the supervisory bodies about how this will be checked (protocols). This starts with making clear agreements at the beginning of the policy cycle about the “what” aspect, leaving it to the institutions themselves to fill in the “how”. The minister is responsible for the whole system and for creating the space, frameworks, conditions and sufficient checks and balances (Ministry of OCW, 2004a, b).

These basic principles are highlighted again in the Adult and Vocational Education Strategy. The national government has chosen a management style
that involves laying down clear frameworks in advance and a combination of horizontal and vertical accountability afterwards. The Ministry of Education, Culture and Science is strengthening internal supervision and horizontal (multiple public) accountability, alongside the existing vertical accountability. A constant theme running through this is the proportional supervision laid down in the Education Inspection Act (WOT). This means: more supervision where quality and internal monitoring is still inadequate and less supervision as quality and monitoring improve. According to the Adult and Vocational Education Strategy, it will be a challenge to apply this principle more widely as its legitimacy is monitored. The better the horizontal supervision, the less emphasis there will be on vertical supervision, but this does not mean that vertical supervision will disappear altogether. In the 2005 budget for vocational and adult education, reference is made to ambitions at national and even European level that will have to be expressed quantitative and qualitative targets, as agreed at Lisbon (2004). The immediate future will be a period for experimenting. The plan is that from the 2005-2006 course year, educational institutions will specify and report on their ambitions in conjunction with their regional networks. For the time being, the emphasis will be on greater transparency aimed at the local environment and benchmarking, rather than really judging institutions by their results. There is still no question of differential salary schemes or funding arrangements.

In Dutch Higher education, the structure of finance is increasingly based on an output-oriented basis. Universities are obliged to produce more detailed yearly reports, including their goals and mission, their expectations for the future, educational and research results, human resource management, financial situation including ratio’s, output features (graduation rates e.g.) which should help the reader to judge the actual quality of the university (Ministry of OCW, 2003).

Students\footnote{From senior secondary vocational education upwards it is the students themselves, parents have a more limited role in view of the age of the students.} - we have arrived at block C - may choose a particular course partly on the basis of the quality of the course as indicated by performance data. The school report cards used in secondary education are a familiar example. League tables of courses published in Trouw or Elsevier are another example. The general public is interested in whether the government is living up to its promises, such as the promise to provide high quality education. The press likewise has its own reasons to be interested in the performance of public services. Finally, block D: the Inspectorate has a supervisory role and so monitors the performance of institutions and reports on its findings in the annual Education Report, based on the school report cards.

This brief overview illustrates that performance is being defined in many different forms at all kinds of levels. Figure 1 shows the following relationships between the different actors:

1. Legislation on attainment targets or exit qualifications (the influence of national government on the institutions, a top-down approach therefore).
2. Process control via funding (two-way relationship between institutions and the government, bottom-up and top-down).
3. Provision of information to students/parents, e.g. via school prospectus (the influence of the institutions on students/parents).
4. Choices made by students/parents (the influence of students/parents on the institutions).

This study is confined to performance management by the government (block A), aimed at vocational education institutions (block B including the relationship between A and B). The other parts of the figure will only be touched upon in passing. However, there is also a restriction applying to blocks A and B: this paper does not consider performance management via team or individual pay (as an aspect of personnel policy, for example) in government departments or educational institutions. We do, however, consider cases where it is government policy to give extra financial rewards to institutions if they demonstrate certain performance levels.

2. Pitfalls and dysfunctional effects of performance management and performance measurement

Measurement is controversial in the public sector, as is evident from the many discussion documents and studies on this issue. The main objection is that many achievements in the public sector are invisible, unplanned or inconsistent (Noordergraaf & Abma 2003), because intended results are often problematic and means-end relationships are unclear, as are the relationships between benefits and undesirable effects.

De Bruijn (2004, p. ?) warned about the paradox of performance measurement: “Performance measurement is tempting to many a manager: it seems to offer many opportunities for managing professionals, but anyone who over-uses this set of tools will bring down the negative effects on his own head. So performance measurement is a tricky proposition for the manager: it promises to strengthen his capacity to intervene, but only those who use it carefully will realise something of what it appears to promise. If performance measurement falls into the hands of the modern macho manager, with his present-day jargon of ‘effectiveness’, ‘performance-related pay’ and similar robust notions, then the system of performance measurement very soon becomes perverted and degraded into bureaucracy and pointless ritual”.

