

Designing Performance Review and Assessment Systems in Central Government Departments in Italy

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This study tackles the issue of what accounts for differences in design features of Performance Review and Assessment (PRA) systems across branches of central government administration. By discussing the PRA systems recently adopted (2010–11) in twelve departments (Ministries) of the central government of Italy after the 2009 public management reform, this paper offers some insights into the factors that contribute to the greater or lesser extent to which PRA systems are accurate and complete.

Keywords: Performance Review and Assessment (PRA), central government departments, Italy

1 Introduction

The design of performance review and assessment (PRA) systems is an important component part of organizational design choices. In public sector organizations, PRA systems have been widely adopted as a common feature of organizational control systems intended to affect the behaviour of public managers and civil servants alike (Flamholtz, 1996). Various reforms, especially within OECD countries, have often included PRA systems in conjunction with contract-based approaches towards public management positions, enlargement of discretion in carrying out policy mandates, and performance-related pay schemes (OECD, 2005) as key component parts of public management policy reforms.

The scholarly literature on PRA systems in the public sector has addressed various issues, including what affects the decision to introduce PRA systems, what is the effectiveness of PRA systems, and what are the implications of PRA systems for the relationships of control and accountability between public managers and civil servants on the one hand and various stakeholders on the other hand (Bevan and Hood, 2006; Power, 1999; Smith, 1995; Heinrich, 2002; Hood, 2002; Proper and Wilson, 2003; Bird et al., 2005; Milkovich and Widgor, 1991; Brown and Heywood, 2005; Yun et al., 2005). Despite a copious amount of studies, however, the more fundamental issues as to whether PRA systems contribute to improving public sector performance, and what features make PRA systems more likely to exert a positive influence on public sector performance, have not been fully settled yet (Boyne and Hood, 2010).

This study aims to contribute to this issue by addressing the question of what accounts for differences in design features of PRA systems across branches

of central government administration. Provided a general definition of PRA as the process of “evaluating performance based on the judgement and opinions of subordinates, peers, supervisors, other managers and even workers themselves” (Jackson and Schuler, 2003: 455), we hold that design choices made in the set-up of PRA systems play an important role in the way the PRA process is conducted and in the performance of the PRA system itself. Yet, we miss a clear picture of what design options are “open” to the designers of PRA systems, what are the pros and cons of alternative design option choices, and why PRA systems differ across branches of the same administration.

This study consists of a comparative analysis of PRA systems recently adopted (2010–11) in twelve departments (Ministries) of the central government of Italy. Following the 2009 reform (Act 15 and Legislative Decree 150), central government departments were required to install so-called “Performance Measurement and Evaluation Systems” and to realign their performance planning, reporting, and assessment practices to criteria of quality, transparency, and merit-based rewards. While performance effects of these PRA systems are not evident yet because of their novelty, the empirical evidence allows to investigate how PRA systems differ across the twelve central government departments, why they differ, and what the rationales are for the design choices made. The results of the analysis offer some contribution to the scholarly discussion in design options available when setting up PRA systems and on the role played by organizational context and task domain on PRA system design choices.

The rest of the paper is organized into three sections. The next section will review the scholarly literature on PRA systems that contributed to the design of current performance review and assessment practices in central government departments in Italy. Section three will discuss the main features of the PRA systems adopted in the twelve central government departments examined in this study. Finally, section four will draw the conclusions.

2 The design of performance review and assessment systems

Performance review and assessment (PRA) systems are generally designed to serve various purposes. As highlighted by Behn (2003), measurement of performance is a costly activity that makes sense only because performance information is functional to the accomplishment of organizational objectives. Performance information, in particular, can be used by managers and employees for attaining eight purposes, namely to evaluate how well the organization is performing, to control whether subordinates do the “right thing”, to budget resources on most effective actions, to motivate managers and employees to attain goals, to promote the image of the organization to the public, to celebrate the accomplishments of the organization, to learn what works and what does not, and to improve future performance (Behn, 2003). Attaining these purposes calls for the efforts of ma-

nagers and employees, whose motivation can be elicited through administrative systems designed for reviewing and assessing individual performance and individual contributions to organizational performance.

