Adoption of the performance measurement system in the Nigerian public sector: Challenges and prospects

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Abstract

Assessing the performance of organizations using the performance measurement system has gradually become a common practice in the public sector entities. This has been established to be a direct fall out of the ripple effect of the new public management (NPM). Adoption of the performance measurement system in the public sector world over (not particularly in Nigeria) has been experiencing a myriad of challenges. This is imperative to point out owing to the fact that, the processes of adoption have been difficult, monotonous and time-consuming. In some public sector organizations where the adoption has been successful, such feat was achieved after intense difficulties, trial and error. In Nigeria, for instance, the analytical challenges in the adoption of the performance measurement system are too apparent to be ignored. Conversely, it is quite interesting to highlight that, in some countries, the development of measures to manage and evaluate public sector performance has reached a strategic height, therefore tracking of output, outcomes and input have been reasonably straightforward and significant progress is somewhat recorded. Finally, it is a general consensus among the public sector managers and academia that, adoption of the system of performance measurement in the public sector is a powerful tool that guarantees improved performance, quality of decision making and service delivery.

Keywords: Public sector, Performance measurement, Adoption, Nigeria.

1. INTRODUCTION

The previous decade has experienced the proliferation of the studies and interest on the system of performance measurement (Giovannoni & Moraghini, 2013). Gradually, the known practices of measuring individual and organisational performance that are well rooted in the profit-oriented organizations are being adopted in the public sector agencies. Today, the concept of performance management and measurement has become a common place, and the context and environment within which the concepts are considered and applied are changing (Bititchi, Garengo, Dörfler & Nudurupati, 2012; Taticchi, Balachandran & Tonelli, 2012). As the role of public sector organizations grew larger, the nature of their service delivery professionalized and the number as well as the perspectives of needs of stakeholders increased tremendously, the issue of performance measurement and accountability has invariably dominated the arena and becomes critically important (LeRoux & Wright, 2010). Performance management and/or measurement system is a dynamic and balanced system that facilitates the decision making process and support through gathering, analysing and elaborating information (Taticchi, Tonelli & Cagnazzo, 2010). Researchers usually describe the system of performance management as an avenue for improving performance of the public sector institutions (Dewettinck & Dijk, 2013).

Performance measurement in the public sector context has been one of the key elements of the new public management reforms (Hood, 1995). Arnaboldi and Azzzone (2010) remarked that, ultimate users of the public
institutions services are at the centre of attention of the new public management philosophy. The effort of
government agencies to adopt a workable performance measurement and effective accountability has
reverberated and took sweeping relevance across countries and continents (LeRoux & Wright, 2010). Virtually,
the public sector managers’ pre-occupation with measures that are seemingly financial in nature has decidedly
produced results that are quite unsatisfactory (Kloot & Martin, 2000). As a counter-strategy for stakeholders’
well-placed voice in demand of efficiency, the government agencies have developed different systems to keep
tab with the burning desire of the ultimate stakeholders, among which is the performance measurement strategy
through key performance indicators (Zakaria et al., 2011). The increase in the competitive tendencites, the
development of quality concept, the shift of focus to the continuous improvement and the considerable
development in the communication and information technologies over the years have all in combination created
a favourable ground and context for the successful implementation of the performance measurement in the
organized public sector entities (Taticchi, Tonelli & Cagnazzo, 2010). Recently, the philosophy has attracted the
attention of not only the public sector but also the non-governmental organizations and other non-profit making
establishments (LeRoux & Wright, 2010).

This paper is a conceptual paper, aims at highlighting the key challenges and prospects of the adoption of the
performance measurement system in Nigeria. It also aims at stimulating the interest of other researchers on this
area, per chance the empirical study might likely be conducted by the future researchers. By so doing, the in
depth empirical study would bring to light other issues not captured in this paper, thereby broaden the existing
body of literature on the performance measurement. This is in line with Talib and Johan (2012), where it was
argued that, conceptual paper is an instructional tool that sometimes lays a solid foundation or proposes an
essential philosophy for future extensive studies.