Performance management and measurement in the public sector is no simple matter, because it can easily lead to unintended and undesirable effects and even to De Bruijn’s “pointless ritual”. A common example of this is strategic behaviour, where people try to uncouple the performances that are to be measured from the actual functioning of their organisation. By excluding certain groups of students, for instance, a school can improve the statistics for its final examination results. When courts are assessed on the basis of the number of judgements they pass, they can increase the number of interim judgements in order to increase their output figures. The threat of sanctions (e.g. budget limits) resulting from performance management almost inevitably leads to
dysfunctional behaviour. There is a serious danger that the emphasis on “productivity” and “efficiency” will ultimately be initiated more with cutting budgets in mind rather than improving performance. The consequences are correspondingly serious: “Equating performance measurement with budget cutting creates a perversion of incentives that rewards obfuscation and self-protection rather than creative performance improvement” (op. cit., 233) Klay (2003).

Another important problem with performance management is that public services are usually complicated and multifaceted and so they cannot be reduced to a single dimension, which is often the presumption with performance management. A third problem is that administration costs are high, because accurate and effective measurement of performance takes a lot of time and is expensive. This is sometimes referred to as the “the burden of accountability” (Power, 2003). These three pitfalls are discussed in turn below, and this section concludes with a brief look at the effects of performance management over a longer period.

2.1. Dysfunctional effects
Performance management and performance measurement can have all kinds of undesirable effects that are not intended. Smith (1995) was one of the first to point out the pitfalls of performance measurement. He identified eight dysfunctional effects:

a. Tunnel vision: in situations where there are several targets, managers choose those that are easiest to quantify.

b. Suboptimalisation: managers operate in a way that helps them to achieve their own targets but is counterproductive for the overall system. At system level this means that output measurement can contribute to greater competitiveness between organisations, leading to increased reluctance to share best practices because this could harm the organisation’s own competitive position. In this situation, increased output in the individual organisation is at the expense of a decrease in the output of the system.

c. Myopia (= short-sightedness): is found when managers choose short-term rather than long-term gains.

d. Measure fixation: if outcomes are difficult to measure there is a natural tendency to use performance indicators that are based on quantifiable outputs. Measure fixation occurs when the performance indicator itself becomes the focus point and the desired outcome gets pushed into second place. An example would be provided by universities where knowledge is constantly reproduced to increase output, but innovation is blocked in the long term.

e. Misrepresentation: this is a form of fraud and takes place when performance data are either reported inaccurately or deliberately manipulated in order to create a good impression. In schools, there is cherry picking: weaker pupils are not allowed to take tests, making the results in the official reports on the school look better. Another strategy is counselling, in which poorly performing students are encouraged to leave school early. A third example is teaching-to-the-test: pupils are trained to pass the tests that the school knows will be published in reports that are available to the public.
f. Misinterpretation: this manifests itself most obviously in league tables, in which the measurements are often so imprecise that they do not allow proper comparison.

g. Gaming: this is when a manager deliberately underperforms in order to be ensured of a lower target in the next round.

h. Ossification: this happens when performance indicators cease to be relevant, but no-one takes the trouble to revise or remove them.

2.2 Multifaceted character of public services

De Bruijn concluded that output measurement in public sector organisations calls up an ambivalent picture. That is not surprising, given that public sector organisations (including schools) are producing multi-value products. The products have to do justice to the different values that are sometimes incompatible or inconsistent. Furthermore, output measurement reduces multi-value achievements to single value achievements. The professionals therefore see performance measurement as a poor way of judging things because it is one-dimensional.

Bouckaert & Peters (2002), continuing on the same theme, argued that new public performance management risks creating an illusion of greater control over aspects that can be controlled and better results on details, while losing sight of important social issues. “A ‘helicopter view’ is competing with a detailed and sometimes myopic ‘frog view’ for a performance management approach”. You only measure what you can in fact measure, and these are often unimportant matters that are easier to measure than the important ones, so performance management necessarily involves the danger that people will normally concentrate on targets that are fairly easy to reach (Klay 2003).

