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Content and drivers of performance management in agency-type organizations of the Hungarian public administration

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Ph.D. dissertation

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1. Introduction

In the PhD dissertation I am going to examine the Hungarian applicability and application of performance management (PM), one of the methods aiming at performance-oriented organizational operation of central public administration. Improving performance of public administration and the reform of public financing system have been on agenda in Hungary for many years, in accordance with international trends. From time to time the government attempts to create performance-oriented public administration (e.g. Magyary Program 11.0 2011; Magyary Program 12.0 2012), and there are also ad-hoc, bottom-up initiatives at organizational level, which target performance-oriented organizational function. *The object of Ph.D. dissertation is to understand and analyse this phenomenon: what does performance orientation in the examined organizations mean, what type of performance management methods are implemented, and what drivers and mechanisms do influence the application of these methods?*

The research focuses on *organizations of central public administration* where the *successful application of performance management methods is most likely* based on the international literature. These are the so called *agency-type organizations* (see e.g. OECD, 2002a), which are called autonomous state-administration organizations in Hungary, independent of the Government (e.g. Hungarian Competition Authority), government bureaus (e.g. Hungarian Central Statistical Office), and central offices subordinated to the government (e.g. Hungarian Meteorological Service). These relatively autonomous public organizations have gotten into the focus of international researches only in recent years (Pollitt 2006; Verhoest et al. 2004, 2012), and in Hungary there were some researches of agency-type organizations (e.g. Hajnal 2010; Hajnal 2011), but the focus was not the performance management.

In this chapter, first I am going to deal with the meaning and relevance of the performance management in public administration. I shall then outline purposes and questions of the research. Finally, the structure of the proposal will come.

1.1. The relevance of performance orientation and the concept of performance management in public administration

In recent years, improving performance of public sector and public administration has been one of the most important drivers of public reforms in many countries of the world. The New Public Management (NPM) movement aiming at diminishing the state's role and increasing efficiency and effectiveness of the public sector, has served as a guideline for modernization of public sphere in many developed and developing countries during its almost 30-years history (Hajnal 2004; Rosta 2012).

Over the past ten years many critiques have arisen against both New Public Management movement itself and the methods applied based on NPM. However, some authors draw our attention, that the popularity of performance management in public organizations is indeed due to NPM, but it is only one of the elements of New Public Management, and it would be a mistake to confuse them (Van Dooren, 2006). The performance-orientation and its supporting methods have already existed before NPM in the public sector, albeit in a narrower field. Some academics have claimed that the NPM is over (among others Dunleavy *et al.*, 2006), but I suppose there are elements which are worth retaining, so we need to rethink the role of performance management. In addition, performance management is an essential element of other reform approach, for example Neo-weberian state theory, which became popular after the 2007-2008 economic crisis in some European countries (Pollitt and Bouckaert 2011).

In a broad sense performance management means the application of different management methods in order to increase the performance (economy, efficiency, effectiveness, equity) of a single organization or a network of organizations (e.g. a region, a sector, or a country).

The exact determination of the research field makes difficult, that *performance management is a buzzword both in business and public sector*, and there are no common (and exact) definition in the literature (Franco-Santos *et al.*, 2004). The main reason of conceptual uncertainty is that performance management is a multidisciplinary research field, it can be interpreted based on many scientific field. This statement is even more true to performance management in public administration, where jurisprudence (administrative law), political science, sociology and some fields of business administration have had also a great impact on today's thinking about performance management.

Researchers of the different scientific fields examine the phenomenon of performance management in public administration based on various purposes and questions, they apply different approaches and research methods, so their conclusions are hardly comparable. Of course it is natural, but representatives of different scientific fields reflect barely on other results, the knowledge transfer between the scientific fields are very low (J. G. Van Helden, Johnsen, and Vakkuri 2008). For this reason, a research of performance management in public administration should take into account the contribution of scientific fields and theories listed above.

The intention of integrating various theories and approaches dealing with the same phenomenon – i.e. interpretation, measurement and management of public performance – appeared in the literature in the 90's, particulary among the academics of public management. In this regard the contribution of researchers of Public Management Institute at Catholic University of Leuven (http://soc.kuleuven.be/io/eng/) to formulation a theoretical framework of performance management in public sector is significant. This model serves as starting point also in the Ph.D. dissertation (Chapter 2.1).

A possible critique against using the term of „performance management" that it is an umbrella term, encompasses many different concepts, and its meaning is too board. From the viewpoint of operationalization it might be not a good choice. However, one

of the key elements of public reforms worldwide is performance management, and performance-oriented methods appear also in countries which are not too active in performance-oriented transformation of public sector. Interpreting public performance management and formulating a research concept seem to be important in a country, where different pattern of PM applications are likely to exist compared to countries with active use of performance management methods in public sector.

1.2. The purposes of research

One of the purposes of researching applicability and application of performance management in public administration in Hungary is to understand PM at organizational level, i.e. to outline a more precise approach and methodology applicable in public administration organizations with the help of the manifold approaches and methods present in the current literature.

My second purpose is to apply this framework to the Hungarian context. According to a study published in 2005 in the OECD Journal on Budgeting, the following performance management praxis could be identified in the public sector: some countries have introduced certain methodologies on a mandatory basis (in a top-down manner, in the entire public sector), such as New-Zealand and United Kingdom. In other countries the government-wide reforms were preceded by a pilot phase (e.g. in the USA a four-years test phase predated the overall introduction of GPRA). Some countries have not introduced mandatory reforms, but the administration made it possible for organizations to participate voluntarily in these kind of initiatives. Yet again, in some other countries the government is not committed to introduce performance management reforms, in these countries an ad hoc and bottom-up approach prevails (Curristine 2005). Hungary can be classified as the member of this latter group.

From a theoretical point of view, this situation is exciting contrary to the countries taking a leading role in performance management reforms in the public sector. It represents a terrain where there are no comprehensive expectations set by the central government towards public administration regarding the content or the way of performance management applications, however, these methods have already appeared in the examined organizations. This situation makes the study of the drivers and the barriers for the introduction of performance management applications easier, separated from the expectations expressed by the government, which, as the international experience shows, in many cases results only in formal adaptation.

The practical goal of this research is – while giving an overview on the main issues of the performance management tools: the conditions and causes of their application, and their contents in the selected public administration organizations – to facilitate the work of those acting in the area (civil servants, government experts, consultants and researchers).

My personal goal with the proposed research is to carry out a research closely related to my personal professional interest, educational and consulting experience, and to better get to know the central public administration, and in a wider sense the whole public sector.

1.3. The questions of research

Performance management can be studied in many ways and on different levels. G. Jan van Helden, Age Johnsen and Vakkuri Jarmo published in 2007 the so-called *life-cycle approach* of performance management models, that identified the following stages (Van Helden et al. 2007):

- *Design,* which lays out the content and structure of performance management systems. At this stage, an exciting aspect of research is the examination of

factors affecting design, and the technical and methodological analysis of the system formulated.

- *Implementation,* which means the organizational introduction of the established systems. At this stage the analysis of introduction as a change management process is a promising research topic, likely to bring up some important lessons*.

- *Use* means the everyday use of systems already developed and introduced. In this section the goals and the method of application of the implemented system will be studied.

- *Effects:* the introduced performance management system has an impact on organizational performance, this may be intended or expected, in an other aspect dysfunctional or latent. At this stage, exploring the effects is a research priority*.

- *Evaluation:* by the time of reconstitution or termination of the introduced performance management system can it be assessed. During the evaluation it is worth to assess advantages and disadvantages, benefits and costs along the full life cycle.

The research within the framework of this thesis is of exploratory nature, as no such earlier research exists, and it takes place in a field where the public sector performance management applications are ad-hoc and bottom-up, i.e. their design and implementation is not initiated by a governmental requirement or expectation. In the light of these conditions, the research can only focus on the initial stages of the above mentioned life-cycle model, which means information will be available on the stages of design and may be of introduction. The analysis of use and impact and the evaluation of the system as a whole is only possible in the longer term, these typically imply a longitudinal study. Such tests are conducted mostly in countries where the

introduction of performance management systems in public administration is a government initiative, or at least it is strongly supported.

In public administration, performance management can be interpreted at different levels: from macro level, through mezo level all the way to individual level. The thesis primarily focuses on the organizational level. The scope of this study is to examine the design (content) and implementation of the organizational level performance management tools in the Hungarian agencies along the following questions:

1. What kind of performance management tools appear in the "agency"-type organizations of the Hungarian public administration?
2. What drivers and mechanisms may explain the design and introduction of performance management tools in the examined organizations?

1.4.   The structure of dissertation

After this introductory chapter, the proposal follows the next structure:

- First, I examine the definition and concept of performance management and performance orientation. In the first part of the 2nd chapter, I describe the concept of performance and the internationally accepted concept for performance management in the public sector. The 2.2. subchapter considers the theoretical precedences of public sector performance management. Based on these two parts, in the 2.3. subchapter, I try to outline the elements of performance management in public administration interpreted on the organizational level in the context of the first research question.

- The 3rd chapter contains the theoretical elaboration of the second research question, namely the potential drivers of performance management applications based on the analysis of the literature. In this chapter, I present a

comparative study of the dominant theoretical approaches and frameworks for analysis to this subject field.

- The 4th chapter summarizes briefly the international and Hungarian literature on the quasi-autonomous, so-called "agency"-type organizations, that are in the focus of the research.

- The 5th chapter gives an overview on the research methodology applied. The empirical research is based on a mixed research approach which combines both quantitative and qualitative methods, and I have chosen an explanatory sequential research design.

- The 6th chapter describes the process and results of empirical research: the first – quantitative – phase of the research was content analysis of homepages of the examined organizations (6.1 subchapter), the second – qualitative – phase was based on grounded theory approach (6.2. subchapter).