This paper aims at exploring and reviewing the key challenges stems usually from the adoption of the
performance measurement system in the public sector entities. Given the intricacies and difficulties usually
experienced in this task, this study attempts to appraise the convergent, divergent and overlapping views of
other researchers on this area and proffer the likely solutions to some of the protracted problems through
proposing and intimating the stakeholders the suggested prospects of the system. To this end, the paper proposes
two questions: what are the challenges usually emanate from the adoption of the performance measurement? Do
the prospects of the organisations look brighter with the adopted system of performance measurement? In
addressing the above questions, the study combined and evaluated the pool of theoretical insights into the
available literatures.

The rest of the paper is organised as follows: section two reviews the key challenges. In the subsequent sections,
the future prospects of the system were painstakingly discussed. Other sections analysed the evolution of the
performance measurement as well as the relevance of the financial and non-financial indicators in measuring
performance. Finally, the conclusion summarised the whole paper.

2. KEY CHALLENGES OF PERFORMANCE MEASUREMENT ADOPTION

Adoption of performance measurement system is touted to be one of the finest measures introduced in the public
sector organizations of many countries (Jääskeläinen & Sillanpää, 2013) through the paradigm shift brought by,
and popularized under the banner of the new public management (NPM). Although, it is widely believed that,
the performance measurement plays a strategic role in the effective and efficient management of the institutions,
the adoption and implementation has become a critical issue mostly debated on the public and academic
platforms (Kennerley & Neely, 2002). A number of academic literatures have acknowledged the challenges
facing public sector organisations in adopting the performance measurement system (Neely, 2005) but
understanding such challenges and the suggested way they could be managed need to be further investigated
(Giovannoni & Moraghini, 2013) having realised that, the challenges stands to emanate from the different
perspectives (Jääskeläinen & Sillanpää, 2013). Arnaboldi and Azzone (2010) noted that, despite the enormous
potential benefits of the performance measurement system, it is implementation in the core public sector
organizations is to greater or larger extent involve some difficulties. Regardless of the significant benefits of the
performance measurement system, some organisations are experiencing difficulties in its adoption leading to the
risk of achieving incomplete benefit or outright failure (Taticchi et al., 2012). Public sector organisations often
felt apprehensive about the adoption of the performance measurement system, mostly worrying about the likely
unfavourable results and sometimes feels that, certain functions cannot be adequately measured (Mucha, 2011)
or equally again, out of the negative reactions towards the performance measurement system resulting from the
inherent fear or sensitivity feeling that, it might be critical on the known and familiar way of doing things as
well as the individuals involved (Neely & Powell, 2004). Esu and Inyang (2009) opined that, many of the public
sector entities failed to realize their full potentials because of the poor, inefficient and ineffective performance
management system. For example, the Nigeria’s former president Olusegun Obasanjo while stressing the need
for strong performance measurement system in the country noted that, “Nigerians have for too long been feeling short-changed by the quality of public service, our public offices have too long been the showcases for combined evils of inefficiency and corruption”.

The major challenge of the performance measurement system in Nigerian public sector is the inability of the system and the control apparatus it instituted to achieve the desired goals (Esu & Inyang, 2009). For example, the various public sector institutions in Nigeria recognised the traditional public administration as a familiar terrain and therefore more fit and suitable for their conservative worldview. In effect, the absolute acceptance of the new public management and its consequential attributes could lead to serious and rigorous exercise that willingly track the performance or failure to the originating employee, division or department in the public sector institution (Safianu, 2014). Although, a number of the public sector institutions in Nigeria have developed a specific and definite performance measures like input measure, through-put measure, process measure, output measure and outcomes measure as the case may be, but all these are functionally operational at a time, if the government of the day beam its searchlight on them and pick special interest on their usage (Inua & Maduabum, 2014). Other public sector institutions in Nigeria have developed KPIs relative to their administrative and constitutional mandates; and this indicators are tied to the institutions’ short-term and medium-term budgets, but yet still the full success has not been realised (Safianu, 2014).

For example, a committee constituted by the Nigerian national planning commission and the office of the head of service of the federation has faulted the current performance measurement system presently being used in the Nigerian public sector institutions for failing to achieve the desired results. The committee further recommended a new harmonised performance management system that will clearly support the structures, procedures and processes of managing result at the individual, institutional and sectoral level (Onuba, 2014).