Performance management and performance measurement require investigations to be carried out among stakeholders to find out how satisfied they are with services. Citizens are key stakeholders in the public sector and perceptions and expectations play a big role in levels of satisfaction. The way achievements are presented will influence those perceptions and expectations, and so there is a danger that the performance itself will become less important than the presentation of the performance.

The final effects of government interventions (the outcome) are also often difficult to measure because the goals of government interventions are often necessarily vague and therefore difficult to put into operation (safety, quality, integration). De Bruijn argues that because of the complicated nature of public service, many organisations elect to manage based on output rather than outcome: scientific papers, police charges, court judgements, medical treatments, licenses issued. The output of an organisation only gives a limited picture of the performance of that organisation. Despite this limitation, output is often an easier instrument for management to use than outcome, because outcomes are far more difficult to measure.
2.3 Administration costs
As stated earlier, accurate and effective measurement of performance demands a great deal of effort. It is usually the professional or operational staff who are putting in the effort, while the managers get the benefit from the information. De Bruijn pointed out that the total time between the intervention and the final effect is often long and this effect is influenced by innumerable other factors, so it is difficult to find objective evidence of the relationship between the government intervention and the final effect.

Bouckaert & Peters (2002) challenged the view that performance-based management has advantages for policy-makers, managers and the general public. They argued that the costs will rise but that it is difficult to make these costs transparent. The use of performance contracts, for instance, means that energy has to be invested in drawing up the contracts and in discussing the right levels of performance, then performance has to be monitored and evaluated. The alternative is to invest in trust, which - certainly in the public sector - is cheaper and more sustainable (Boeckaert & Peters, 2002).

2.4 Long-term effects
The Social Development Council (RMO) has voiced concerns about the pitfalls of the new management approach, from which can be concluded that performance-based management can have undesirable effects in the longer term. There is a danger that the government will withdraw the scope for policy-making again with “monitoring, controls and accountability”. Monitoring and controls can have negative effects: an enlarged bureaucratic measurement industry, manipulation of figures, encouragement of short-term thinking, calculation instead of aspiration and declining professional responsibility (De Bruijn 2001). This can lead to transference and duplication of bureaucracy, when the broader policy frameworks of the national government are being “closely regulated” again at other levels. The idea that “all competence disputes, conflicts of interest and grey areas can be regulated out of existence” through frameworks is an illusion (RMO, 2003).

Bouckaert & Peters (2002) argued that a new divide between winners and losers has been created by this new method of management. Every organisation and every nation aspires to excellence, wants to be in the vanguard, wants to function in accordance with best practice. The top is frequently not high enough. It is obvious that only a few can reach the top and what is the top now may only be middling tomorrow. There is a danger that all the attention is focused on the excellent, while the less than excellent are left out in the cold and become demotivated, when some of them are putting in a good performance in the circumstances in which they are operating.

The key question of whether public administration run along performance management lines really is more efficient and offers better quality services to the public has not, therefore, been answered. Pollitt & Bouckaert (2003) rightly ask how it can be that proponents of performance management reforms show so little interest in their own performance. They suggest that proponents of NPM
are caught up in a kind of religion rather than following a collection of scientific principles that can be tested by research. An interesting aspect of the belief in NPM is the connection with long-established views about the nature of liberal democracy. “Nowadays we hear a great deal about citizens’ charters, ‘empowerment’, ‘inclusion’, ‘partnership’, ‘networked solutions’ and ‘accountability’. Governments present management reforms as being at one with a more guiding, less authoritarian, more cooperative, less exclusive role for themselves. (...) However, it is clear that NPM believers have felt a need to acknowledge and ally themselves with the continuing power of the ‘old religion’”.

3. Experiences with performance management

Studies in the private sector (De Waal et al. (2001) who refer to a benchmark study by Arthur Andersen) have found that organisations that focus on performance management are not only more successful financially, but they are also more innovative and produce better quality work that companies that do not.