- The thesis concludes with chapter 7: the summary of main results and further research directions can be found here.
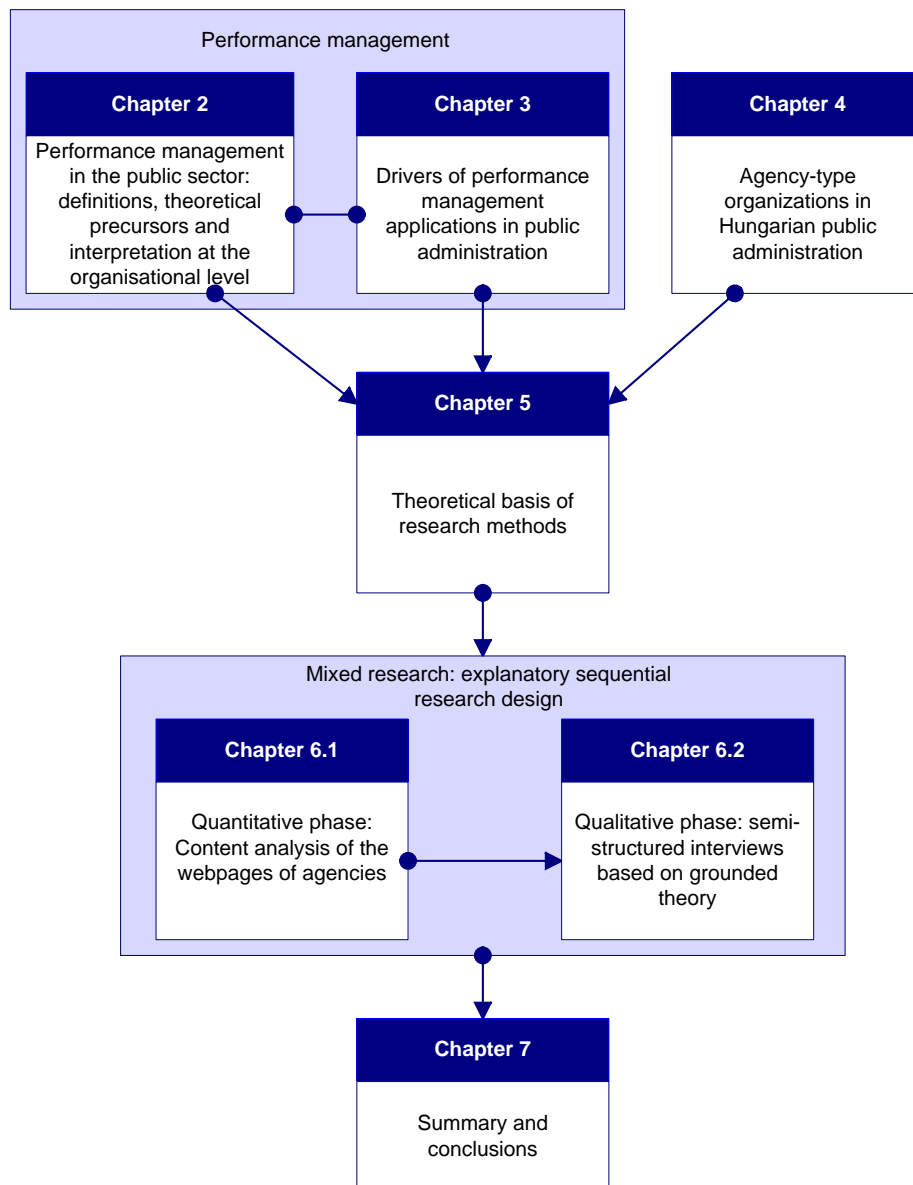
Figure 1: The structure of the thesis

1.5. Acknowledgements

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2. Performance management in the public sector: definitions, theoretical precursors and interpretation at the organizational level

Performance-oriented function is a goal that plays an important role in the reforms of public administration taking place today (Mol and de Kruijf 2004; Pollitt and Bouckaert 2011). In this chapter, I am going to examine this topic in detail: firstly (in subchapter 2.1), I am going to introduce the most dominant, increasingly widespread interpretation and concept of performance and performance management in the public sector. In the following subchapter, 2.2, I am giving an overview of the major theories and movements influencing the changes of performance orientation in public administration. Based on these, in subchapter 2.3, I am introducing the possible content elements of performance management in public administration interpreted at the organisational level.

2.1. The interpretation of performance management in the public sector: its core definitions and concepts

In recent decades numerous authors have attempted to operationalise the *concept of performance* applicable in the organisations of the public sector and *that of performance management* aimed at improving organisational performance (Geert Bouckaert and Halligan 2008; Mwita 2000; OECD 1997; Wouter Van Dooren, Bouckaert, and Halligan 2010). Increasing professional and scientific attention has been devoted to the performance-oriented function of public sector organisations in recent years in Hungary as well and since the second half of the '90s, an increasing number of articles, book chapters and doctoral dissertations have been written on the topic (Antal 2005; Bodnár 2005; Hajnal 1999, 2007; Horváth 2005; Hüttl and Sivák 2006; Király 1999; Takács 2015).

2.1.1. Some definitions of performance

Before outlining the tools of performance management analysed in the dissertation, the concept of performance has to be clarified. The expression "performance" is a frequently used term appearing in several contexts and with various meanings; therefore it does not have a universally accepted definition. Moreover, this concept often lacks an explicit definition in the literature of performance measurement and management, assuming that its meaning is well-known (Wimmer 2000). Although this observation seems to be true for the authors discussing both the business and the public sector, the authors' respective concept of performance is usually implicitly "suggested" in the individual works. There are two interpretations of the concept of performance in the literature on the performance of the public sector (Van Dooren 2006): performance appears as (1) *value* and (2) *intended behaviour* (see Figure 2).

Hereinafter, interpreting the essence of performance I am going to accept the latter standpoint despite the fact that in the literature of public administration the value approach is more dominant. However, if *performance* is interpreted as an intended action while *values* as things considered to be important by people, it becomes possible to analyse the relationship between these two (performance and value).

In the case of the public sector, Dubnick described performance as an intended action along the following dimensions: 1) the quality of the performed action, 2) the quality of the results achieved by this action (Dubnick 2005). The basis of the Dubnick typology was to identify two (low and high) focus points in both dimensions.

Focus on quality of performance achievement		
	low	high
low	P1 production-oriented	P3 results-oriented
high	P2 competence-oriented	P4 results- and process-oriented

Focus on quality of performance actions (row label, left side)

Figure 2: Possible interpretations of the concept of performance

(based on Dubnick 2005; Van Dooren 2006)

The case where the tasks of performance to be accomplished by the actor are in the focus can be regarded as the basic form of performance (P1). There are further interpretational levels within that as well, one of which represents the suitable design of the production process as well as the operation of production equipment (e.g. machines). Here Dubnick refers to the work of Taylor, who broke down performance (work) into partial tasks and matched the suitable instruments and people with the tasks. Today the definition of jobs or the selection of future employees in organisational practices is based on this concept of performance.

Van Dooren (2006) provides another interpretation of the P1 concept of performance. He asks the question what the government produce, what the content of their performance is. Public economics among others provides an answer to this question and in these definitions of performance and production, the quality aspect of actions or the achieved results does not appear.

'P2' performance emphasising the quality of the performed action while focusing less on achieved results is interpreted as competence by Dubnick. An actor with great expertise, much experience and good skills is supposed to produce an output of a bigger amount and better quality, thus, this type of performance embodies competence-orientation (e.g. skills, experience, expertise); therefore, the improvement of performance means improving the abilities, skills and expertise.

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Quality control tools aimed at improving the quality of organisational processes can be mentioned as another example, such as ISO, which focuses on performance enhancement.

The third type of performance in this typology (P3) refers to the results; the focus here is on the purpose and achieved result of the action while the activities and processes leading to them are excluded from the objects of analysis. This interpretation is the most characteristic within the framework of New Public Management; several researches have been and are being conducted about the measurement opportunities, tools and limits of the different levels of results (outputs, effects).

Finally, the position marked P4 stands for the most complex approach to performance, in which both the action and the achieved results are in the focus of attention. It incorporates the performance of organisational processes and the achievement of the desired results as well.

In his book published in 2002 Hans de Bruijn calls attention to the importance of the parallel application of process orientation and result orientation; he reckons that only the simultaneous recognition of both aspects is able to significantly moderate certain risks and the negative effects of performance measurement (de Bruijn 2002). The simultaneous and complex application of the process and the result approach has recently appeared in the so-called multidimensional performance measurement tools (Bodnár, Drótos, and Révész 2002; Kaplan and Norton 2001; Neely, Adams, and Kennerly 2004; Selden and Sowa 2004) These applications are aimed at capturing organisational performance in the most complex way possible. One way to operationalise multidimensional performance is to apply the stakeholder approach, which has been gaining increasing popularity in public service management, as well (Bryson 2004).

The performance management concept applied in the dissertation relies on this *complex and multidimensional interpretation of performance* recognising both the processes and the achieved results.

Several different methods can be attributed to each of the interpretations (P1-P4) introduced within Dubnick's model. While, for instance, Dubnick recognises the production-oriented approach (P1) in the design of individual-level jobs, van Dooren thinks the analysis of the content of government participation interpreted at the macroeconomic level belongs in this category. Therefore, a distinction can be made in terms of the level of analysis within each approach, and accordingly, different questions and tools belong to the different levels.

Several typologies can be found in the literature which refer to the possible levels of performance analysis. Geert Bouckaert distinguishes between three levels: macro, meso and micro levels (Bouckaert and Halligan 2008; Kiss 2014):

- The *macro level* refers to the entire government / state level.

- The *meso level* stands for a *network* of several organisations which can be organised by

    - a *regional (territorial)* principle (such as local governments, small-regional cooperations)

    - by *function* (such as organisations belonging to the same sector or the intervention areas of different public policies) or possibly

    - by an *objective* principle, i.e. all the organisations producing the same product or providing the same service (such as food maintenance, social security services).

- At the *micro level*, the individual organisations can be found.

Apart from these levels, from the management perspective, it is also important to distinguish between the levels of analysis relevant for the examination of performance within the organisations:

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- The *level of organisational units and organisational processes* (here the relatively independent as well as the so-called value-creating and value-supporting organisational units are particularly important)

- The *individual level*, which refers to the individual performance of the organisational units.

The level of analysis in the thesis is primarily the micro (organizational) level. In relation to this I am going to refer to the level of organisational units; moreover, since the organisations of central public administration are the subject of analysis, the sectoral-(meso-)level performance is going to be mentioned as well.

2.1.2. The concept of performance management in the public sector

As opposed to the definition of performance, the concept of performance management is defined by many; however, a most frequent criticism is the conceptual ambiguity in this field (as well). In the last decades several approaches of performance measurement and performance management have appeared in the literature (see next subchapter), which can be attributed to the representatives of different scientific fields (primarily public administration, management studies, politology, etc.) and which attempted to systematise the sum of knowledge about performance measurement and performance management in the public sector.

General interpretational framework of performance management

The concept of performance management to be discussed in detail, regarded as the starting point in the thesis is based on the model designed by the research group of Leuven University's Public Management Institute (Bouckaert & Van Dooren, 2003 and Van Dooren, 2006, p.28). Figure 3 shows the performance of an organisation or programme embedded in the socio-economic context. Performance management is

shown as a management (or regulation) cycle, i.e. it follows the cyclical logic scheme of goal-setting and planning, measurement and feed-back – evaluation. This approach is based on System Theory and Cybernetics (Bodnár, 1999) and is frequently referred to as an input-output model (Van Dooren, 2006, p.28).

