

EC-UN-AUC TRIPARTITE SEMINAR, 14 APRIL 2011, NAIROBI, KENYA

PAPER PRESENTATION

TOPIC: CONTEMPORARY MANAGERIAL APPROACHES TO IMPROVING EFFECTIVENESS AND EFFICIENCY IN PUBLIC SECTOR ORGANIZATIONS UNDER CONDITIONS OF LIMITED RESOURCES IN THE EVENT OF THE ONGOING GLOBAL ECONOMIC CRISIS.

BY

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1.0 Introduction

It is indeed a truism that while the scope of work under the mandate of the multilateral organizations keep expanding as evidenced by the recent spate of humanitarian crisis induced by political events across North Africa and the Arab World as well as the unplanned for natural disasters of disproportionate dimensions witnessed across Asia (recall the current SE Asia tsunami), America and Australia among other areas of the world, contributions or inflows for crisis and routine operations management have seen considerable decline. Among other factors, the decline in financial inflows to the multilateral organizations can largely be attributed to the ongoing global economic crisis that seem to persist even longer than anticipated owing to the unrest plaguing the major oil producing countries of North Africa and the Middle East. The traditional contributors to the operations of the multilateral organizations are themselves confronted with enormous national economic challenges some of whom are in urgent bail-out-needs. In the face of this gloomy scenario, the key question to pose is, “what options are left for achieving sustained success in public organizations in general and the United Nations, African Union Commission (AUC) as well as the European Commission in particular in the event of the ongoing global economic crisis with its characteristic inhibiting influence on financial resource inflows”? There is sufficient evidence of decline in core funding to the multilateral organizations. Extracts from United Nations Secretariat (March 2010) indicate there are concerns that, rapidly rising programme and project specific funding

may distort the work priorities of UN agencies mandated by the respective governing body. The report further expresses concern that, while most UN organizations try to ensure that supplementary funding is aligned with strategic priorities, all such financing to some extent distorts the substantive direction set by the respective governing body. This situation, the report asserts poses a particular challenge for standard-setting specialized agencies (the case for many public organizations), which collectively have seen the share of core funding decline from 36.8 per cent of overall contributions in 2003 to 30.0 per cent in 2008. The report also noted that, activities funded by extra-budgetary financing are often not subject to full cost recovery, which, de facto, means that they are being subsidized by core resources. This may as well apply to the AU. As clearly outlined by Rainey (2009), it is important to understand that, the fundamental principle of public management is that government organizations and the people in them perform crucial functions. Their effective organization and management is essential to the well-being of nations and communities they serve. There is an increasing recognition that public organizations play indispensable roles in society and hence the need to maintain and improve their effectiveness. In view of the forgoing, this paper discusses indicators and evidences of impoverished management of public organizations and the key considerations for achieving success under conditions of limited resources. The paper ends with some major conclusions. The ideas propounded in the paper for this tripartite meeting of the UN, AUC and the EC are meant to provoke thought, generate discussions and to help reach practical consensus on best contemporary public management practices for achieving success under conditions of limited resources. The discussions made in the paper therefore focus on public organization and management processes, emphasizing employee utilization among others.

2.0 Objectives of the Paper

Among other aims, this paper seeks:

- To enable participants refresh their knowledge on effective and efficient public management
- To bring out lessons from contemporary studies on public management performance.

- To provide participants with a broad overview of contemporary managerial approaches to effective public sector management under conditions of limited resources
- To generate ideas that will facilitate fruitful deliberation by participants of the EC-UN-AUC Tripartite Seminar.

3.0 Indicators and Evidences of Impoverished Management of Public Organizations

A recent study conducted in the UK indicated that public sector organizations in the UK are presented with the most demanding performance challenges in living memory. The recent comprehensive spending review reflected the poor state of the public finances and therefore imposed an era of financial cuts and constraints onto public sector organizations. Against a backdrop of ever-increasing service demands this means that public sector leaders have to find ways of delivering more with less (efficiency). A major observation from this survey reveals the shocking truth that public sector organizations spend about 20% of their time on form-filling, auditing, measuring and reporting performance but only a fraction of this is ever used to gain relevant and new insights or to make better decisions that lead to performance improvements (a clear case of low productivity (http://www.ap-institute.com/resources_news.asp)). This phenomenon is referred to as debilitating and unproductive information management.