Based on empirical studies, Neely et al. (2004) reported that the Balanced Score Card (shortened to BSC, one of the best-known innovative performance management systems) had been introduced by 44% of organisations worldwide by 2001. The most widespread introduction was in the United Kingdom (57%), more than in the United States (46%), and both were leading Germany and Austria (26%). Surveys have been conducted by firms of consultants and market research bureaus, which have found that organisations that work with balanced performance measurement systems perform better that those which do not. Research findings indicate that organisations that make greater use of financial as well as non-financial assessment criteria and link strategic criteria to operational criteria make higher profits. A well-designed Balanced Score Card can, in this way, help an organisation to picture and improve its performance and profitability (Neely et al., 2004, Epstein et al., 2004). Dutch research findings point in the same direction: use of the BSC increases organisational effectiveness, provided plenty of attention is given to implementation (Braam & Nijssen 2004). There are other studies, however, that contradict these findings. A similar mixed picture emerges from research designed to investigate whether performance measurement increases employees’ job satisfaction. There are signs that the process of identifying and selecting suitable performance criteria and key performance indicators leads to employees being more ready to accept the business strategy, more strongly committed to its introduction and having a better understanding of what is going on in the company.

De Waal & Kerklaan (2003) reported as the most significant conclusion to emerge from evaluations of projects abroad “that performance management in public administration does work”. Effective performance management leads to improved results from public sector organisations and so it strengthens democracy. This is true of both local authorities and national government. They referred in this context to a study from the John F. Kennedy School of Government entitled: *Visions of governance in the 21st century*. 
The education systems of many countries are increasingly being organised along performance management lines. In very general terms, two models of public management can be distinguished. The first is the constitutional state model, that is based on the state as an integral power, usually with a bureaucratic culture. Germany and France are typical examples of countries that operate this model. The second model is the public interest model, in which the state is seen as a necessary evil with only limited decision-making powers, typified by the United Kingdom, Australia and New Zealand. Performance management is only slowly taking shape in the constitutional state countries, but is gaining ground much faster in the countries that operate a public interest model. There are also countries, such as the Netherlands, Finland and Sweden, that operate a hybrid model.

Examples of policy programmes based on performance management are: the Best Value programme, performance management in primary and secondary education and school achievement awards in the United Kingdom; the Government Performance and Results Act in the United States; and the Outcomes and Outputs Framework in Australia. We have not been able to find any evaluations of the last two policy programmes.

Experience with performance management within the two most important relationships as presented in Figure 1 will be discussed in turn.

1. Legislation on attainment targets or exit qualifications (the influence of national government on the institutions, mainly top-down)

In the United Kingdom local authorities have been required to take part in the Best Value programme since 1 April 2000. This programme means that local authorities lay down their own performance criteria over a broad range of tasks and constantly measure themselves up against these criteria. The programme was introduced in a typically top-down way. Longitudinal research (Martin et al. 2003) found that the results of this programme were not clear, implementation had not been easy but had usually had a stimulating effect. Remarkably, the programme has led to more central control, contrary to the intentions of NPM (Wollmann 2004). The Balanced Score Card is seen as an important tool here.

Another programme in England is Performance Management in Schools, whereby all state primary and secondary schools are required by law to introduce performance management (Brown 2004). In this programme, school governing bodies make performance agreements with heads and teachers about school leadership, pupils’ attainment levels, etc. The results of performance appraisals of both groups work through to salaries. Research findings indicate that heads and school governors often do not feel equipped to apply this system of performance appraisal (Brown 2004). Major differences have also been found between schools in the way and the extent to which they apply this system, for example, in how specific and objective their performance levels are.

In Canada, certain services provided by local authorities (road maintenance, waste disposal, water supplies) are increasingly being managed on a
performance basis. A survey of Canadian local government officials (n=895, response 37%) found that there are still major differences between desired and actual use of performance measurement, especially measurement of effectiveness. Nevertheless performance measurement systems are seen as a useful management tool with interesting potential for further development. (Pollanen, 2002)

Experiences with performance management in the local government of Alberta, reported on in research conducted by Townley et al. (2003), were less positive. Although the new approach to management was greeted with enthusiasm, the results were disappointing. The groups of experts who had devised the performance indicators had little feeling for the professional knowledge and skills of the operational managers, while the government of Alberta was only interested in the simple, standardised information. This led to a culture of calculation and the measures got bogged down in a mechanistic use of performance reports and outcome indicators. Try & Radnor (2004) came up with similar findings in their study of Canadian Results Based Management (RBM). It does not seem to be easy to convert a traditional bureaucratic culture with fixed input and processes into a result-oriented culture; the environment is not flexible enough to give output management a chance.