The design of PRA systems primarily builds on the managerial economic view of organizations (Allen et al., 2009; Png and Lehman, 2007; Wilkinson, 2005; Milgrom and Roberts, 1992). According to this perspective, performance information plays a fundamental role in the design of incentive schemes that are used to overcome moral hazard issues within hierarchical organizational settings. Provided that organizational performance is hampered by agency problems (Ross, 1973; Jensen and Meckling, 1976), PRA systems generally aim to fix sub-optimal allocation of agent's efforts by linking agent's compensation to some measure and assessment of performance, as expressed in terms of individual achievements with respect to predetermined goals or individual contributions to the attainment of organizational objectives. Additionally, PRA systems can make use of comparative performance information (e.g., reviewing individual performance with respect to the one accomplished by other agents) in order to fine-tune performance assessment and stimulate competition and learning.

Public management reforms that include the use of PRA systems in public sector organizations generally provide design principles that follow the managerial economic perspective. In Italy, a reform passed in 2009 (Act 15 and Legislative Decree 190) was aligned to these principles, too. The reform provided that public administrations should improve the quality of their services by measuring, reviewing, and assessing performance, improve professional competences of staff, reward merit, and distribute extra remuneration in relation to the accomplishment of individual and organizational objectives. In particular, the reform mandated that public administrations should adopt "Performance Measurement and Evaluation Systems" for the measurement, review, and assessment of both organizational and individual performance. Organizational performance was defined as related to the implementation of public policies and their impact on the fulfillment of public needs, to the implementation of plans and programmes in accordance with the expected schedule, quality, and costs, to the satisfaction of the users and beneficiaries of public services, to the modernisation and improvement of the organization, of the professional competences of staff, and of the capacity to deliver public programmes, to the development of relationships with citizens, users, and stakeholders, to the efficiency in the use of resources, to the quantity and quality of services, and to the attainment of equal opportunity (article 7, Legislative Decree 150/2009). Individual performance of managers was defined as related to the accomplishment of individual goals, to the contribution to the achievement of organizational objectives, to the results obtained by the organizational unit under direct responsibility, to the professional and managerial competences, and to the capacity to review and assess subordinates; individual performance of employees, instead, was related to the attainment of individual and group-based goals, to the

contribution to the achievement of organizational objectives, and to competences and professional and organizational behaviour (article 9, Legislative Decree 150/2009).

By and large, some of the most innovative features of the 2009 reform related to the requirement to review and assess organizational performance, in addition to individual one (that had been generally included in PRA systems of public administrations since about a decade). Further design principles for the measurement, review, and assessment of organizational performance were provided by the independent commission CiVIT (Commissione Indipendente per la Valutazione, Integrità, e Trasparenza della Pubblica Amministrazione), that was charged with the task to assist and monitor the implementation of the 2009 reform in the country. In resolution No. 89/2010, the CiVIT commission recommended that public administrations set up PRA systems for the sake of improving the identification of organizational objectives, assess whether objectives are accomplished, assist decision-makers, enhance effectiveness of resource allocation and organizational processes, influence and assess individual and group behaviour, strengthen accountability and responsibility, and encourage continuous improvement and organizational learning.

The CiVIT resolution filled the 2009 reform by providing some guidance as to how organizational performance, in particular, should be measured, reviewed, and assessed. The resolution suggested public administrations to adopt and implement one among various organizational performance review and assessment systems that had been developed in both the practical and scholarly literature, such as the Balanced Scorecard, the Performance Prism, and the Common Assessment Framework. It also recommended that the PRA systems should contain a clear definition of organizational objectives, of performance outcome indicators, of the relationship between outcome, indicators, and targets, of the method for data collection, calculation, and interpretation of outcome indicators, and of the procedures for calculating outcome indicators. Among the PRA system requisites, the resolution included the relevance, understandability, comparability, reliability, and feasibility of calculating performance outcome indicators.