A lot has been said and written on the concept of performance measurement in the public sector, but little is done practically to ascertain the usefulness and the success of its adoption as well as the possible influence of the measures in improving the general performance of the public sector institutions (Propper & Wilson, 2003). Performance measurement is viewed in some quarters as an effort-encroaching and complex endeavour that might drain the meagre resources of organisations, but it is quite interesting to suggest that, performance measurement does not follow similar process in all organisations; in fact, it does not look identical in all organisations (Mucha, 2011). Furthermore, a significant issue confronting the public sector organisations in their core drive to achieve the efficient system of performance measurement is the process of reconciling and striking balance between the needs of diverse stakeholders (Jääskeläinen & Sillanpää, 2013). One striking feature of the performance measure is its tendency to be static while under normal ideal scenario, it is also expected to be dynamic and evolve in line with the organizations’ changing environment (Kennerly & Neely, 2002). Upon all the importance and the potential benefits of the performance measurement system in the public sector, the processes of adoption and implementation of the concept through key performance indicators have been difficult, monotonous and time-consuming (Zakaria et al., 2011). Another important challenge in adopting the performance measurement is the need for shift in organisational culture. The focal point need to be determinedly on targets, this will eliminate the unnecessary and unjustifiable conclusions drawn on unimportant objectives (Neely & Powell, 2004).

In some countries, there are obvious analytical challenges in the application or adoption of performance measurement in the core public programs and policies (Thomas, 2006). In the United Kingdom for instance, the system was introduced in 1980 and was earlier evaluated unsuccessful (Propper & Wilson, 2003). In some countries, the development of measures to manage and evaluate public sector performance has reached a strategic level and tracking input, output and outcomes have been fairly straightforward and significant progress is recorded in that connection (Thomas, 2006). Zakaria et al. (2011) in another submission opined that, the use of key performance indicators in measuring public sector organizations have been successful in some countries. But all the success stories have only manifested after a period of untold difficulties and trial and error.

In trying to pinpoint the challenges underlying the adoption of the performance measurement system, Ugbede, Lizam and Kaseri (2013) remarked that, public sector organizations in quite a number of countries are shaped by equally numerous factors depending on the circumstances and their peculiar context, but nonetheless, the challenge the public sector faces are common notwithstanding the country. Adoption of performance measurement system in corporate organizations and public institutions is quite imperative because of the obvious pitfalls of the financial performance parameters like a set of financial statements where emphasis lies on the yearly financial figures alone. The financial measures are known for some glaring shortcomings such as absence of strategic focus and failure to give data on flexibility, quality and responsiveness (Neely, 1999). Most of the research studies (e.g. Norton & Kaplan, 1992, 1996, 2001; Hoque & Adams, 2011, Hoque & James,
2000) have also highlighted similar shortcomings of the financial-based performance evaluation models, thus, the emergence of the non-financial performance measurement system in both the public and private sectors alike.

Finally, it is clear that, the key challenges of the performance measurement in the public sector are generally the same. It does not necessarily differ from one country to another or from one public institution to another. Therefore, it is safe to assume that, all the challenges and difficulties in the design and implementation of the performance measurement in public sector boils down to single issue i.e. multiplicity of stakeholders (Rantanen, Kulmala, Lönnqvist & Kujansivu, 2007) and their conflicting requirement unlike in the private sector where the classes of major stakeholders are few (Rantanen et al., 2007; Jääskeläinen & Sillanpää, 2013) and their demands are virtually common.

3. FUTURE PROSPECTS AND CONTEXTUAL ISSUES

In the 1980s and some part of 1990, in what appears to be a universal reform in the public institutions, the pressure put on the public sector managers has forced them to borrow a neo-market system by adopting techniques that are capable of establishing more efficient and good management system (Brignall & Modell, 2000). Government organisations are shifting towards performance-based measurement of programmes and projects, this is crucial in order to squarely face the complex problems of governance at all levels (Mucha, 2011). Historically speaking, performance measurement concept is a brain-child of the combination of a number of factors and forces that have led to the regenerated interest and renewed sequence of events in the public sector management and administration, these includes tax revolts, intense pressure to achieve optimal efficiency and effectiveness in the public governance, louder calls for the privatization of the public corporations, legislative effort to establish strong credibility and the need for more accountability in the affairs of the public institutions (Poister & Streib, 1999).