2. Process control via funding (the two-way relationship between institutions and government, with both a top-down and bottom-up approach)

Noden et al. (1999) compared the higher education systems of Finland and the United Kingdom, based on the assessment methods used and performance-related funding. The universities in both countries tended to implement the national system at the level of the organisation. Because so much attention was given to the Research Assessment Exercise in the UK (assessment of the quality of research by peer review), other areas were neglected. Extra funding for excellent teaching (Teaching Quality Assessment) was given much less attention and was not considered acceptable (because it was felt to be unfair to students). The planned introduction of tuition fees to be paid direct to the universities should compensate to some extent for the over-concentration on research. In Finland, there was greater use of output-based funding, which was putting pressure on the quality of teaching (more very large colleges) and research (lower quality standards for doctoral theses, narrowing of research fields). On the other hand, more attention was being paid to efficiency and cost control.

Lawrence & Sharma (2002) carried out case studies into the use of BSC at the University of the Fuji Islands. This management model was introduced there under pressure and it involves funding based on quasi-market elements and performance-based management of academics and their departments. Lawrence and Sharma found, however, that BSC promoted efficiency and effectiveness but in doing so was failing certain essential aspects of education. When education is seen as a product to be traded (commodification) and students are seen as customers, the function of education in society is degraded.

Davis and Albright (2004) used a quasi-experimental setting and found that BSC improved financial performance in the banking system. Of course, the question
remains whether it is possible to generalise from this study and whether the improvement will be lasting or only temporary.

We have been looking at experiences with performance management in other countries; unfortunately the studies are too few and far between and too anecdotal to allow general conclusions to be drawn from them.

4. Possible solutions

It seems that performance management works in public administration but that its success is highly dependent on the conditions under which it is organised as well as the basis on which it is organised (De Waal & Kerklaan 2003).

Experiences with the new policy and management system (Beleids- en Beheersinstrumentarium (BBI) in Dutch, one of the first initiatives for a different kind of management in local government) have taught us that, as well as attention to quality, use and the effect of new management tools, at least the same amount of attention needs to be given to the “softer” aspects of management, such as changing culture and attitudes. The evaluation of the VBTB (IOFEZ, 2004) showed that progress was being made in the area of accessibility and efficiency of the policy agenda, such as a clearer structure for budget items and more fluent budget report. Despite these improvements, many faults and inadequacies were still noted. There were complaints, for instance, that it is difficult to achieve two goals (accessibility and efficiency) with one instrument (the budget structure). It seems as if the “VBTB reduces everything to measurable quantities” (p. 42). Numerous recommendations are being made to improve the accessibility of budgets, accountability through reporting and efficiency, by making the VBTB more concrete and ceasing to use the same instrument for different purposes. There is also a proposal to set up “a programme for a small number of high quality studies to evaluate the effects of policy, based on the proposed policy analyses and with the aid of experts in the field” (IOFEZ, 2004, p. 54).

The findings of this study indicate that performance management can be useful and worthwhile under certain circumstances, but that we should not expect too much from it. The form the performance measurement system takes and the method of introduction are crucial. It is important, for instance, that the multi-value character of public service be recognised, particularly when drawing up performance indicators. Attention must be given not only to output, but also to the process and the factors that, to a greater or lesser extent, contributed to the results. De Bruijn argues that measuring output in the case of multi-value products can only lead to less perverse behaviour when output is seen in relation to throughput; in other words, when the product is linked with the production process. However, the product approach can also lead to perverse effects. It is about utilising the tension between the two approaches: management of competing values.
Learning from performance is more important than judging institutions on the basis of their performance. Support from management personnel is essential when implementing performance management. Employees and managers have to be involved in the choice of performance indicators, the evaluation of outcomes and the choice of subsequent activities. The manner of its introduction is crucial to the success of the Balanced Score Card, for instance. This kind of dialogue reinforces the interests of the customer (= student) and the employee (=teacher) behind the data and prevents performance management becoming an end in itself.