The following concept can be observed as the result of a synthetisation and is becoming an increasingly accepted framework for the thinking about performance management in public administration and the public sector. With regard to its basic logic, this model comfortably fits the concept of management control and the individual quality management models (see the PDCA cycle, i.e. the "plan-do-check-act") as well as the system approach of the performance budget; moreover, during the evaluation of meso- and macro-level public policy programmes, a similar cyclical logic scheme based on system theory is applied (Varone 2004).

The figure below belongs to type P4 in Dubnick's typology on the one hand; however, it also introduces the logic and steps of performance management. In the model the management of the organisation, the so-called 'management cycle' is defined as part of the policy cycle. This concept can be considered idealtypical in a sense that it introduces the operation of performance management in the public sector in a normative, model-like way. In practice – and this is particularly true in Hungary –, such interconnection of public policy control and the management of organisations in the public sector, the sequence and content of the different steps can hardly be realised in this way.
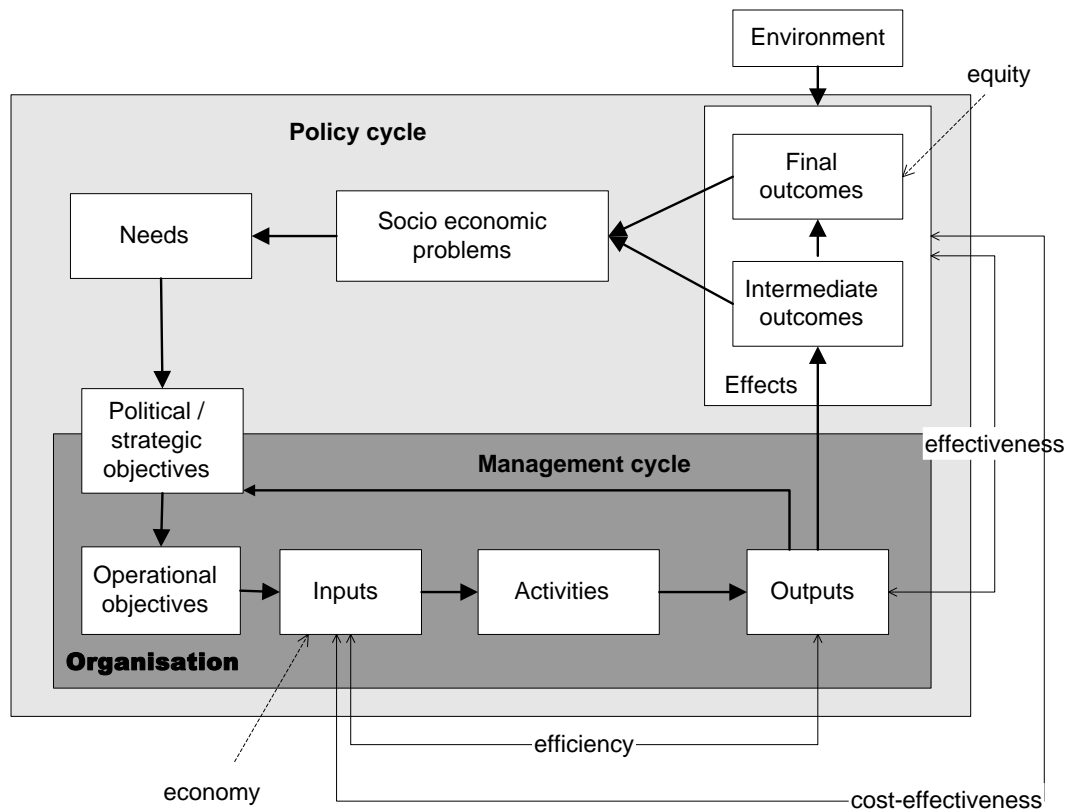
Figure 3: Performance management model in the public sector

The starting point of the public policy management cycle is the socio-economic context, in which *needs* for action against the public sector emerge as a result of the different affairs and *problems*. In an ideal situation proceeding from these needs politicians design public policy actions – i.e. define goals, assign tools to them, make decisions about and finally implement them (Hogwood and Gunn 1984).

The political and strategic goals derived from community needs designate the final and essential purpose of the operation of an organisation or institutional system. These are defined in general political documents and regulations while at the organisational level, the mission declaration and/or the strategic plan may fulfil this role. On the basis of the model above, the consideration and interpretation of long-term objectives is the task of the public policy management cycle on the one hand and the management cycle on the other. Public-policy goal-setting only rarely means a sufficiently specific guideline for the individual organisations; therefore, it is (would

be) necessary for the organisations to interpret them and convert them into long-term strategic goals. The next essential step of management is to translate generic strategic policies into more tangible and thus measurable objectives; these are the so-called *operative goals*, which serve as a considerably more specific guideline about everyday operation for public organisations.

The *input-action-output model* describes the internal operation of the individual organisations. As a result of the internal organisational processes and activities, the resources used (inputs) are transformed into tangible services and products (outputs). Thus, on the basis of the model, the management of an organisation focuses primarily on what kind and amount of resources are required to accomplish their goals and how the internal processes are to be organised effectively in order for the organisation to produce an output of the suitable amount and quality.

Leaving the organisation, the service or product produced has an impact on its environment, on society. For instance, a student completes their studies and graduates (output) and with the help of their degree they secure their first job (result, effect). The critical question here is what results emerge as the effect of a certain output. To answer this question, intermediate and final results are often distinguished. This is a pragmatic as well as a significant distinction since a correlation between the desired final effect (e.g. decreasing unemployment) and the actual output (e.g. university degree), if there is any, can be proven only with great difficulty. There are several reasons for this:

- On many occasions, the desired effect emerges only several years later; therefore, designating an intermediate result may provide the decision-makers with significant feed-back on whether the programme or organisation in question is going in the right direction.

- The final result determined by the political or strategic objectives is generally not the effect of a single organisation or programme but the common impact of several institutions together.

- Moreover, in the case of the evaluation of long-term results, it is difficult to distinguish between the intentional effects and the effects of non-intentional environmental factors and changes.

The management cycle is concluded by the comparison of results and the problems, needs and possibly goals defined as starting points, and in case of an incongruence, the observed social problems, the needs originating from those, the set goals and the tools of implementation can be reconsidered and modified.

The consequences of the effects of organisational output are referred to in at least four different ways in the English literature: outcome, results, effect and impact. The interpretation is further complicated by the ambiguity in the literature about what the essential difference between these four expressions included in the model is. "Result" may stand for output or outcome, while "impact" can refer to both the individual as well as the broader, social effects.

Measurement and evaluation in the performance management cycle

In order to "manage" performance as an intended (goal-oriented) action; that is, to be able to design, implement, analyse and make decisions about it, some information about the performance itself is required. The method of acquiring information about this complex system of relationships is *measurement* and the *evaluation* of the measured data. In the model above, performance can be captured, i.e. measured along several dimensions. The measurement process is already a significant momentum of performance management, or even of the definition of performance itself. Moreover, some definitions regard measurement as an important component of the definition of performance.

According to László Lázár's definition, "measurement is the projection of a certain empirical structure into a numeric structure" (Lázár 2002, 29). Measurement is generally combined with evaluation, "the targeted action within the framework of

which the evaluator determines the value of a reality entity" (Lázár 2002, 32). Thus, measurement and evaluation enable the quantitative representation and structuring of performance.

With regard to measurement and evaluation, it is again time to clarify some key terms. The relationship among the expressions *performance measurement, performance evaluation* and *performance management* is not completely clear in the works of the authors addressing this topic; many use these concepts interchangeably. In accordance with the previous paragraphs, I accept performance management as the comprehensive category, an activity capturing the whole management cycle while measurement and evaluation are subcategories interpreted within this system.

Referring back to the performance management model in the public sector (Figure 3): a measurement point can be the amount of used resources, the transformation process itself, the produced output, the intermediate or final outcomes and even the environmental factors. Furthermore, their relationship can also be measured, i.e. economy, efficiency, effectiveness, etc. The table below (in the forms of indicators) sums up the points of performance measurement applicable in the model above. Bouckaert and van Dooren distinguish between simple indicators and ratio indicators evolving from the combination of simple indicators (Bouckaert and Van Dooren 2003).

Name	Interpretation	Examples
Input indicator	Characteristics of resources used	Budget of a given organization (Ft), number of employees
Process indicator	Characteristics of transformational process	Lead time (sec); Process standard compliance (yes/no, %)
Output indicator	Products and services	Number or ratio of students completed a course; Number of passport ready in regular processing time
Intermediate outcome indicator	Direct effect of the output	Student satisfaction with the usability of a course (based on questionnaire); Change of use of e-government services
End outcome indicator	End effect of the output	Change of unemployment in a region (%); change of life quality in a period of time (%)
Context (environment) indicator	Contextual factors influencing outcomes	Age structure; Change of macro-economic indicators (e.g. GDP)

Table 1: Simple indicators of performance

*(*on the basis of the typology of *Bouckaert & Van Dooren, 2003* extended in content, examples added*)*

Name	Interpretation	Examples
Economy	Input / input	IT investment per employee
Efficiency	Input / output	Cost of producing a passport
Productivity	Output / input	Number of cases per employee
Effectiveness	Outcome / output	Ratio of supported development projects accomplished (= Supported projects accomplished / all supported projects, %)
Cost-effectiveness	Input / outcome	Treating cost of recovered patients (HUF / QALY), (QALY = quality adjusted life year)

Table 2: Ratio indicators of performance

*(*on the basis of the typology of *Bouckaert & Van Dooren, 2003* extended in content, examples added*)*

Among the dimensions represented by the ratio indicators the aspects of economy, efficiency and effectiveness are the most frequent with regard to the description of *organisational performance*. As all of these begin with the letter "e", this model (Figure 3) is often called the *3E concept.*

The indicators (measures) summed up in the tables above are not exclusive, only the most frequent measures associated with the organisational level are displayed here. The *context indicator* is the exception to the aspect of organisational-level influence; it is, however, a significant reference point to the evaluation of organisational performance. Apart from this there are further analytical aspects to capture performance; these, however, cannot – or can only highly indirectly – be associated with the organisational level. Such aspect is the *relevance* of the needs of society to the set goals, which is a significant evaluation factor of the meso- and macro-level public policy analyses. *Equity* is also an important feature, which refers to the justness of the accessibility of results. With respect to health care treatments, this may mean whether in case of the same medical condition, the citizens have an identical chance to receive treatment at the same level of service. Ensuring equity, again, does not

belong to the responsibilities of the organisational level, it is much more of a macro- or meso-level question. The performance model included equity is called '4E' concept.

Bouckaert and Halligan identified four stages of managing performance in their book published in 2008:

- *"Performance Administration"* mostly focuses on input and process indicators, registers administrative data, and has limited reporting capabilities. It is based on regulations, use of performance data is limited.

