Performance management in the Dutch public sector: 
an overview and latest developments

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Abstract
In the past decade, several attempts have been made to improve performance management in the Dutch public sector. These have had mixed results. This article gives an overview of performance management programmes initiated by Dutch government and semi-government bodies. It also discusses areas of special attention for the implementation of performance management in public sector organisations and, in particular, the differences between performance management in the public and the private sectors, and the role of politics in the use of performance management information.

Introduction
During the latest parliamentary elections in the Netherlands (2003), the theme of a ‘new government’ and a new way of perpetrating politics were points of special interest. As a consequence, the Dutch Minister for Administrative Reform, Thom de Graaf, presented his reform programme called ‘Actieprogramma Andere Overheid’ (De Graaf, 2003). The programme focuses on the need for public agencies and politicians to show better results faster in order to diminish the growing dissatisfaction among citizens with governmental performance, and proposes further development of performance management in Dutch public agencies. Reason for the latter is that studies in the public sector show that by implementing performance management, public agencies are more likely to achieve their objectives, provide better services to citizens and companies, and improve their overall efficiency (National Partnership for Reinventing Government, 1999; United States General Accounting Office, 1999; Executive Session on Public Sector Performance Management, 2001; De Waal, 2002; Moriarty & Kennedy, 2002; De Waal & Kerklaan, 2004). In the past decade, two important programmes for administrative reform using performance management have been initiated in the Netherlands: (1) Van Beleidsbegroting Tot Beleidsverantwoording (VBTB) for the central government; (2) Beleids- en Beheersinstrumentarium (BBI) for municipalities. By setting up these programmes the Dutch public sector has, like other countries, started on the road to New Public Management. So far, however, the programmes have had mixed results. Both programmes will be briefly discussed in the following section.
Overview of Dutch programmes

The Beleids- en Beheersinstrumentarium (BBI) programme was executed between 1989 and 1995 with the purpose of improving planning and control in Dutch municipalities and provincial authorities. BBI was designed to introduce new management tools that would strengthen local steering and control, improve accountability for results, and clearly mark out political and professional responsibilities. Several larger cities such as Tilburg and Delft pioneered in this programme. These municipalities predominantly implemented long-range plans, resource budgets, hierarchical planning and control systems, and intermediate reports on the use of resources and manpower. BBI was a long step towards better performance management in local government. However, it also appeared to have several drawbacks:

- BBI turned out to be especially suitable for tangible governmental products, i.e. services which have clearly defined properties such as cost per unit. When products were of a more heterogeneous nature or had a strong political character, BBI appeared to be less applicable.
- The quality and effects of products were not sufficiently taken into account. This did not have a positive effect on budget control because for instance city councillors did not receive information on the effectiveness of council services.
- The required culture of planning and performance-drivenness was insufficiently developed. Management gave priority to daily activities so not enough time was allotted to reflect, evaluate and act.
- Because of the nature of the new management tools within the local authorities, a strong dependence on the finance department developed. This resulted in a biased financial orientation and functional experts within the authorities were not enough involved in the planning and control cycle.
- There was insufficient attention paid to the development of measurable policy objectives (Budding, 2002).

How much have the pioneering municipalities in the BBI programme achieved? Not all of them have made BBI an integral part of their operational management system. Smaller and medium-sized municipalities, in particular, came to a standstill in the development and experimenting stages. Several 100.000+ councils have implemented most of the BBI-tools. Only a relative small number of pioneers have gone through the integration and maintenance stages (Boorsma, 2001; Bogt & Van Helden, 2003). It has become quite clear that still a lot needs to be done before all municipalities work in a goal-oriented way, put the citizen in the centre of policy development, and make the effectiveness of the policies transparent. The next step in the improvement process will consist of implementing the recently developed new reporting guidelines for municipalities.