Despite these provisions contained in the 2009 reform legislation and the CiVIT recommendation, the definition of the PRA systems – especially, in the part related to the measurement, review, and assessment of organizational performance – posed significant difficulties. Organizational performance outcome proved to be a rather elusive concept, especially when the activity of public administrations was mostly informed by statutory tasks that were customarily carried out and policy mandates contained little explicit identification of expected results. Additionally, generally the installed administrative and technical systems did not provide an adequate infrastructure for the measurement of all of the dimensions of organizational performance specified in the 2009 reform legislation. The definition of the “Performance Measurement and Evaluation Systems”, therefore,

called for some innovative efforts from the side of the public administrations – especially, from the so-called *Organismi Indipendenti di Valutazione* or OIV, that is, independent evaluation units that, according to the 2009 reform legislation, public administration were required to set up for the design of the PRA systems.

3 Performance Measurement and Evaluation Systems in central government departments in Italy

After the 2009 reform came into force, central government department appointed the independent evaluation units (OIV) and issued documents that provided the principles and terms of the respective “Performance Measurement and Evaluation Systems”. Out of 13 central government departments, 12 (all but the Ministry of Home Affairs) issued such documents, that are available on the CiVIT web site (www.civit.it). This section contains an assessment of these documents, based on their degree of compliance with the provision contained in the 2009 reform legislation and the CiVIT resolution No. 89/2010.

By and large, these documents provide, first, detailed description of the institutional and organizational context (i.e., they largely re-state information contained in the legislation or in other statutory or policy documents). While this part of the documents does not really add any significant addition to the design of PRA systems, they nevertheless provide useful and readily available information to external stakeholders. The contents of the rest of these documents do vary considerably across central government departments, however. Two documents only provide a definition of the “strategic areas” of the organization and a conceptualisation of organizational performance outcomes, namely those issued by the Ministry of Foreign Affairs and the Ministry of Defence (shown in Table 1), together with the identification of relevant stakeholders. In some instances, the documents also provide indicators of organizational performance outcomes. In other cases, however, the documents do not provide any such information, but they merely describe how the strategic planning and programming process takes place. In some cases (like in the document issued by the Ministry of Education, University, and Research and the Ministry of Labour and Social Policy) the document does not define organizational performance outcomes and indicators, but refers to the strategic plans for providing these information. All the documents also provide a description of the process through which general-level (i.e., “strategic”) objectives are articulated into operational ones. Generally, the process closely corresponds to the one recommended by the CiVIT resolution, at least in the most apparent and formal traits.

The “Performance Measurement and Evaluation Systems” of the central government departments also contain provisions concerning measurement, review, and assessment of individual performance. Generally, all PRA systems define individual performance as the joint contribution of two types of results, name-

ly the organizational impact of individual activity and the kind of behaviour that individuals exhibit within organizational activities. While the former component part of individual performance is generally expressed in terms of accomplishment of organizational objectives or goals set to the individual or to a group, the latter is typically related to some subjective evaluation of individual behaviour. This subjective evaluation, that is generally provided by the person in the immediate higher position in the organizational hierarchy, is generally based on the perceptions that the evaluator has of the individual's attitudes, efforts, and contributions exerted in organizational activities. Both components of the evaluation are weighted in order to form the overall assessment of individual performance.

Central government department	Organizational outcomes	Organizational performance outcome indicators
Foreign Affairs	To strengthen the security of the country from international threats	Number of conflicts in the areas of geo-political interest
	To contribute to the growth of trade in international markets	Growth of exports and FDI in next three years
	To promote the Italian language and culture in the world	Number of requests for Italian language certification test
	To raise the quality of development cooperation	Share of untied aid and budget support aid on total aid funds
	To provide more efficient services to individuals and firms	Consumers' associations surveys
Defence	To operate and deploy military resources	
	To modernise military resources	
	To rationalise the organizational model and improve organizational governance	

Table 1: Identification of organizational performance outcomes and indicators in the Ministry of Foreign Affairs and the Ministry of Defence

On the whole, there is a considerable amount of variation across the “Performance Measurement and Evaluation Systems” of the central government departments. Some, like the one of the Ministry of Foreign Affairs and the Ministry of Defence, provide a detailed design of both organizational and individual performance measurement, review, and assessment (cp. Table 1). Others, instead, are much less developed in many respects. The main difference rests in the conceptualisation and definition of organizational performance outcome, that has been hardly provided in some “Performance Measurement and Evaluation Systems” of central government departments. The document of the Ministry of Economics and Finance, for example, argues that the results of organizational processes are

hardly conceivable in terms that can be subjected to quantitative measure, as most of the activity done within the organization takes the form of research and problem-solving that is not readily tractable in quantitative terms.