Performance measurement is a “topic which is often discussed but rarely defined” (Neely, Gregory & Platts, 2005, p 1228). It appears that, gradually the significance of performance measurement is taking a lead in the scheme of things in the public sector organizations (Neely, 1999). A remarkably resilient characteristic of the paradigm shift christened new public management (NPM) which took a sweeping relevance across countries and organizations is the performance measurement model (Modell, 2004). Performance measurement has for a quite number of years been part of the itenary of the public sector administration in different countries, but there seems to be a gap between the usual rhetoric and the actual practice. However, lately the renewed interest and rekindled urge to institutionalize the result-oriented management in the public sector organizations has increased sharply in leaps and bounds thereby pushing performance measurement to the front burner of the management priorities (Poister & Streib, 1999). While the performance measurement alone could not be described as a complete cure for public sector organisations, but it does provide a workable and valuable tool for managers to assess the effectiveness of the projects and programmes, it also entrenched transparency and accountability, and facilitates the chance of learning and improvement (Mucha, 2011). To this end, Jääskeläinen and Sillanpää (2013) suggested that, there is need for learning best practices in the adoption and implementation of performance measurement.

Virtually, a performance measurement concept in today’s world is quite different from what was obtainable earlier in 1970s. Today’s institutions in the private and public sector alike are dynamic and unique in their own right, owing to the impact of globalization, therefore, different approach is needed in the adoption and implementation of the performance measurement so as to accomplish the ultimate goal of making timely and informed decisions that will promote the corporate performance (Krishnan, undated). Judging by the growing number of attention on the performance measurement and the suppose efficiency it brings to bear as well as the academic literatures and the public pronunciation on it, it is quite expected that, the acceptance of the concept is universal and cut across all government organizations, but instead the system is not well-established in some countries (Julnes & Holzer, 2001). It is suggested that, supportive management assist in great deal towards adopting the performance measurement system, as it helps in mitigating some reactionary outlook of the stakeholders that may likely have some far-reaching consequences on the system (Neely & Powell, 2004).

In Nigeria, the prospect of the performance measurement system is quite promising to say the least. The idea of the new harmonised performance management system recommended by the committee and wholly adopted by the federal government will go a long way in bringing the needed change. Under the new system, performance contract will be signed by all cadres of officers, and again the system is tied to the Nigeria’s vision 20:2020 (Onuba, 2014).
4. **EVOLUTION OF PERFORMANCE MEASUREMENT**

The development of the performance measurement system commenced early and evolved through phases and processes. From the Chris Argis and Peter Drucker and fast forward to the seminal work of Kaplan and Johnson, the system of performance measurement has been significantly amplified yet again (Neely, 2005). Actually, the system was deeply embedded in a number of practices in 1910 called “Municipal research”, the critical focus then was solely on government and government services, but as the journey advance, the primary rationale has also shifted from public accountability to the management efficiency (Williams, 2004). There has been a notable increase in the need for the performance measurement in almost all spheres of human management endeavour in the last 20 years. While the measurement of public sector performance is relatively new, the significant body of literature and the research studies on the performance management were developed since 1970s (Bourne et al., 2000). The growing emphasis on the concept by both private and public managers is an eloquent testimony of the significant importance of the idea in the management of institutions and achieving their desired goals of ultimate performance (Taticchi, Tonelli & Cagnazzo, 2010). Today, evidence has clearly shown that, performance measurement has become deeply-rooted in the way the policy makers think, manage and execute projects and programmes (Cerullo & Cooney, 2011).

Although the concept has attracted the interest of the researchers in the past decades, but most of the research studies on the adoption of the performance measurement and management system were conducted in the developed economies notably United States, United Kingdom, Australia, New Zealand etc. The preponderance of research on this field in these countries is quite satisfactory and impressive. However, the studies conducted on performance measurement in developing countries are correspondingly few and mostly focused on the balanced scorecard aspects (Ruzita, Azhar & Abu Hasan, 2012).

5. **FINANCIAL VERSUS NON-FINANCIAL INDICATORS**

Reliance on the published set of financial statements and the extracted financial indicators there from proved to be gradually insufficient of the need of diverse stakeholders and their divergent interests sometimes with conflicting contents (Modell, 2004). Financial measures are criticized for pushing organizational managers to manage variance and encourage managers to report only historical figures but clearly fail to provide a proactive data on what is likely to happen in the future (Neely, 1999). Given the fact that, the government institution objectives are usually stated in non-financial terms, then performance measurement and performance reporting are essentially needed as the financial information reporting is presumably inadequate to capture information regarding non-financial performance (Kloot & Martin, 2000). Many organisations have now resorted to the use of non-financial indicators to measure their performance, the principal reason being that, non-financial indicators measures future performance of an organisation better (Banker, Potter & Srinivasan, 2000).