The Van Beleidsbegroting Tot Beleidsverantwoording (VBTB) programme was introduced in 1999 with the objective to make public agencies more transparent by applying performance management. The aim of the VBTB programme is to make objectives, performance and (used) resources explicitly clear, to integrate financial with non-financial information, to integrate the policy and budget cycles, and to improve quality, accessibility and information content of the management information. The existing budgeting system, which mainly focussed on resource application, had to be replaced by a budgeting system which focussed on achieving the policy objectives. It had to include an explicit link made between the objectives that were to be achieved, the resources needed to achieve them, and the expected and realised results. The
specific questions which this new budgeting system had to answer during the planning and accountability stages were:

- Planning: What do we want to achieve (effects, results)? What do we need to do for that (products, services)? What are the costs?
- Accountability: Have we achieved what we aimed to achieve? Have we done what we said we were going to do? Have the costs been what we thought they would be?

The VBTN programme uses exemplary budgets which serve as a blueprint for departments to reshape their own budgets into the required new style budget. These new budgets have to be transparent, readable, manageable, verifiable and coherent. It takes several changes to achieve this like implementation of a renewed chart of accounts, standardisation of the information supply, possibly re-implementing financial systems, adaptation of production systems, linking of resource spending with long-range plans, and improvement of non-financial information. VBTN has to create a significant improvement in public performance, not only during the current period of office but also before and after it, by rigorously applying performance management. Accountability takes place by annually publishing a report which answers the questions of the accountability stage and which is discussed in May of each year.

At the time this article was written there was only limited experience with the described new way of budgeting and reporting of results. However, there are several hopeful signs. The new budgets are more accessible and readable than the old ones. They contain more information on policy objectives, the results to need to be achieved and the resources needed for this. VBTN also has led to an increased attention for (operational) management. Despite this, the reports still do not contain information on the quality of performance indicators and the links between objectives, achieved results and resources used. Clearly, further improvements are required to make the VBTN programme a success. An important issue in this respect is whether politicians are going to use the new budgets and responsibility reports for controlling public agencies (and ministers and staff). If not, chances are that the attention of agencies and public officers for the VBTN programme will quickly diminish, resulting in failure of performance management in the public sector. The first results are not very promising. During the first round of discussions of the new annual reports, government officials were hardly held accountable on the basis of the information in these new reports. It seems that the support for the VBTN programme both among members of parliament and public officers is still meagre.

**Current issues**

In 2003 the authors organised two round-table sessions to discuss issues regarding the further development of performance management in the Dutch public sector. As preparation we conducted an extensive literature search of articles and books written on performance management in the public sector. This way, we identified the main topics that are currently under discussion in the public sector of the Netherlands. The topics for the first round-table were:

- Desirability and advisability of public performance management: is this worth our while?
- Stimulation of interest in public performance management: how can this be improved?
- Implementation of public performance management in the Netherlands: how can this be approached; what opposition can be expected during the introduction; and are there best practices in the Dutch public sector which can function as an example?
Results of public performance management: will making government policy measurable lead to better results both in policy making departments and executing departments; and what is the role of politicians in the implementation process and during use of performance information?

Based on the results of the first round table and the recommendations of the participants, the authors choose to narrow down discussions during the second round table to the following topics:

Us of public performance information: to what extent does a public agency have to be transparent to the ‘outside world’ with information which is strictly meant for improving the internal performance; and if ambitious goals have not been achieved, will this be regarded a failure despite the fact that objectively the performance was not unsatisfactory?

Perception of public performance: how can a governmental agency protect itself against abuse of performance information by for example politicians and journalists; and, as the public perception of public sector performance is always a snapshot in time, to what extent does this perception match reality and what will the consequences of a mismatch be?

Us of public performance management by politicians: does control by politicians lead to a continuous shift of focus and priorities and, if so, how can public agencies force politicians to have a more clear focus on what they (the agencies) should be doing; and how can politicians simultaneously stimulate, steer and control public agencies?

Us of public performance management by public agencies: should management of public agencies plot their own course more forcefully, aiming at satisfying the public, so results become less politically sensitive; should agreements on the results to be achieved by public agencies also include the conditions under which these results are to be delivered and the input needed from politicians; and can these conditions be laid down in a management charter?