- The *"Managements of Performances"* type has specialised performance measurement systems, including outputs and outcomes, but different performances are used for different purposes, lacking a government-wide coherence.

- *"Performance Management"* integrates measurement systems used all over the public sector, so it creates a consistent framework. Buti it could be too complex, and unsustainable.

- The „Performance Governance" type manages performance in the broadest and deepest sense, it represent a deep societal coverage.

These four types of managing performance are ideal types, meaning that actual practical implementation may not be perfect.

2.2.   The performance orientation of public administration – theoretical and historical precursors

The aim of this chapter is twofold. On the one hand, it gives an overview of the historical roots of performance orientation and the theoretical approaches which have had a great impact on the current thinking about performance management in public

administration. On the other hand, this chapter analyses all this not only in its international context but with respect to the connections and contributions concerning Hungary as well. The introduction of the historical-theoretical precursors and trends will hopefully help understand more deeply the multi-faced nature and context of performance management in public administration as well as the fact why it is not such a simple task to define the boundaries of this area and why there is no universally accepted interpretation (definition) of the concept of performance management. Relying on what is written here, in the next chapter (2.3) I am going to construct the concept of performance management used in this thesis. In the overview I consulted secondary sources and from the methodological perspective I am going to rely partly on the chapter of Wouter Van Dooren's dissertation from 2006 discussing the history of government measurements.

The title and topic of the proposal is *performance management* in public administration; however, in the title of this chapter I am going to use the term *performance orientation* instead. The latter has a broader meaning and the choice is intentional. Performance measurement and performance management are referred to as rather comprehensive terms in the literature, i.e. they (may) entail all the possible levels of performance interpretations (from the macro level to the individual one) as well as numerous actual approaches and tools (such as performance appraisal systems, performance indicator systems, management control tools, benchmarking, (out)contracting, quality control systems, public policy evaluation, etc.); however, in this proposal I use the term performance management with a considerably smaller scope of meaning. I interpret it at the organisational level and by its content I mean the methods aimed at the interpretation and improvement of organisational performance – chapter 2.3 is devoted to the discussion of this aspect. At the same time, however, while exploring the historical and theoretical precursors, it seems useful to approach the topic by taking into account every possible interpretational level and the colourful tools since the content of the more narrowly interpreted

performance management concept of public administration, which is to be analysed, can also be understood through these.

Back to the title of the chapter: I promise an overview of the theoretical and historical precursors. I do not aspire to do what a history of though does: starting from somewhere at the "beginning" of the history of a scientific field and with the intention to be exhaustive, collecting the subsequent trends and the contexts determining them, then arriving at what we think about the content, methods and dominant approaches of the field in question today and finally, on the basis of all these outlining the possible directions for further development. Processing all this would transform the information into a fat volume, not a few-page-long chapter of a Ph.D. dissertation trying to identify the boundaries of a scientific field. Furthermore, a history of though belongs to scientific fields (such as economics, cultural anthropology, etc.), which can be characterised by individual and specific topics, methods and approaches; therefore, it is worth revealing the evolution process of their idiosyncrasies. Performance management in public administration (or even in the public sector), I do not consider an independent scientific field, much rather a kind of overlap between several scientific fields (such as politology, public administration studies, management studies, etc.) or their simultaneous application with the purpose of understanding and explaining a practical phenomenon or set of problems; to which field, therefore, specific research methods or approaches can hardly or not at all be attributed.

I review the significant movements and trends which have contributed to the evolution of the more or less systematised knowledge currently being at our disposal in this field. Whether or not a theoretical approach or movement associated with performance orientation is included in this overview is determined by two aspects: 1) their contribution to organisational-level performance orientation and 2) if they used to have / have had any theoretical or practical impact in Hungary.

Reviewing the theories, I strove to identify the ideas and practices that used to have/have had a great impact on the content and development of performance

management in the Hungarian public administration. In chronological order, the theories considered to be important are the following:

1. Administration science and the classical school of Management science
2. Performance appraisal as part of Human Resources Management systems
3. Management control sytems
4. Quality management
5. Performance budgeting techniques (PPBS, MBO, ZBB, GPRA)
6. The Evaluation of public policies and community programmes

I do not intend to rank these theories or evaluate the coherence of each listed item. All of the six theories and movements are still "in motion": each of them is developing on its specific path, they have precursors and followers, sometimes even among each other (e.g. the classical school of management science is a significant antecedent of both management control and quality management). Due to the independent development of the listed theories and movements, there is usually little consensus about the boundaries of the individual approaches, moreover, in certain cases, the distinction provokes heated discussions (e.g. quality management and management control are good examples). To explore all these is not the goal of the review either. I am going to introduce only the elements of the theories above that have fostered the thinking about performance management in public administration.
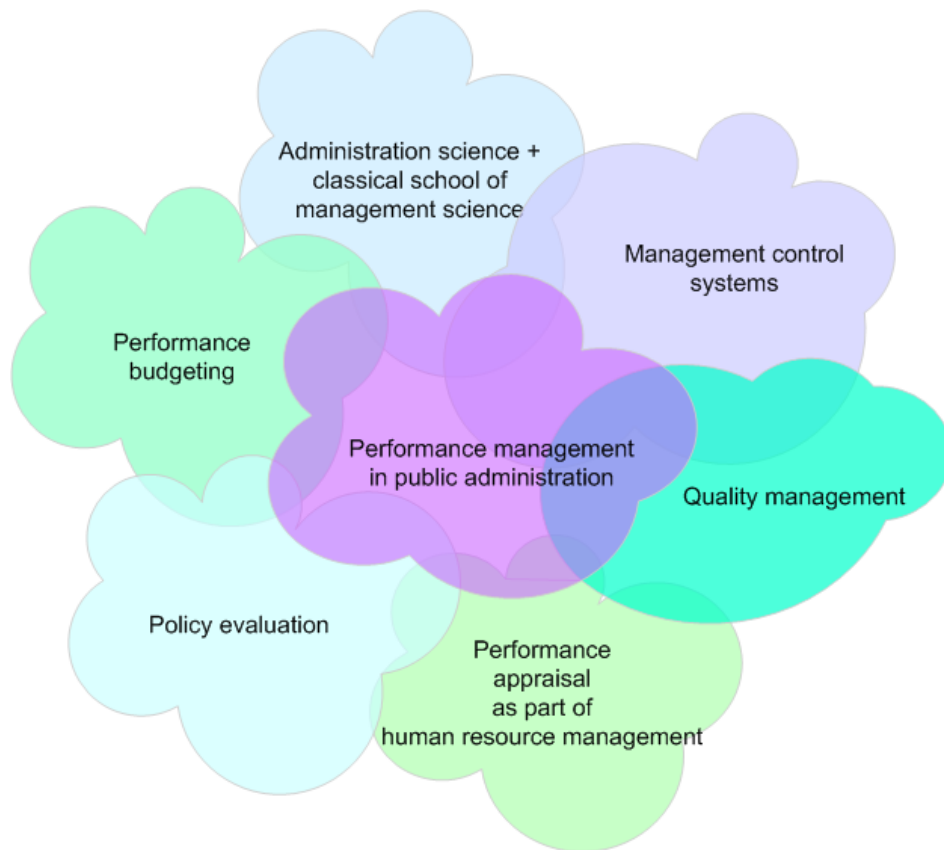
Figure 4: Theoretical origins of performance management in public administration

I am going to introduce the individual theories in the following structure:

- first of all, I am giving a short description about the *content*, time of evolution and circumstances of the theory or movement;

- then I am discussing their *contribution and relation* to performance management;

- finally, I am reviewing the *Hungarian aspects*. At this point I am concentrating predominantly on the occurrences of public administration; however, in some cases I will borrow examples from those of the entire public sector.

2.2.1. The classical school of management science and administration science

Major features

In the second half of the 19th century, huge economic and social changes occurred in the developed countries of the world and within that it was the processes taking place in the United States that had a great impact on the evolution of the scientific field examined. The innovations of the Industrial Revolution appeared in production and provided the emerging large industrial companies with the technical background for mass production. The population, thus, the market of the United States significantly expanded as a result of the influx of European immigrants. The industrially unqualified immigrants who spoke little or no English became the factory workers who were employed for long, 60-hour working weeks and low wages. Not only the masses of workers but also the owner-entrepreneurs and the emerging management were unqualified (Marosi 1983); production used primarily small-scale methods.

The transforming economy and society had greatly affected the government as well. The regulation tasks of the state increased; moreover, it was forced to take up completely novel types of roles in addition to its more traditional tasks. Industrialisation, urbanisation around the industrial areas and the emerging working class required the introduction of state-provided public health care, primary education and public safety. These functions had been covered by the family, local communities and the church before (Zupkó 2001). The novel and more numerous tasks required a new type of thinking about government and the design of new solutions. In addition, the government of the early-20th-century United States became infamous for its corruption scandals; therefore the idea of a more distinct separation of politics and management emerged (Bouckaert 1991).

The simultaneously emerging Scientific Management and Administration Science reflected on these challenges. In the United States, Frederic Winslow Taylor urged the establishment of management on a scientific basis. He replaced the universal organisational principles with the application of a tangible methodology, scientific research in the field of work organisation. By doing so, he established the independent scientific status of management. The French Henry Fayol – as Taylor's contemporary but independently from him – also argued that management was a prioritised field of expertise in the leadership of companies and he identified the major management principles and functions. Max Weber, the sociologist researching the Prussian public administration described the process and characteristics of rationalisation (knowledge, impersonality, predictability) and identified its purest institution, bureaucracy (Kieser 1995). The three of them represent the *classical school of management sience*, although they are different in many respects, they think about management along similar principles.

Woodrow Wilson, who is considered to be the father of the *science of administration* can also be categorised as part of the same theoretical trend (Jenei 2005). In his article entitled The Study of Administration in 1887 he urged the separation of politics and administration and the scientific comparison of political (public) and business organisations. He proposed the application of the successful management solutions of the business sector in the operation of government organisations as well as the training of civil servants and their merit-based evaluation. Frank Goodnow drew the same conclusion in his work published in 1900. He reckons that political interventions create a huge obstacle for the execution of management tasks; therefore, the solution is the separation of politics and administration. Administration is primarily a technical-methodological question; the purpose of this new field of expertise is the politically neutral and efficient execution of the goals set by politicians.

Thus, the classical school of management science and the science of administration evolved simultaneously. Their basic foundations and principles are similar: goal rationality, constructability, specialisation, centralisation and the so-called "one best

way" (i.e. the assumption that there is a best method, tool, solution). A further important feature of both theories is that they made little or no distinction between business and public organisations.