As (Rainey 2009) rightly argues, concerns about ineffective public management have led to a continuing series of efforts to reform and improve it, at all levels of government in the United States and in nations around the world. Impoverished management of public organizations produces a mix of indicators that are largely classified as ineffectiveness and inefficiency. Munroe (1996) wrote that *“We are desperately in need of effective and efficient managers and leaders. Our homes are crying out for leadership. Our youth are begging for leaders. The answer to all our social, moral and economic problems is qualified and righteous leaders”*. Effectiveness relates to achieving organizational goals while efficiency relates to achieving goals with minimum waste of resources. Effectiveness has to do with ability to do the right things such as setting the right priorities under conditions of limited resources while efficiency is doing the things well such that the minimum amount of resources are used to achieve those priorities. These

are timeless principles of management which are as relevant today as they were yesteryears for making managers and organizations great. Professor Henry Mintzberg makes a contentious though an important assertion that “no amount of efficiency can make for a lack of effectiveness and that effectiveness takes precedence over efficiency”. Signs of a clear lack of effectiveness and efficiency indeed are the major indicators of impoverished performance by public organizations. Barnat (2005) asserts that organizational performance is a measure of the way in which an organization tries to be effective and further reiterates that an organization’s performance can be measured in terms of efficiency or effectiveness.

Barnat (2005) also writes that performance is the attainment of organizational goals by using resources in an efficient and effective manner. If organizations are using their resources to attain their goals, the managers are effective. Productivity is the level of output of goods and services achieved by the resources of an organization. Effectiveness, efficiency, performance, and productivity are all important concepts for managers and organizations to use to gauge how well they are doing.

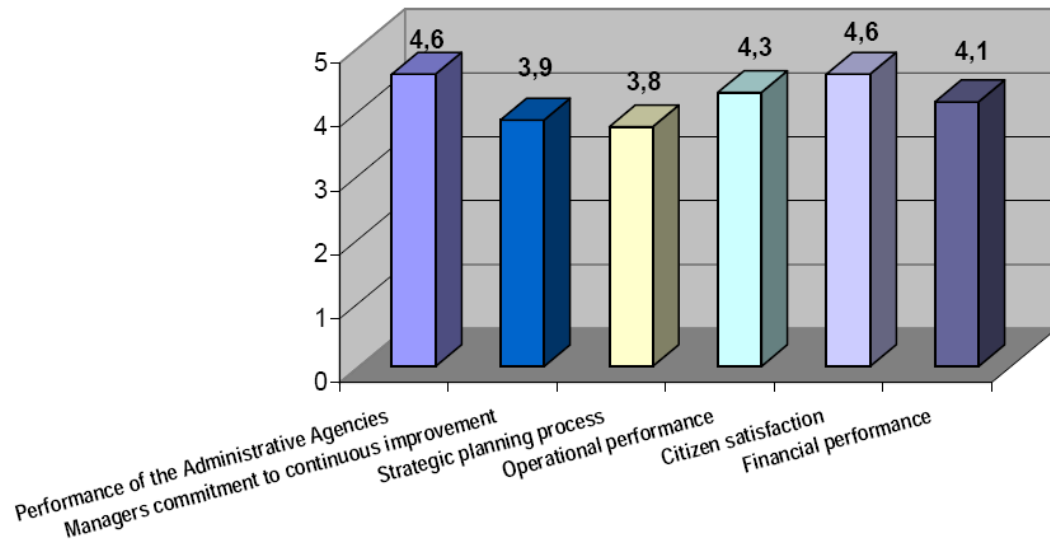
Discussing the issue about how the performance of public organizations can be assessed, reference is made to a survey conducted in 2003 for the 40th meeting of the Directors-General responsible for public administration in the EU. The survey was designed to explore the way in which EU member-states have developed and operated performance measurement systems to monitor and attempt to improve the operation of their respective public sector organizations.

(<http://www.dgap.gov.pt/media/0601010000/grecia/PERFORMANCE.pdf>).

Two key findings of this survey are presented in this paper for learning and discussion purposes. On the issue of factors the design of public management performance measurement system was intended to improve, figure 1 presents a summary of the responses. As indicated in figure 1, all the suggested factors were reported to be important by all respondent countries in the survey, although there were small variations. Administrative agencies’ performance and customer satisfaction were scored to be the top factors for judging performance in the public sector and these were followed closely by operational performance and financial performance. Commitment of managers to

continuous improvement and strategic planning process were also scored relatively high for assessing performance management.