On the basis of our study we have identified two modes of performance management, controlling and learning performance management. Both possess different features, which are summarized in the following table.

Table 2: Modes of Performance management

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Controlling</th>
<th>Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support</strong></td>
<td>By management</td>
<td>By management and operational staff</td>
</tr>
<tr>
<td><strong>Steering</strong></td>
<td>Top-down</td>
<td>Top-down-up</td>
</tr>
<tr>
<td><strong>Establishment of performance indicators</strong></td>
<td>By management</td>
<td>By means of a dialogue between management and operational staff</td>
</tr>
<tr>
<td><strong>Embeddedness of performance indicators</strong></td>
<td>Independent of context</td>
<td>Dependent of the context</td>
</tr>
<tr>
<td><strong>Nature of performance indicators</strong></td>
<td>Quantitative</td>
<td>Quantitative as well as qualitative</td>
</tr>
<tr>
<td><strong>View on policy process</strong></td>
<td>Reduction of activities into one-dimensional entities</td>
<td>Taking into account the multi-value character</td>
</tr>
<tr>
<td><strong>Accountable units</strong></td>
<td>Individual level</td>
<td>Team or organisation, as system level</td>
</tr>
<tr>
<td><strong>Perspective of time</strong></td>
<td>Past</td>
<td>A combination of Past, present and future = flow</td>
</tr>
<tr>
<td><strong>Basis of performance management</strong></td>
<td>Based on only little trust</td>
<td>Based on extensive mutual confidence and trust</td>
</tr>
<tr>
<td><strong>Dimension</strong></td>
<td>Product</td>
<td>Attention for Product and Process</td>
</tr>
<tr>
<td><strong>Position of reviewer</strong></td>
<td>External reviewer</td>
<td>Internal monitor/reviewer</td>
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<tr>
<td><strong>Role of stakeholder</strong></td>
<td>Passive</td>
<td>Encouraging, coaching</td>
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5. Conclusions & recommendations

1. From this account of different experiences it is evident that management based on performance is a balancing act. The danger that performance management will not lead to the desired behaviour but will elicit strategic behaviour is always lurking in the background. It is not possible to come up with a clear-cut prescription to make performance management a success. However, the experiences discussed in this paper allow us to offer some advice for performance management in public administration.

1. Organisations in general and public sector organisations in particular carry out activities and provide services that have a multi-value character. These often involve conflicting or inconsistent matters that cannot easily be reduced to one-dimensional proportions, while indicators do presume one-dimensionality. If performance management and performance measurement fail to take this sufficiently into consideration, there will be a strong tendency among staff to resort to dysfunctional or strategic behaviour.

2. When performance levels are the only aspect taken into account, this can also encourage dysfunctional behaviour. Public sector organisations employ professionals who engage in all kinds of interactions and who sometimes have to take decisions which may appear inconsistent. A surgeon treats different kinds of patients and it may be easier for him to reach his performance targets with one patient than with another. A performance measurement system that is based exclusively on quantifiable performance levels will be seen as unfair by the professional. The system needs to allow room for dialogue to get to the bottom of processes and factors that lead to specific levels of performance. The right balance needs to be found between a product-based and process-based approach.

3. If performance management is not to remain confined to managers, if the professionals are also to be drawn in (cascading), then steps must be taken to ensure support for the measures. One way to do this is to actively involve “the shop floor” in the choice of performance indicators, evaluating outcomes and making agreements on any consequences of the evaluation. It must be borne in mind that switching from a rule-led to a performance-led culture is a long-drawn-out process.
4. Performance management that is accompanied by sanctions encourages strategic behaviour by definition, especially when there are financial consequences. Managers often respond to strategic behaviour by refining the performance measurement system. This is a blind alley. It is far more fruitful to adopt a learning approach: how can we learn from performance management and how can we improve it through dialogue? That demands that attention be given to the story behind the performance, without playing down the importance of delivering the performance.

It is always necessary to seek a balance between the extra gains to be made by introducing performance management and the extra administration costs, not merely the actual financial costs but the additional burden of administration as well. The process of introducing performance management should always include a consideration of this balance.
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