Relationship with Performance Management

The classics of management science had had a great impact on almost every later management theories, but this is not the only reason why Management Science and Administration Science are among the theoretical roots of performance management. Taylor, Fayol, Weber, Wilson and their followers focused on efficiency and emphasised that the primary aim of organisations – regardless of their public or business nature – is a more efficient operation. A cult of efficiency started both at companies and government organisations (White 1999).

In Taylor's view, efficient operation is the management's responsibility. He believed that there was one best way of executing tasks and by applying scientific management principles, it was possible to explore the speediest, least wasteful production method. This approach meant a huge step forward to being able to express organisational activities and processes in numeric terms and the propagation of efficiency also meant the application of efficiency and output measurements (such as a performance-based wage system).

Hungarian aspects

The Hungarian propagator of the doctrines of scientific management and the science of administration with the greatest impact was the internationally acclaimed Zoltán Magyary (1888-1945). Magyary was Head of the Department of Public Law and Public Administration Law at Pázmány Péter University from 1930 and he worked simultaneously as the government commissioner in charge of the public

administration rationalisation programme between 1930 and 1933. He was also the founder of the Hungarian Public Administration Institute. He got introduced to the idea of applying industrial operational organisation in public administration through one of Fayol's presentations at an administrative science conference in Brussels, then he went on a study visit to the United States, where the rationalisation movement resulting from the Taylorian doctrines had just reached its peak (Bibó 1944).

Zoltán Magyary can be considered the first representative of public administration management in Hungary. During his career he worked on a theory of the science of public administration incorporating business administration and accordingly, he proposed numerous reforms which attempted to renew the fundamentally public-law-oriented Hungarian public administration. He called the new form of public administration characteristic of the Anglo-Saxon countries post-industrialist public administration, which meets the increased demands imposed on the public sector and which has to be compliant with the aspects of efficiency (Lőrincz 2005). Magyary had a great impact on the recent reforms of public administration, the development of efficiency of public administration appeared as an important objective in reform programs (Gellén 2012; Magyary Program 11.0 2011; Magyary Program 12.0 2012; Rosta 2014).

2.2.2. Performance appraisal in human resources management systems

Major features

Performance appraisal is a widespread practice of business organisations and those of the public sector all over the world. There are numerous tools and purposes of the process of performance appraisal, which enables the measurement and assessment of the behaviour and activities of organisation members (or groups) in a given period from the organisation's perspective.

On the one hand, the history of formal performance evaluation systems is related to the industrial revolution and was intended to increase productive efficiency in factories, and on the other hand, it is in connection with the emergence of large, complex organisations. In the United States, the first formalised systems of performance appraisal were introduced in the armed forces and government organisations at the end of the 19th century (Wiese and Buckley 1998). At the beginning of the 1900s, the methodological development of the field was significantly facilitated by occupational psychology; it was during this period that the first versions of the so-called evaluation scales still in use today were designed. The development of this scientific field as well as its increasing popularity within the public sector were boosted after the Second World War in the United States: at the end of the 70s, 76% of the US local governments and 100% of the federal government organisations used some form of performance appraisal (Bakacsi et al. 2000).

In the beginning, the aim of individual performance appraisal was to support and justify administrative decisions (promotions, a pay-rise or dismissals). Nowadays, there are several further purposes these systems may be used for. The possible organisational objectives are the following (Takács 2000):

- Supporting decisions about individual performance in relation to the distribution of restricted resources within the company: e.g. payment decisions, rewards, promotions, cutbacks, etc.

- Individual-level decisions which support the organisation members in forming a realistic self-image and their individual development: feed-back on their performance, the assessment of specific training and development needs, redistribution of personnel to other jobs, etc. These are the development goals.

- Related human resources management (HRM) systems and information provision for strategic business planning: e.g. identifying objectives, the

assessment of personnel systems, work force planning and identifying organisational training needs.

- Administration regarding labour law: documenting decisions concerning personnel, compliance with legal obligations.

Performance appraisal is a significant component of human resources management. Ideally, it is organically related to other HRM systems such as career management, job categories, compensations and remunerations, training and development. Connecting individual and organisational goals is an important basic principle of performance appraisal (Bakacsi, 1996). Thus, it is essential to establish a relationship with strategic and business planning: on the one hand, with respect to channelling the ideas of development and changing and on the other hand, to breaking down organisational goals into the individual level.

Relationship with Performance Management

The ultimate purpose of performance appraisal is to have a positive effect on organisational performance. The term performance management appeared in the literature of strategic human resources management in the 90s and it is interpreted as an integrative process of strategic importance that links organisational and individual goals and performances. The purpose of this process is to increase organisational effectiveness by improving the performance of organisation members as well as individual and group competences (den Hartog, Boselie, and Paauwe 2004).

According to this interpretation, performance appraisal is a significant but not exclusive component of organisational performance management: several elements of the human resources management system are to be harmonised in order for the individual performances of organisation members to be able to support the achievement of organisational objectives. Suitable compensation and remuneration schemes, training and development plans, communication and individual career

design are necessary for a successfully operating performance management system (den Hartog et al., 2004). Furthermore, components of organisational performance management going beyond HRM systems have also appeared in the literature of human resources management, for instance, the tools of quality management and management control (see next subchapters) are also of key importance as regards the proper operation of the system (Cederblom and Pemerl 2002).

Hungarian aspects

Performance appraisal is one of the areas about which decades of practical experience have been at our disposal in the Hungarian public administration. First in 2001 and later, since 2007 and 2013[1] the central government have made considerable efforts in order to apply performance appraisal and performance-based compensation in public administration.

During the 2001 version of performance appraisal, the oral and written assessment of requirements recorded in writing by the manager in advance took place and as a result, the civil servant's salary could be cut down by 30% or raised by 20%. Numerous

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[1] With the 2001 amendment of Act XXIII of 1992 on Public Services the performance appraisal system for civil servants came into effect on 1st January 2002. In 2007 – with the intention to make the performance of the public administration personnel more efficient – this was replaced by the Government Decree No. 301/2006 (XII.23.), a new, competence-based performance evaluation system. From 2013 Government Decree 10/2013. (I. 21.) provides a framework for performance appraisal in public administration

criticisms may be formulated about the performance evaluation system introduced, which, based on György Hajnal and György Gajduschek's research, can be summarised the following way:

- Although the operation of the system introduced requires considerable and specific expertise on the managers' part, the legislative amendment had not been preceded by thorough preparation, impact assessment and the training of those involved.

- The system did not distinguish either between organisations (central, regional and local public administration) or positions (managers and employees).

- The system did not provide support for the definition of the evaluation criteria.

- The performance-based possibility of salary changes did not fulfil the original expectations for it to be a means of inducing real performance improvement at the managers' disposal. Positive changes meant a 10% rise, while managers did not at all exploit the opportunity to cut down salaries.

- Although no research data is available, experience in Hungary as well as in the international literature have identified dysfunctional effects as a result of the application of different types of performance appraisal: the judged ones often perceive the judgement as unfair and unfounded, the application of salary changes can lead to tensions and rivalry. The probability of these is confirmed by the fact that in the Hungarian system, evaluation is based on the manager's subjective opinion.

- Latent functions are implied by the fact that salary changes are hardly if ever based on the results of performance evaluation. The probability of receiving a rise was higher for those in positions with a better representation of interests, with expertise significant for the organisation or those who had a good personal relationship with the manager. György Gajduschek summarises this phenomenon the following way: "in practice, [performance evaluation] is used to penetrate the rigidity of a closed, merit-based public service system, taking

advantage of the fact that it gives the manager discretional power to raise the wages of some above the level foreseen in the wage grid. The reason for salary changes can be outstanding performance but several other factors as well." (Gajduschek, 2008, p.25)

A new system, which was introduced in 2007, tried to correct some apparent deficiencies of the previous one. It was introduced gradually: from the beginning of 2007, it applied to the managers of central public administration and from the second half of the same year, to central public administration (ministerial departments). Since 2008, the scope of evaluation has been extended to the 14 thousand members of the entire public administration. This time, the managers received proper training as well. In the new system rewards are based on the evaluation. There was a specific appropriation in the budget of the Prime Minister's Office to finance rewards: in 2007, 3,5 billion HUF, while in 2008, 15 billion HUF was included for this purpose. After the change of government, this system of performance appraisal was suspended in 2010. A new attempt started in summer 2013, but it is too early to evaluate its experience.

2.2.3. Management control systems

Major features

On the basis of the literature, cost accounting can be considered to be a subsystem of management control (Horváth&Partner 2000). In László Lázár's words, the management control system is the superior category of cost calculation (cost-accounting) (Lázár, 2002). From a historical perspective, cost accounting systems emerged around the turn of the 20th century, while the management control tasks we know today appeared only in the second half of the 1950s at large enterprises and the literature of the topic started to evolve even later, in the 1970s.

Cost accounting means the representation of resource-utilisation in organisations in terms of costs and its analysis. Similarly to the emergence of management science,

the expansion of industrialisation, the evolution of large, complex industrial enterprises as well as the separation of the roles of the owner and the manager meant the initial impetuses in this area as well. The appearance of cost calculation in this period was definitely not without origin since written sources and practical applications considered to be the forerunners of cost calculation in the literature are to be found since the 1700s in the Anglo-Saxon and German-speaking regions (for more about this see Lázár, 2002 Chapter 8.3.). In the German-speaking areas, the cost calculation system and the accounting system establishing the preparation of the annual report using expenditures, had separated by the beginning of the 20th century. With respect to the development of this field, the most outstanding in this period is the work of Eugen Schmalenbach (1873-1955), who contributed to the advancement of the discipline by clarifying the concept of cost and defining Kostenrechnung (cost accounting) as a management support system. In the United States, H. Thomas Johnson and Robert S. Kaplan mark the beginning of the 20th century as the period of the methodological evolution of cost-accounting and find that all the elements of the field used in the practices of the 1980s had been known by 1925 (Johnson and Kaplan 1987).

At the beginning of the 20th century, cost-accounting applications can be found in both business and public organisations in the United States. As regards business organisations, the centralised and integrated measure system of the Du Pont de Nemours Powder Company established in 1904 is a frequently cited example of the mature cost-accounting practices of the beginning of the 20th century.

Among the public uses, the New York Bureau for Municipal Research (NYBMR) at the beginning of the 1900s is worth mentioning (Williams 2002). The office was established in 1907 as the successor of the Bureau of City Betterment founded some years before. As their names suggest, the main purpose of the bureau was to improve the governance of New York and moderate the extent of corruption and wasting. This required the application of the combination of techniques which were considered trailblazers in contemporary public administration: they collected financial and

accounting data for the evaluation of government performance, conducted output and result analysis, linked needs and finances directly during the budgeting process, supervised the targeted use of resources, calculated the costs and published this information in the forms of reports. The activity of NYBMR is regarded as an early, innovative example of performance management in the public sector since it integrated the achievements of novel fields of expertise (cost-accounting, scientific management and statistics) into an operable system.