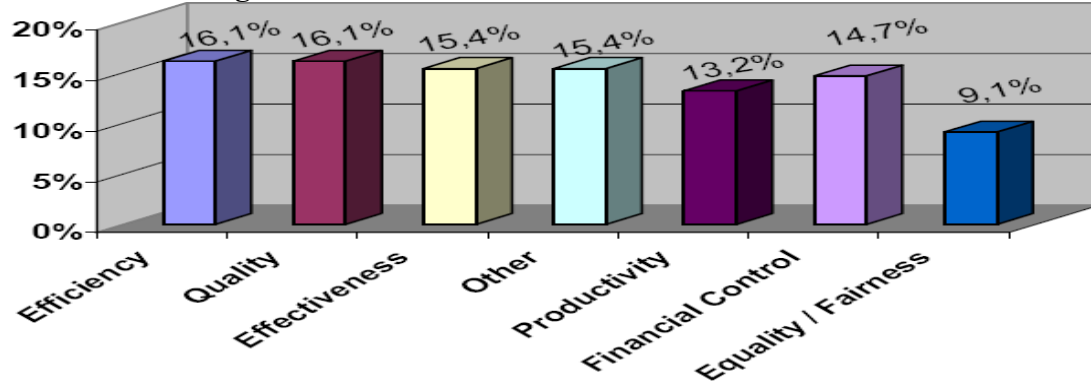
Fig.1: How Public Sector Management Performance was measured in most EU-Member States



Source: <http://www.dgap.gov.pt/media/0601010000/grecia/PERFORMANCE.pdf>,

In contemporary public management practice these measures of performance must be made more specific and measurable so that they can become evidence-based performance measures that can be used relatively easily, quickly and conveniently to assess performance and to make more pragmatic corrections in public management. On the basis of this an aspect of the same survey focused on the issue of the dimensions that should be most significant to performance management and measurement systems of public organizations. Figure 2 summarizes these dimensions for contemporary public management performance assessment from the viewpoint of EU-member states.

Fig.2: Contemporary EU-Member States' Dimensions of performance measurement system in Public management



Source: <http://www.dgap.gov.pt/media/0601010000/grecia/PERFORMANCE.pdf>,

From figure 2, the greatest emphasis is on efficiency, quality of service and effectiveness. The other factors mentioned were not detailed out but these could be considered as preconditions of efficiency and quality as well as other intermediate performance measures which are explained as follows.

With regards to ascertaining preconditions of efficiency and quality, the Bank Netherlands Partnership Program (BNPP) funded surveys of public officials in 14 countries and this led to the construction of indicators that assess officials' expectations of future incentives and constraints in terms of rule credibility, policy credibility and resource adequacy and predictability (<http://go.worldbank.org/PHKVJDLV20>).

Rule credibility was measured by creating an indicator covering the existence and perceived quality of formal rules in four areas: record management, internal audit, performance appraisal, and project evaluation. Policy credibility measured policy consistency, policy coordination between the units of government e.g. ministries; political interference/micro- management in government departments and agencies. Resource adequacy and predictability measured such performance indicators as unpredictable seasonal absences of personnel due to severe weather conditions e.g. hurricane; anticipated supply of necessary skills; and about more general anticipated capacity (Mukherjee & Moynihan, 2000).

As Mukherjee & Moynihan (2000) reports, the Bank Netherlands Partnership Program (BNPP) surveys have measured three intermediate dimensions of performance: "results focus," accountability and employee morale. **Results-focus** was concerned with whether an organization's activities were geared to its objectives; whether the organization was considered efficient; and whether a merit-based reward and punishment system was in place. **Accountability** measured indicators covering, inter alia, enforcement of regulations; demonstrated accountability to the public at large, and to civil society and parliament. For public sector organizations, which work with public funds, accountability is an important element of performance. Corruption is a symptom of poor accountability performance, but accountability as a concept is broader than corruption.

In addition Mukherjee & Moynihan, (2000) have explained **employee morale in the survey** as measured by indicators covering employee satisfaction and vertical solitude. (Vertical solitude is a measure of the disconnect between the managers of organizations and other officials working in them). They assert that organizational performance is thought to be directly linked to employee morale. Employee morale is raised by job satisfaction and reduced by a disconnect in orientation and attitudes between managers and their staff.