At each session there were on average eight high ranking public officers, government officials and consultants specialised in the governmental field. The results of the round-table discussions were written-up and distributed for comments to the participants of the round-table sessions and other parties interested. Based on the round-table results and comments given back on the session notes by the reviewers, the authors concluded that further introduction of performance management in the Dutch public sector is desirable to improve public performance. Making results of public agencies more transparent allows for better prioritization of programmes and choices where to apply resources. In addition, it allows for better management of the agencies themselves because performance on non-financial objectives becomes verifiable. However, more attention has to be paid to the behavioural dimension of public performance management in order to prevent the VBTB programme from becoming merely a technical exercise (De Waal, 2004). On the basis of the round-table results and subsequent comments, the authors compiled a priority list of issues regarding successful implementation of public performance management. These issues are stipulated by both the round-table participants and the reviewers of the round-table notes as being the most urgent to deal with during the implementation and use of public performance management in the Netherlands, and are discussed in more detail in the next two sections.

Differences between public and private performance management
It used to be common practice to adopt in the public sector management methods and techniques which were developed in the private sector. However, there are some important differences between the two sectors which can greatly influence the implementation of performance management in the Dutch public sector. These differences are (Andersen & G. Lawrie, 2002; Moriarty & Kennedy, 2002):

- **Responsibility structure.** In a private organisation, the responsibility structure is relatively simple with a management team and a board of directors. In a public organisation, on the other hand, there is political leadership, which is responsible for the strategy, and executing leadership, which is responsible for executing the strategy. This division in leadership and responsibilities causes many conflicts, for example regarding the focus of performance management.

- **Strategy and added value creation.** Again this is relatively simple for private organisations, in which value (ROI) has to be created for the company’s shareholders. For public organisations, added value is defined by the supervisory agency. This is not one party but rather several ones which often have conflicting interests, for example citizens who do not want to pay more tax versus social security recipients who would like to receive more benefits (Dewatripont et al., 1999). Because these interests are often political motivated, they are subject to change during election times because of lobbying.

- **Clients and customer satisfaction.** It is for public organisations more difficult than for private organisations to aim at increasing customer satisfaction, because they may be forced to act against the immediate interest of their clients. For instance, increasing public security may go against people’s freedom of movement. In addition, it is not always clear who exactly are the clients of a public agency. In private sector organisations, customers pay for and receive products or services. In public sector organisations, citizens pay tax without directly benefiting from it. It is also often difficult to exactly define the goals of a public agency and, consequently, measure its results (Van Tiel & Leeuw, 2002).

- **Resources.** Both public and private organisations have at one's disposal material assets (e.g. capital) and immaterial assets (e.g. employees). Yet, public organisations have another important asset which private organisations do not have: political power, resulting from the activities they perform (e.g. tax collection, law enforcement, environmental legislation). This means that performance management in the public sector should monitor misuse of this particular resource.

In summary it can be concluded that both private and public sector organisations operate in a dynamic environment which expects from them to show their added value. Performance management can help organisations of both sectors to achieve this. Thus it can be used in the Dutch public sector as long as the specific features of this sector are taken into account (Wye, 2002).

**Role of politics in using performance information**

Politics can have both a stimulating and a discouraging role during the implementation of public performance management. The attitude of politicians towards performance management and performance information is of the utmost importance for the acceptance of this type of management technique by public servants. There is often no concrete mechanism available for
monitoring the relation between politics and public agencies in the Netherlands. However, only if one knows what is being asked, is it possible to define tangible goals and start steering on these. Therefore, politicians who want public agencies to start use performance management should use it themselves and start defining concrete (long-term) goals. Currently Dutch politicians mostly react on incidents and public officers who deploy performance management become the object of quickly shifting moods and focuses (Koning et al., 2004). As a result many public servants have an understandable fear of becoming the victim in the political ‘blame game’. If politicians start using performance information to make public officers their scapegoats, in order to benefit their own course and interest, these public officers will immediately show ‘strategic behaviour’. They will try to distort performance results in such a way that official reports include only the results desired by politicians, while in reality this might not be the case. Consequently, performance information becomes unreliable as they do not necessarily reflect the actual situation. In this game, the interests of citizens are completely ignored.