Similarly to cost accounting, the American (management control) and German (controlling) approaches had a great impact on the development of management control appearing in the 1950s in corporate practices. Although there is a significant conceptual difference between the two approaches in terms of the relationship between control function and management, there is quite much consensus about the content and methodological components of the field. Management control in the Anglo-Saxon approach is part of the management, "the process during which managers influence the behaviour of the organisation members in order to realise the strategies of the organisation" (Anthony and Govindarajan 2009, p. 7). Thus, Anthony considers the planning and controlling activities, the core of management control to be a *managerial task*. This approach emphasises the realisation of long-term objectives and the most important managerial task related to it: inspiration. According to the German perspective, management control is a "controlling tool incorporating functions, the purpose of which is to harmonise planning, supervision and information provision" (Horváth&Partner 2000, 15). In this respect, the controller is a *supporter of the management*: they operate the planning and reporting system in technical terms as well as gather and provide information for the managers.

During the more than 40-year history of management control, it has gradually developed from an approach supporting operative functioning with business administration management tools into a system incorporating long-term strategic governance, relying on a multidimensional concept of performance expressed not only in terms of financial value. Nowadays, the tasks of management control systems

are the specification of the strategy, business- and operative-level planning, cost management[2], preparing reports and supporting managerial decision-making. The following figure displays the interrelations of these components of management control systems.
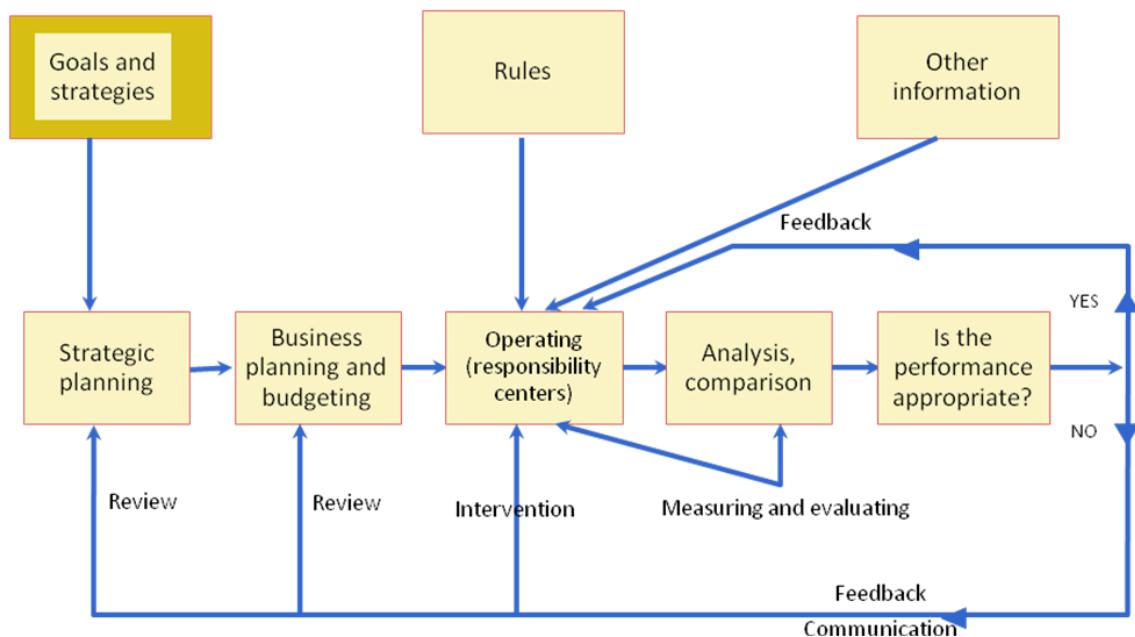
Figure 5: Elements of management control system

(based on Anthony & Govindarajan, 2009 and Bodnár, 2007)

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[2] The following activities may belong to cost management: outlining a suitable cost centre structure, the establishment and operation of the internal accounting system, performing cost calculations (e.g. cost prices calculation), break even analysis, gap analysis, etc.

Relationship with performance management

Cost-accounting using financial and accounting data is a measurement and analytic system which facilitated the development of the fields engaged in the measurement and evaluation of public sector performance, since here, too, one of the major sources of data is the financial system.

The development of management control resulted in increasingly more complex systems with continuously expanding tools and a role interpretation emphasising decentralised and performance-oriented management. Due to this development path, more authors have recommended to replace the term management control with performance management lately to refer to this scientific field. In David Otley's words: "Although the central issue in management control can be seen as remaining the same, that is in helping ensure that an organization achieves its purposes, the way it is expressed has changed as the context within which organizations operate has changed. This is reflected in some changes in terminology that have also occurred in the last decade, most notably the use of the term performance management to reflect the same issues and concerns." (Otley 2003, 316)

Viktória Bodnár reckons that although the terms management control and performance management do overlap in several aspects, they are not yet equivalent (Bodnár, 2005). In the thesis I identify with this interpretation. In my opinion – and the present chapter on the theoretical background is intended to support my standpoint – organisational-level performance management in the public sector does not only stand for the approach and tools of management control but it is also inspired by several other theories.

At the same time, it is important to emphasise that cost-accounting and management control identifiable as a further development of cost-accounting have been institutionalised predominantly in business organisations and even today, these

solutions are considered innovative in the public sector. One – though not exclusive – reason for this is to be found in the different accounting traditions.

The application of accounting systems in both the business and public sector is justified by the need to be able to capture the effects of the economic activities and financial transactions of the organisation. In the public sector a further important purpose of the application of accounting is that state budgeting and the changes of the general government balance can easily be captured while the use of state resources can be monitored and influenced. In the case of private enterprises the main purpose of making accounting statements is to determine the operational result for accounting towards the owners and the state (i.e. the result dividends and taxes are based on is their priority.) These diverse needs are responsible for the significant difference to be found between the settlements of the private (business) and public sectors in terms of accounting: while budgetary organisations use primarily cash-based accounting systems, enterprises have accural ones. The cash-based approach attributes the effects of the economic events to the period when the cash-flow related to the event occurs as opposed to accural accounting, which focuses on the economic content of the transaction and the time of its completion (Kiss & Révész, 2007).

Although cash-based accounting is disadvantageous for the application of numerous (primarily cost calculation) methods, it does not prevent the introduction of a significant amount of management control tools in public organisations. Moreover, in many cases, business models have been successfully adapted to be compatible with the public sector (one of the most well-known ones is Balanced Scorecard) and thanks to the international business consulting companies as well as infocommunication techniques, management control methods are spreading worldwide in the public sector.

Hungarian aspects

In Hungary, organisations operating as public institutions applied the regulations of budget accounting till 2014, which means a cash-based double book-keeping method with strict appropriation bonds. Such bond is, for instance, that the management of the institution is not allowed to raise personnel expenses at the cost of the current expenditure; namely, they cannot replace a subcontractor accounted for in material expenditure by hiring a new employee during the year (Szalai 2008).

The function of budget accounting – as it has already been pointed out – is rather to support budgeting and not the management decisions of organisations. The system focuses on the cash-flow of the budget year and this implies problems in terms of expense calculation: on the one hand, this form of settlement is unable to satisfy some information needs (e.g. this system shows the cost of resource-utilisation at the date of invoice settlement and not at the time of utilisation, which may enable manipulation) and on the other hand, a too short period of time is unfavourable for the long-term economical (e.g. investment) approach. From January 2014 a new regulation on budget accounting was introduced, the application of accrual accounting became compulsory in public institutions.

In Hungary, management control systems (or parts of those) appeared in larger organisations of the business sector in the 1990s. Even today, management control applications are still rare in the organisations of the public sector, which is partly related to the budget accounting system. This statement is not relevant to all sectors since while controlling tools are more and more well-known and popular in the health care sector, in others (e.g. education) this field is still little or not known.

In health care, management control applications are present predominantly in larger organisations (e.g. hospitals or clinics). The primary explanation to this phenomenon is the 1994 introduction of performance finance and the competition having evolved in the sector. Health care managers are becoming increasingly aware of the concept of management control. Articles and case studies related to it have been published continuously in the major journals of the sector (e.g. Egészségügyi Gazdasági Szemle,

Informatika és Menedzsment az Egészségügyben). Moreover, conferences on health care management control are held (e.g. the journal Informatika és Menedzsment az Egészségügyben (IT and Management in Health Care) have been organising the event "Controlling Conference" for nine years) and the topic has been incorporated in continuing training programmes for managers.

2.2.4. Quality management

Major features

Quality management is an approach coming from the business sector, where it originally meant the monitoring and regulation of production processes at large production companies (Topár 2005). The origins of quality management – like of other management approaches – have been traced back to Taylor's work, the appearance of management science; however, it was after the Second World War that the development of the field gained significant momentum. Quality management first became hugely popular in Japan, then the quality movement reached the United States and Western-Europe in the 1950s and 1960s, where it first appeared in the business sector and later in the public sector (Van Dooren, 2006). With the development of quality management, quality control was no more characteristic only of production processes and departments but also of all processes of corporal operation. Simultaneously, the name of the field was changing and the concept of quality became more complex as well.

One of the first interpretations of quality meant compliance with the regulations. This approach considers standard-based operation quality and fundamentally reflects a manufacturer's approach. The emergence of satisfying customer needs as a quality interpretation was a significant conceptual change. This approach made the application of quality management in the public sector truly possible, together with

the suitable adaptation of the concept of the customer, of course (e.g clients' or citizens' satisfaction). After some time, customer orientation incorporated not only external but the internal clients as well (Topár, 2005). On evaluating the quality of public services, the expectations of all stakeholder groups (e.g. politicians, experts, users) were taken into account. Based on a few aspects, the table below summarises the development of quality management models.

	Quality control	Quality regulation	QA - Quality Assurance	TQM – Total Quality Management
Typical period	After World War II	From the beginning of 1950's to the end of 1960's	From the end of 1960's to 1980's	From the 1980's till now
Quality definition	Conformance to technical specification (norms, standards); manufacturing approach	Fitness to purpose, usability; market approach	Determined by users, clients, costumers	Maximalizing costumers' satisfaction / Meeting expectations of key stakeholders
Applied methods	Standardization	Statistical control	Quality projects, building quality assurance systems	Continous improvement, mobilizing the whole organization
Organizational unit(s) responsible for quality	Quality control departments	Technical departments	All organizational units	All employees and managers

Table 4: Development of quality management in the business sector

(based on Topár, 2005 és Löffler, 2001 with the author's additions)

The developmental paths of management control and quality management show resemblance in several aspects. *Measurement* is an emphatic area of quality management as well. Apart from the indicators which are easy to measure

quantitatively, capture the main profile and are primarily non-financial (e.g. waste number, lead time) the application of information and qualitative indicators more difficult to express in numeric terms (e.g. the results of surveys on satisfaction) was introduced only in a later phase of the field's development.