From the above expositions we can deduce that several indicators can be used to show whether public organizations are doing well or badly. The choice of a particular indicator or mix of indicators varies from country to country and from regional block to regional block. The important fact to note is that indicator(s) parse themselves do not improve performance but rather, it is the way the organizational leaders manage the strategic and physical assets of the organization that determines the excellence levels attainable in public organizations. Given that the right mix of indicators have been selected for gauging the success of public organizations, it is important to always understand the fundamental causes of poor results and to address these effectively and efficiently.

4.0 Current Situation of the African Public Management Effectiveness

The Economic Commission on Africa has indicated in its publication "Public Sector Reforms in Africa" that, *the African State is said to be over-extended to the point that*

reductions, refocusing and reengineering of its activities are needed. Moreover, stronger incentives for performance need to be put in place to improve macro-economic stability as well as efficiency (<http://www.uneca.org>).

The ECA report indicates that many African countries such as Ethiopia, Ghana, Mauritius, Senegal and Uganda, have embarked on comprehensive reforms aimed at improving the quality of life of their citizens, and creating new government machineries to establish efficient and effective management systems. However, despite the tremendous efforts and resources allocated to reforms, little progress has been made, and many African countries have not come close to their goal of developing and transforming their societies to the same standards as developed countries. Effective health services, education and housing still remain out of reach for many communities. With a few exceptions of successful cases (Botswana, for example), public service management remains at a lethargic stage (<http://www.uneca.org>).

It recorded that despite the setbacks, the following success cases of New Public Management (NPM) initiatives can be cited:

- Decentralized Management in Uganda
- Subsidiarity in Benin
- Cost-Sharing Towards Sustainable Health in Sub-Saharan Africa:
 - Selected Examples from Central African Republic, Zaire, Senegal,
 - Cameroon and Guinea Bissau
- Performance Contracting in Ghana
- Accrual Accounting in Botswana
- Commercialization in Africa: Ethiopian Airlines
- ICTs in Secondary Schools in Senegal
- Supporting Free and Fair Elections in South Africa
- Public Reporting in Mauritius (<http://www.uneca.org>)

A survey conducted between the periods 1995 to 2004 indicates that African countries are at different levels of civil service rehabilitation stage. Table1 below gives a snapshot summary of the situation (Adamolekun, 2005),

Table1: Classification of Countries by Levels of Civil Service Rehabilitation Efforts1990 and 2004.

A. Advanced Reformers (“virtuous cycle”)	B. Committed Reformers	C. Hesitant Reformers	D. Beginners and Non-starters (“vicious cycle”)
Botswana	Benin	Cote d’Ivoire	Democratic Republic of Congo
Mauritius	Burkina Faso	Gabon	Burundi
Namibia	Ethiopia	Guinea	Central Africa Republic
South Africa	Ghana	Nigeria	Liberia
	Kenya	Togo	Sierra Leone
	Mali	Zimbabwe	Somalia
	Mauritania		Sudan
	Rwanda		
	Senegal		
	Tanzania		
	Uganda		
	Zambia		

Ladipo Adamolekun (2005)

5.0 Key Considerations for Achieving Success under Conditions of Limited Resources

To achieve sustained success under conditions of limited resources the following initiatives are proposed:

Engage in effective planning

Under conditions of limited resources it will be important to better concentrate on the things that matter the most by agreeing a smaller and more focused set of priorities. Once the non-negotiable priorities are identified, organizations need to ensure that services are delivered in the most effective and efficient manner. This can be accomplished through strategic and operational planning for the public organizations.

Review and revise performance management systems:

A survey conducted in the UK shows that the vast majority of UK public sector leaders are convinced that better performance management practices hold the key tool to efficiency gains and performance improvement. However, poor performance

management practices are holding organizations back. Public sector leaders need to ensure that more meaningful data is used and analyzed to inform evidence-based decision making and performance improvements. This study finds that there is massive skills, practice and leadership gap in UK public sector that prevents them from turning their masses of performance data into usable insights

(http://www.ap-institute.com/resources_news.asp).