Traditionally, public policy makers are more inclined to the analytical performance measurement that involves using financial indicators developed analytically from the financial statements, this necessitated the public managers to consider non-financial measures such as outcomes, output, etc. as strange and sometimes non-familiar (Arnaboldi & Azzone, 2010). Several reasons have been advanced in explaining the reasons of using non-financial measures to supplement the financial measures; these reasons include the short term nature and the reactive disposition of the financial indicators (Banker, Potter & Srinivasan, 2000). In the public sector organizations, some managers that are quite attached to the traditional accounting reporting are apprehensive over what they perceived as an attempt to relegate financial accounting to the background in favour of non-financial measures of performance, but as Kaplan and Norton (1996), Kloot and Martin (2000) argue, non-financial measures using key performance indicators are not replacement of financial measures but a complementary strategy to measure and report both financial and non-financial performance of the public sector. The essence of establishing the concept of balanced scorecard is to resolve the imperfections of the solely financially-skewed performance measure. Robert Kaplan and David Norton assumes that, both the financial and non-financial performance measures could be established, applied and functions side by side (Cardinaels & van Veen-Dirks, 2010). Nowadays organizations in the organized private sector are competing with one another on the basis of quality of service, innovation, flexibility and rapid response; this implies that, information on non-financial performance indicators are essential to express to what extent they navigate across a broad spectrum of competitive environment (Neely, 1999). Regardless of the perspective of the measurement, the area that poses serious challenge to many organisations is whether the measurement system is to assess the allocation of resources, appraise the managerial performance or to ascertain the progress achieved towards the strategic goals (Ittner & Larcker, 2003).
6. OPERATIONS OF PERFORMANCE MEASUREMENT

According to Helachmi (2002), during the previous decades, though the concept of performance measurement was in full operation but quite functional in the private sector, the first giant stride to demonstrate the leaders readiness and preparedness towards public sector performance measurement was the historic passage and signed into the law of the “Government Performance and Result Act” by the president Bill Clinton. Similar Act of the parliament could also be found in countries like Australia, Canada, New Zealand, etc. The underlying reason behind burgeoning interest in the performance measurement could be due to the following:

- Incessant pressure on the public sector managers to demonstrate high level of performance.
- Global practice of transparency and openness.
- Need to discourage waste and corruption.
- Devise new ways of allocation of resources.
- To establish and strengthen legislative credibility

Therefore, in examining the aforementioned reasons, one would simply underscore the idea around two (2) major undercurrents vis-à-vis improving performance and accountability (Helachmi, 2002). The new focus on the performance measurement in the face of financial crisis has been a key policy in the United States, although, performance measurement and reporting has long history in the public sector of the United States, it is sometimes assumed to enjoy little attention (Amirkhanyan, 2011).

7. CONCLUSION

Over the past decades, the emergence of performance management and measurement which is the offshoot of the new public management has been one of the popular trends that brings about reforms in the public sector and almost pushed to the disappearance of the age-old bureaucratic ethos in favour of the logical and rational private sector oriented management strategies. For example Esu and Inyang (2009) asserts that, adoption of workable and virile performance management system has been recognized as a significant tool for increasing public sector efficiency as well as performance. The idea is to primarily entrench efficiency, effectiveness and economy in the management of organizations and institutions. It has so far been adopted across international boundaries with varying degrees of difficulty. Although, the implementation of performance measurement is a process-based activity, it was accomplished in some countries in a one-off adoption and across the board. A number of literature contributions were explored in relation to the adoption of public sector performance measurement. It has been established that, performance management system is a powerful tool for improving performance and quality of decision making in both public and private sector organizations. The overall prospect of the adoption of the measurement system could be derived from the submission of Huber (2015), where it was noted that, the robustness and strength of the public sector organizations tend to increase and becomes guaranteed if the practices of the performance measurement are creatively and carefully applied. It is however recommended that, an empirical research study be conducted on the adoption and utilization of the performance measurement in Nigeria particularly on state governments where the concept has been adopted but merely observed in breach. It is also suggested that, Nigeria as an active player in the global economy need to be considered on the issues of global reforms in the public sector.

REFERENCES