Throughout its history, quality management – similarly to controlling – covered an increasingly expanding area of organisational (corporal) operation. By now, it has evolved into a comprehensive system incorporating the entire organisational operation and management cycle: it emphasises the establishment of managerial commitment to quality and focuses on a continuous development acknowledging ideas received from lower levels of the organisation.

The corresponding developmental paths resulted in the convergence of methods as well. Akin to recent management control models, the development of quality management systems represents a direction supporting management in a complex way and interpreting quality as a multidimensional concept. The most influential quality management approach today is Total Quality Management (TQM) originating from Japanese organisational practices, which – prioritising customer orientation – aspires to improve all processes, products and services of the company. To achieve this goal, it actively controls senior managers while authorising and involving employees (Sebestyén 2006).

In recent decades, several of the different quality control systems have infiltrated and spread in the public sector. We can see ISO applications (International Organization for Standardization, www.iso.org) as well as excellence models (e.g. EFQM – European Framework for Quality Management, www.efqm.org). This phenomenon is due to the stakeholder-oriented approach to quality as well as the effects of the New Public Management movement, since the design of high-quality services and a client-friendly operation were greatly emphasised in the reforms of various areas of the public sector.

In order to support the application of quality management techniques in public administration, in 1998 the member states of the European Union decided to create a system which could be a suitable tool of the quality-oriented future improvement of public organisations. Thus, in 2000 the Common Assessment Framework (CAF, www.eipa.eu/caf) was born, the content of which was designed by the EFQM (European Foundation for Quality Management), the Public Administration Academy (Akademie für Verwaltungswissenschaften) in Speyer, Germany and the European Institute of Public Administration (EIPA) within the framework of an international cooperation (Thijs & Staes, 2008). As opposed to the CAF model, its creators proposed four criteria. First of all, the familiarisation with and application of TQM principles in public administration institutions, with special attention to their specific features. This also means that the model was not created for public organisations in general; thus, in the case of a health care or educational organisation, further adaptation is necessary. Secondly, supporting organisational self-evaluation of public administration institutions with the purpose of exploring the current state of development and taking measures of improvement. Thirdly, simplifying comparative quality evaluations among (public organisations) (benchmarking and benchlearning). Finally, making a bridge between quality management models (CAF, 2006 version). A further aim of CAF is to facilitate the development of a quality- and customer-oriented as well as more flexible company culture within organisations performing self-evaluation.

Since the development of CAF was based on EFQM, their criteria, structures and logical arcs show striking similarities. On the one hand, CAF was tailored to suit the idiosyncrasies of public organisations and on the other hand, it was significantly simplified for faster and cheaper applicability. The application of CAF enables voluntary and relatively simple self-evaluation, with which a flexible interpretation of the content of its framework as well as its methodology is possible. Since the release of its first version, over two thousand administrative organisations in Europe have introduced CAF (EIPA 2009).

Relationship with performance management

The original focus of performance management used to be the measurement of the end product and the production process, then, with the evolution of the field and the appearance of TQM output- and result measurements were also incorporated in quality models. With the focus of quality management turning towards customers and the end result, an approximation to performance management started as well. In the previous point of the subchapter, on introducing the features of performance management I drew a parallel with the development of a significant conceptual theory of organisational-level performance management: controlling; however, similar statements can be made with regard to performance management interpreted in a broader sense and at multiple levels.

The analysis of the similarities and convergent development has appeared in articles on public management; moreover, certain authors are have been urging the conscious integration of quality- and performance management. (Andersen 2006; Aristigueta 2008; W. Van Dooren 2008). Despite conceptual similarities, there is usually little relationship between the applications of quality- and performance management; there may be several reasons for this, the elaboration of which is not the aim of this proposal. However, in some respects, this phenomenon is suboptimal. On the one hand, the communication costs of labelling similar concepts with different names in the discourse are high. Furthermore, at the organisational level the initiatives of quality- and performance management compete against each other: for the same resources and the attention of the same decision-makers (Van Dooren, 2008).

Similarly to the models originally designed for the business sectors, quality management applications are also receiving ceaseless criticism in the public sector. Even so, quality models seem to be popular among public service managers. Similar statements can be made with regard to the popularity of quality management as in connection with the spreading of management control: successful adaptations in the

public sector (see CAF) as well as international counselling companies also receive much attention here.

Hungarian aspects

In Hungary, quality management has gained considerable popularity in several sectors; moreover, in some cases it also received government support. Local governments and public education institutions are to be mentioned, where there are a large number of quality control applications:

- Both the ISO standards (e.g. ISO 9000) and excellence models – CAF in particular – are popular with local governments. There are hundreds of local governments in Hungary where one of these have been introduced (Borbásné Dr Bükki 2006). As regards CAF, the government, similarly to other EU member states, provided methodological and information technology support: since 2004, an online system has helped the self-evaluation process and the home secretary has established the national Quality Award in Public Administration, which is awarded to administrative organisations for the most outstanding achievements in quality improvement (Dudás 2006).

- In health care institutions, mainly in hospitals at the end of 1990's began the applications of ISO 9000 standards. In 2001 a specific standard for inpatient care was formulated (Hospital Care Standards). After that new standards were developed for other fields of health care (outpatient care, primary care. The ministry published an integrated health care standard in 2007. In 2009 71% of hospitals had an ISO or a health care standard certification (Takács 2014).

2.2.5. Performance budgeting: PPBS, MBO, ZBB, GPRA

Major features

Following the Second World War, several budgeting methods were worked out at federal levels in the United States which were aimed at the strengthening of the performance-oriented operation of the public sector. The comprehensive aim of the performance-budget initiatives was to renew the process of government budgeting in a way that government objectives would not be expressed exclusively in terms of the mere representation of costs but also in terms of the tasks to complete and the programmes to accomplish; namely, that a connection would be established between the resources and the goals to achieve.

The first steps towards performance budgets were made by Hoover's Committee at the beginning of the 1950s. Instead of a budgeting focusing on expenses, they recommended the centring of government functions, activities and results. The idea was that the institutions were supposed to define their own action programmes; they had to attribute a budget to them, marking the distinction between current and capital expenditure; and finally, they were also supposed to distribute their fixed costs among the programmes. These settlements were significant in budget negotiations; they had to be shown by the institutions to the competent Congressional committees. The drawback of the system and the main reason for its suspension was that the new system had not replaced the former one, only complemented the existing input-oriented line items. At the same time, due to the insufficiently designed and non-unified presentation system, the output control could not work either (GAO, 1997).

The so-called planning programming budgeting system (PPBS) appeared in the middle of the 1960s, the idea of which was that annual plans were interpreted as parts of a longer-term, five-year plan and an attempt was made to link the resources used and programmes with the accomplishment of the planning objectives. Its main aspiration was to clarify the relationship between objectives and programme output(s). The so-called Budgeting Bureau selected the (in theory) most efficient one from among the programmes with similar objectives. The operation of the system was considerably centralised and required the preparation of a large amount of documents; these two factors were criticised the most. Budget needs were supposed to be handed in to the

Budgeting Bureau, performance evaluation and comparison were performed by the Bureau, it selected the programmes to be financed and also determined the levels of their budgets. The Parliament voted for these filtered plans. The PPBS fulfilled the expectations predominantly in the national defence sector of several countries (the United Kingdom, France); it is still in use in the United States Department of Defence (Van Dooren, 2006).

At the beginning of the 1970s the Nixon administration tried out a performance-based system intending to give a bigger role for the institutional management, the system of Management by Objectives (MBO). This had a significantly less centralised operation than the PPBS. Result objectives were determined by the managers of the individual institutions and politics together. The institutional management was responsible for the method to achieve the objectives. Personal negotiations were introduced between the Budgeting Bureau and the managers instead of preparing long documents. 1973 was the only year when they tested this system. The institutions were supposed to define 10-15 presidential goals which were relevant to the President, measurable and could be implemented within a year without significant additional resources. Based on these, the institutions had to create action plans, in which they defined stepping stones on the way to accomplishing the objectives. The problem with MBO was that the objectives were difficult to measure and although it indeed minimised paper work between the institutions and the Budgeting Bureau, it meant an extra internal burden for the organisations.

At the end of the 1970s, the system of Zero Based Budgeting (ZBB) was introduced, which could be interpreted as a reaction to the traditional budgeting technique based on the previous year. Its aim is to look behind costs taken for granted before. The method requires the institutions to show what performance they could achieve if they were supposed to operate from fewer resources than before. The alternatives offered were completed with the possibility of termination. The so-called sunset-legislation was first applied with this system, the idea of which was that the life-expectancy of a certain programme was determined at the time of its adoption and when the "sunset"

was due, it was examined whether the extension of life-expectancy could be justified or, in accordance with the plans, the programme should be terminated. The basic component of budgeting was the so-called decision-making unit, which had to be determined by the institutions. Each decision-making unit had its own budget and their managers had significant freedom. The soul of the system was the ranking of alternative suggestions required with each decision-making unit. During the budgeting process, decision packages were created, in which the unit determined the alternative levels of funding and the performances assigned to them. Elements of this system were in operation in the United States for two decades.

In 1993 the Government Performance and Results Act or GPRA was ratified, which still provides the framework for the federal-level budgeting of the United States. "[T]he system of the GPRA does nothing else but imports several former tools that fulfilled expectations. Such tools are: planning in accordance with action programmes and the transformation of the political process among the suggestions of Hoover's Committee; multi-year plans from the PPBS; the demand for managerial autonomy from MBO; and finally, the more liberal definition of decision-making units and performance measures from ZBB. [...] Based on this, the important components of the system can be distributed in five categories" (Szalai, 2008):

1. Strategic planning. Federal-level institutions are supposed to create a five-year plan which includes the mission, long-term objectives, the action programme supporting these and the institutional programme structure. On the basis of this document, political decision-makers and the management of the institution determine the budget structure of the given organisation together.

2. Annual performance plans: it is created on the basis of the strategy, the institution is supposed to link its programmes with their objectives. The action programmes of the plan determine the budget structure; the actions outlined here are the individual lines of the budget.

3. Annual performance report: this is basically the end-of-the-year budget report, in which the reasons for the possible deviation from the plan have to be accounted for.

4. Managerial autonomy: with the cancellation of the input-oriented line item budget, managerial autonomy significantly increased. The individual programmes have a global budget, which means there is one sum of subsidy and within that the institutional management decides over the structure of expenses. Under a 5% threshold, managers are also allowed to redistribute the resources among the different programmes.