In order to remedy or, rather, prevent this situation, making tangible agreements in terms of outputs should be at the centre of attention of both parties (politicians and public agencies). These agreements can be set down in a performance management contract, such as a covenant. Dutch public officers will focus on achieving the desired output and Dutch politicians will use the covenant as the basis for evaluating this output. Such a covenant can work well if the following conditions are met:

- The desired output can only be accurately defined if both parties have the same level of knowledge and information. When one of the parties does not have the required knowledge, the other party has a moral obligation to help remove the information gap.
- Both parties should not only agree on the desired outputs but also on the desired positive effects of these outputs (the outcome).
- Politicians should evaluate public agencies based on information provided by public servants, not on articles in the press. Public agencies are required to deliver high-quality performance information.
- Public organisations should measure both output and outcome. If it turns out that the output has an insufficient positive effect on the outcome, politicians should set new priorities. Public servants have to cooperate in this and allow for the covenant to be changed. At the same time politicians should realize that public officers can not be held fully accountable for achieving the desired outcomes.
- Public servants should be allowed to, if necessary, change the direction and strategy of their agency, without being punished for this by politicians.
- Public agencies should be flexible and adapt to change every time elections are being held: new politicians will have new agendas. Of course public officers can then adjust the conditions for the covenant.

**Outline of future public performance management**

The last section of this article consists of an outline of a future performance management system for the public sector in the Netherlands. The outline is based on the literature study, the results of the round-table discussions, and the subsequent comments received from public officers and other interested parties. The outline is not a complete blueprint for Dutch public performance
management. Rather it lists a number of elements which public agencies have to consider when they implement public performance management in the Netherlands.

1. **Keep it simple.** Performance management does not have to monitor all possible performance indicators. It should concentrate on the specific areas of attention regarding policy objectives and on specific areas of risks regarding the execution of this policy. These however have to be monitored closely.

2. **Be selective with information which is distributed outside the organisation.** A public agency does not have to be a hundred percent transparent and open about its efforts in order to be sufficiently accountable for achieving the desired outputs. By employing different external and internal performance information reports, an organisation can protect itself against misuse of performance figures by politicians or journalists.

3. **Present only a limited number of lagging indicators.** For several policy areas, only a limited number of crucial longer-term objectives is presented. The short-term goals (*leading indicators*) should only be known ‘inside’ the organisation as they are only intended to give public officers early warning signals.

4. **Hold public officers accountable for output, not for outcome.** Public performance management has to focus on outcomes, the desired effects. However, public servants cannot be held fully accountable for these. Outcomes of public organisations are after all influenced by a great number of factors which cannot always be directly influenced and controlled by public officers.

5. **Accept that politicians have a constantly shifting focus.** The way to deal with this shifting focus is for management of public organisations to set their own distinct and well-defined course aimed at increasing satisfaction of the public with their organisation. Doing this makes their performance less politically sensitive, because the long-term interests and influence of the public at large have become more important.

6. **Encourage politicians to set a clear focus.** Public agencies should take the initiative to come with policy proposals, describing their outcomes and (budgetary) consequences, on which politicians can comment. Once results to be achieved are agreed upon, a covenant should be drafted which stipulates not only the required performance but also the conditions and needed resources.

7. **Align individual objectives with organisational objectives.** Organisational objectives can only be achieved when everyone in the organisation understands what is expected from them individually. Abstract policy objectives therefore have to be specified for individual persons so that commitment and a performance-drive are increased.

8. **Keep a focus on the behavioural side of performance management.** This can be done in many ways. Results can be put in charts. Training can be organized on how to deal with performance information (e.g. how to interpret and discuss this). Managers have to be coached in achieving quality improvements and in recognizing and acknowledging the results of their efforts.

**Conclusion**

Although there were only a limited number of participants during the two round-table sessions, who by definition cannot be representative of the complete Dutch public sector, their stature and high functions in the public sector give an indication of what currently occupies Dutch public agencies in regard to performance management. Despite this limitation, there is enough reason to
debate the issues dealt with in this paper in wider political circles, in order to increase the chance on a successful implementation of performance management in the Dutch public sector.
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