Restructure for better organizational alignment:

Work process analysis and work measurement can be carried out periodically to determine service cycle times and bottlenecks so as to initiate process improvements and determine optimum staffing needs/levels. In this way public organizations can ensure that management practices are not performed in isolation but instead aligned effectively for creating a comprehensive and integrated management framework. According to the UK survey, in the new era of financial constraint, public sector organizations can no longer afford not to align performance management processes with budgeting, risk management and project management. The report further asserts that, the challenges ahead are massive and that only by identifying what really matters and then managing the delivery in an integrated way, based on real facts and evidence, can public sector organizations both in the UK and elsewhere tackle the ‘more with less’ agenda which is set to prevail for many years to come (http://www.ap-institute.com/resources_news.asp).

Carryout frequent cost chain analysis

Cost chain analysis enables public and other organizations to ascertain all organizational activity costs with a view to eliminating non-value adding activities. Strategic cost management is a philosophy that takes a broader perspective to cost management by combining information about the internal workings of an organization as well as its supplier and customer/client processes. It is important to take a process view of the organization in order to facilitate the implementation of, and realization of the benefits of, Activity Based Costing (ABC).

Ensure effective deployment/utilization of staff throughout the organization.

The theory of bureaucracy widely acknowledges that the people employed by public organizations (the UN/AU/EC inclusive) are technically competent. Contemporary public management theory prescribes multi-skilled and multi-tasking employees who can be deployed to accomplish diverse organizational objectives. In this regard, the concept of internal consulting is largely recommended for cost cutting through the effective deployment and utilization of the internal staff. The idea here is to use the internal staff for most assignments that were usually contracted out so as to reduce some or all most trivial external consultancy related assignment costs. To be successful in this practice requires effective recruitment and staff development practices in public organizations. Recruitment, training and development must be largely determined by the strategies and action plans outlined in the organization's strategic human resources management plan that has been rationally developed and approved by the Civil and Public Services Commissions in the respective countries.

Take Advantage of Most Recent Office Automation Technologies

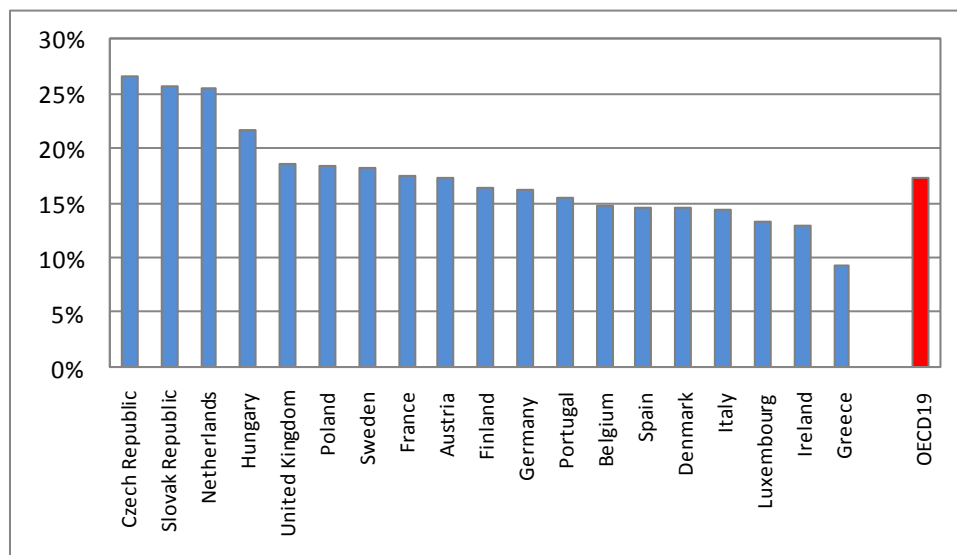
Establish and enforce a strong office automation policy that embraces and takes advantage of latest advances in information communication technology. A step in this direction could reduce several operational costs including travel related costs when conferences and meetings are held using telecommuting, teleconferencing and video conferencing among others. In this way, travel times could also be converted into productive staff hours. E-government projects are ongoing in many countries and these projects are aimed at improving information processing, institutional memory, internal and external communication and reducing stationery costs among others.

Ensure effective procurement management.