4 Conclusions

On the whole, this study – albeit explorative in nature and limited in length – suggests that, within a common legislative reform, central government departments in Italy adopted quite diverse approaches to regulating their performance measurement, review, and assessment systems. The most apparent difference relates to the conceptualisation and definition of organizational performance outcomes, that are provided in a couple of ministries only while they are broadly overlooked in the others (where the issue of defining organizational performance outcome and related indicators is arguably deferred to the planning and programming stage of organizational processes). Why does this difference arise? While additional research is needed on the organizational efforts exerted to bring about this kind of innovation in PRA practices within each central government department, a tentative answer here is that the conceptualisation and definition of organizational performance outcomes poses significant intellectual challenges in the design of new PRA systems. Some areas of activity of central government departments are conceivable as delivering apparent “services” to the public (e.g., delivery of foreign aid or deploying of military resources). Other areas, instead, may be perceived to result in the performance of administrative routines and the fulfilment of procedural duties that bear not so evident benefits to external stakeholders.

Additional explanations, however, may also take into account practical difficulties that central government departments experience in the set up of the new PRA system, especially in relation to the lack of experience and of installed systems for measuring, reviewing, and assessing organizational performance outcomes. Finally, we cannot rule out the tentative explanation that the designers of the PRA systems lacked the incentives to fine-tune the conceptualisation and definition of organizational performance outcomes and related indicators, that could be rather provided in the planning and programming stage of organizational processes.

All in all, the development of new PRA systems in central government departments in Italy has fallen short of expectations so far. The 2009 reform legislation provided a relatively demanding list of aspects of organizational performance that the “Performance Measurement and Evaluation Systems” were expected to measure, review, and assess. With respect to the 2009 reform legislation and the CiVIT resolution, the documents issued by central government departments are relatively thin in the extent to which they tackle the issue of conceptualising and defining organizational performance outcomes and related indicators – setting aside a couple of instances as highlighted above. It seems, therefore, that central

government departments still need to devote efforts to improve their PRA systems, so that they evolve into a fully-fledged “scorecard” framework for providing the public with relevant information about how well their statutory tasks and policy mandate are fulfilled.

Zusammenfassung

Diese Studie befasst sich mit der Frage, welche Faktoren für Unterschiede in Performance Review and Assessment (PRA)-Systemen einzelner Verwaltungseinheiten der Zentralregierung verantwortlich sind. Durch die Analyse der nach der Verwaltungsreform von 2009 vor kurzem eingeführten (2010–11) PRA-Systeme in zwölf Departementen (Ministerien) der Italienischen Zentralregierung trägt dieses Paper zum Verständnis davon bei, welche Faktoren mehr oder weniger stark dazu beitragen, dass PRA-Systeme exakt und vollständig konzipiert sind.

Schlagworte: Performance Review and Assessment (PRA), Verwaltung, Zentralregierung, Zentralverwaltung, Italien

Résumé

Cette étude aborde la question de ce que représentent les différences de caractéristiques de conception des systèmes du Performance Review and Assessment (PRA) à travers les branches de l'administration centrale. En discutant les systèmes PRA récemment adoptés (2010-11) par douze départements (ministères) du gouvernement central de l'Italie après la réforme de la gestion publique de 2009, ce document offre un aperçu sur les facteurs qui contribuent à la mesure plus ou moins grande à une conception des PRA systèmes exacte et complète.

Mots-Clé: Performance Review and Assessment, branches de l'administration centrale, Italie

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