Public procurement cost as a percentage of GDP ranges from about 8% to over 25% among the OECD countries. In 2006 as shown in figure 3, the average for 19 OECD countries was measured to be around 17.5% (OECD, 2009). These figures depict significant expenditures that need to be managed more prudently in order to make significant savings for governments by their public organizations. The procurement

function can contribute significantly to cost savings by streamlining the processes and developing policies that discourage the carrying of perpetual non-value adding procurement costs such as large inventory holding and maintenance costs. This can be achieved through the adoption of a mix of techniques including the just-in-time (JIT) systems, materials requirement planning (MRP) systems and other optimum inventory control techniques which invariably rely on effective internal demand forecasting, supplier sourcing, evaluation, selection and retention (the win-win strategy)

Fig. 3: Public procurement as a percentage of GDP (2006)



Source: Government at a Glance 2009 - OECD - ISBN 9789264061644

Embark on Cost Recovery and Cost Sharing Service Delivery

A recent trend in public management has to do with cost recovery and cost sharing in service delivery. If some of the public funds spent can be recovered from beneficiaries in one form or the other in the near or future term, such monies could enhance the resource base of public organizations for sustained and better service delivery in the future. It is important that commercial mindedness be introduced in some aspects of public service delivery as can be seen now in many public health, education, legal etc. services. The AU/UN/EC need to brainstorm extensively on this issue which might not have received much attention in their past operations so that innovative ways of introducing cost recovery which however does not jeopardize the volume and quality of services delivered can be crafted. For example one can think of recovering costs resulting from

interventions in crisis that were caused by recklessness of the beneficiary government and/or its citizens. Such a measure could have far reaching implications including possible determent from similar reckless behaviors in the future, use of recovered costs to support extra budget items (remember the public psychological contracts) and in some way give confidence to donors and financiers that are largely becoming fatigued with donations.

Exercise Ethical Leadership

Willem Landman, Founding CEO and Executive Director of the Ethics Institute of South Africa strongly make the point that, responsible management of enterprises requires ethical leadership from top management: “The board should provide effective leadership based on an ethical foundation.” It is, however, precisely a lack of ethical leadership that is becoming common practice in our public life. Some of our top leaders are establishing a culture that subordinates ethical and democratic values to other agendas (www.ethicsa.org).

In the writings of Prof Landman, public integrity requires the top structures of power to act in accordance with the “highest ethical standards”. Without a visible example of leadership, anti-corruption units and agencies become merely a smokescreen. It was also noted that in South Africa, the government’s poor financial management, is due to insufficient involvement of ministers and directors in their respective portfolios. Indifferent ethical leadership extends to the whole spectrum of our public life and this is believed to be contributing to the break-down of the status and independence of the judiciary in South Africa and many countries of the world (www.ethicsa.org)

Manage Employee Performance More Effectively

A Chinese proverb says that, for every hundred men hacking away at the branches of a diseased tree, only one will stoop to inspect the roots. In other words if individual members of the organization are performing poorly, it will be of utmost importance to figure out what's causing the performance issue. There is the need to understand the root of the problem. Most often managers are looking for quick-fix solutions that never yield successful and sustained results. Organizational behavior theory clearly establishes that

the performance of individuals and groups in the organization is largely a function of the ability and motivation of the individuals and groups in the organization. Simply put, $\text{Performance} = \text{Ability} \times \text{Motivation}$, where ability is the person's aptitude, as well as the training and resources supplied by the organization and motivation is the product of desire and commitment. Low ability may be associated with over-difficult tasks, low individual aptitude, skill, and knowledge, evidence of strong effort, despite poor performance and lack of improvement over time. There are three key interventions that may improve people's motivation, setting of performance goals, provision of performance assistance, and provision of performance feedback (Adapted from: http://www.mindtools.com/pages/article/newTMM_80.htm)

4.0 Conclusions

We have seen from the discussions that several indicators can be used to gauge the performance of public organizations. The important fact to note is that indicator(s) by themselves do not improve performance. It is the way the public organizational leaders manage the strategic and physical assets that determines the level of performance attainable. As recommended, it is always important to understand the fundamental causes of poor results and to address these effectively and efficiently. As rightly asserted by Bernard Marr & James Creelman (2010), public sector organizations have indeed entered one of the most challenging environments they have ever had to face as they bear much of the cost of the global credit crunch. In order to cope with the upcoming challenges, perhaps more than ever before public sector leaders need to instill generally strong performance improvement disciplines into their organizations. More specifically, disciplines that enable these leaders to fully understand what key outcomes and priority deliverables they must accomplish, how to allocate reduced financial resources so as to make the most positive impact on service levels and outcomes as well as knowing where to reduce costs and improve efficiencies without jeopardizing service delivery.

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