5. Scheduling of introduction: the introduction of the system occurred after years of preparation, i.e. following the adoption of the act, the real start was in 1998. During these five years the institutions had to create their programme structures, harmonise the objectives and measures as well as acquire the operation logic of the new system. The first strategic plans had to be sent to the Congress in 1997, the performance objectives had to be defined in 1999 and the first real reports about the then-time current performance were prepared in 2000 (Newcomer 2007).

All agencies at federal level in the United States use the performance-based budgeting method required by the GPRA while 70% of local and state-level governments use some form of the performance budget (Stokes Berry 2008). In the 80s and 90s, similar systems were introduced in primarily Anglo-Saxon countries such as Canada, Australia and New-Zealand (Halligan 2008).

Relationship with performance management

Although the various techniques of performance budgeting have been frequently criticised, it has undoubtedly had huge impact on the performance-oriented approach to public administration and its tools. One effect of the over-fifty-year-long history of

performance budgeting is that it greatly helped the improvement of the performance concept used in the public sector as well as the measurement methodology of the direct outputs and outcomes of government programmes. Moreover, this initiative was introduced in the budgeting practices of other countries relatively early, during the 1960s and 70s. The PPBS was the first performance-oriented reform initiative in the public sector which also became known and acknowledged on an international scale.

PPBS was also considered a trailblazer for being the first public sector application of great impact which had system-theoretical origins. The system theory approach attributed to Ludwig von Bertalanffy gained great popularity with several scientific fields in the 60s and 70s; thus, it became an important interpretational framework for administration science and organisation theory. With the widespread popularisation of the system theory approach, the PPBS had a significant effect on the evolution of performance management in the public sector (Van Dooren, 2008).

In the public sector of the United States, the expressions performance measurement and performance management, the professional thinking related to them as well as empirical research are in close connection with the history of performance budgeting presented above; they can be interpreted in this context (Perrin 1998). Today the majority of practical experts and researchers consider the GPRA system and the content of public sector performance management to be equivalent. This equivalence is understandable in the practices of the United States. The system defined within the framework of the GPRA incorporates more tasks than "merely" the planning of a performance-based budget. The following tasks have been accomplished in order to design the operation of the system:

- Federal agencies define their strategic and performance objectives and the strategies to achieve them;

- They identify measures (indicators) in order to capture the expected outputs and results of their programmes;

- They identify and design the data sources of indicators;

- They collect data systematically;

- They conduct analyses and prepare reports comprehensible for users;

- Performance information is used by the agency and programme managers in their decision-making.

Thus, the performance management system defined within the framework of the GPRA includes long-term and short-term planning, the design and operation of a measurement subsystem, preparation of reports and the support of managerial decision-making. These components are the key elements of management control as well. Accordingly, the system required by the GPRA may be regarded as the public-sector adaptation of management contol (see subchapter 2.2.3), with the necessary modifications, of course.

Hungarian aspects

In Hungary, budgeting is performed with traditional methods in budgetary organisations, i.e., input-oriented line item budget based on the previous year is prepared in budgetary institutions. Planning the budget, the departure point is the numbers of the previous year serving as the basis, their justification is hardly questioned during the planning process. Attention is focused on inputs (resources) and the operational (current costs) and the accumulation (investment) budget are separated while the personnel and material expenditure budgets are displayed as a priority appropriation within operation costs.

The methods of performance budget planning are not frequent in Hungarian administrative organisations. Despite the comprehensive reform of the public finance system having been on the agenda for long, it is yet to happen. It is often feared that, if emphasis is shifted from input planning to outputs (or even social effects) and

simultaneously the managerial autonomy of organisations increases, controlling authorisations might weaken irrevocably. In the light of international experience, this fear is exaggerated: "Compared to current practices, the legislation adopting the budget only gives up the authority to define in advance exactly what acquisitions and expenses should be covered by the resources. This decision is transferred into the authority of organisations. In return, however, the budget may implement a task- and performance-oriented funding and – through decentralised decisions – it can provide the organisations with greater flexibility and adaptability required by competition" (Szalai, 2008).

2.2.6. Evaluation of public policies and community programmes

Major features

According to Carol H. Weis's definition: "*policy evaluation is the methodical and scientific analysis of the operation and/or outcome of community programmes and professional policies as well as the comparison of the outcome with the articulated or non-articulated requirements in order for policy evaluation to contribute to the improvement and development of the analysed programme or professional policy*".(Weis 2005, 16)

The *object of evaluation* may be some national programme, local project or even one element of it. Apart from programmes, evaluation is applicable for professional policies; for instance, the question whether the possibility of a tax deduction encourages charitable donations among tax-payers can be examined. In such cases there is no programme, the evaluation concentrates rather on the effects of legislation.

The systematic analysis refers to the research nature of evaluation; that is, regardless of the fact whether the evaluator carries out the research with qualitative or quantitative methods, they must do it in the form and with the accuracy required of

social science research. Not only the effectiveness of the programme, but the efficiency of its operation can also be the object of analysis. An important feature of the definition is that the evaluator compares the results to a scale or expectation. The criterion serving as the basis for classification can be derived from the goals officially defined at the launching of the programme but it can also originate from financers, programme leaders or even the participants. Finally, a further significant component of the definition is the purpose of evaluation, i.e. the contribution to the development of a given programme of professional policy. Thus, programme evaluation is aimed at improving the programmes as well as at the allocation of resources to better programmes.

Evaluation is able to improve the programmes in numerous ways. Following the conclusion of the programme the so-called summary evaluation forms an ex post opinion on its effects and costs. By doing so, it helps answer the questions whether the programme is worth continuing and whether it has achieved the defined objectives or not. Supporting evaluation, on the other hand, facilitates the improvement of an ongoing programme and provides help primarily for the programme leaders. A third type of evaluation is the ex ante evaluation of programme plans preceding their implementation. In Christopher Pollitt's words, when the cook reads the recipe for the meal to be prepared, it is ex ante evaluation, when they taste the food during preparation, it is supporting evaluation and finally, when the customer tastes it, it is summary evaluation (Pollitt 2003).

Based on these, the evaluation of community programmes and public policies is related to the *policy cycle* (its components are: the emergence of a problem requiring community solution – definition of the problem – identifying alternative solutions – evaluation of options – selecting an option – implementation – evaluation); therefore, it can be associated with *meso-* and *macro-level*, that is, *regional or sectoral* questions. The information produced by organisational or sectoral performance measurements is a significant input for programme evaluation.

The history of the evaluation of public policies and community programmes matching the definition above started in the fields of education and health care in the United States in the first half of the 20th century. In the beginning, experts performed systematic evaluations about the effectiveness of their work; for instance, in 1914 a surgeon, Ernest Codman M.D. assessed the surgical performance by the condition of patients having undergone surgery. From the 40s, private foundations started to finance the evaluation of programmes supported by them. As regards the development of evaluation, a breakthrough was an initiative of the US Federal Government to launch a set of programmes against poverty during which they required evaluation (e.g. the education of underprivileged children, job search trainings, meal vouchers, the establishment of centres providing complex social care, etc.). By the end of the 1970s, evaluation had become an everyday practice in federal offices of the US, almost all agencies had their own evaluation department. Numerous social experiments were launched during this period in order to test the new programmes and professional policies before their official introduction. In the 60s and 70s evaluation improved significantly in methodological terms; for instance, qualitative research methods in the evaluation of community programmes and public policies were legitimised following a long professional debate.

The momentum of the improvement of evaluation came to a halt with the inauguration of the Reagan government in 1981; the main reason for this was that they curbed the launching of new social programmes. Evaluation continued in considerably more moderate circumstances, predominantly from the resources of the operating organisations. At the beginning of the 90s, certain fields of evaluation started to be financed from federal resources again. A new tendency has been the preparation of evaluation reports about local community programmes at state and local (city or town) levels in the US since the 90s (Weis, 2005).

The establishment of the American Evaluation Association (AEA, www.eval.org) in 1986 was a significant step in the institutionalisation of evaluation as a profession. Similar associations have been established in other countries and continents, which

means the internationalisation of this discipline. In Europe, the European Evaluation Society (EES, www.europeanevaluation.org) was created in 1994.

The evaluation of community programmes and public policies became popular and a widespread practice in West-European countries at the beginning of the 90s. The British practice of "evidence-based policy" as well as the evaluation of programmes (co-)financed by the EU (http://ec.europa.eu/dgs/secretariat_general/evaluation) can be considered to be the frontrunners (Pollitt, 2003).

Relationship with performance management

There is a theoretical-conceptual relationship between the evaluation of community programmes and performance management: both fields strongly rely on system theory and their fundamental purpose is to improve the performance of public sector organisations and programmes. This statement is also true in practical terms for the United States; the two fields develop reflecting on each other. As I outlined in the previous chapter, 2.2.5, public sector performance management in the US practically incorporates the system defined within the framework of the GPRA; in addition, the institutionalisation of programme evaluation as a profession has also meant that federal agencies frequently hire evaluation experts as full-time employees. Since the second half of the 90s, evaluators have actively participated in the design of the performance management systems of federal agencies. The relative positioning of the two fields as well as the theoretical clarification of their relationship took place during this period.

A good example for this is the debate taking place in the American Journal of Evaluation at the end of the 1990s, which was precipitated by Burt Perrin's article entitled "Effective use and misuse of performance measurement" (Perrin, 1998, Winston, 1999, Bernstein, 1999, Perrin, 1999), and in which important statements concerning the role and responsibilities of evaluators were made with respect to the

design of performance management systems. The conclusion was drawn that the evaluation profession was able to effectively support the institutionalisation of performance management in administrative organisations. In Scheirer and Newcomer's words: "Performance measurement provides the central core of routinely-collected data about program operations and outcomes. Additional program evaluation studies provide complementary evidence and logical frameworks for increasing the depth of knowledge for interpretation of the performance data." (Scheirer & Newcomer, 2001).

Hungarian aspects

"Evaluation, an independent profession, which does not exist in Hungary." The foreword of Carol H. Weis's book "Evaluation" published in Hungarian in 2005 addressed to Hungarian readers begins with this statement (Weis, 2005, p.9). The phrasing is exaggerated, although it describes the Hungarian conditions quite accurately. In Hungary, the launching of government programmes does not require the phase and costs of evaluation to be included in project plans. The majority of decisions made about the termination, modification or continuation of various professional policies is not based on independent and systematic evaluation results. From 2011 a ministerial decree prescribes complex ex-ante and ex-post impact assessment in the case draft regulation but this decree does not apply in max cases (Decree No. 24/2011 (VIII.9.) of the Minister of Public Administration and Justice on ex-ante and ex-post impact assessment).

One sector is the exception, in which the evaluation of public policy programmes is everyday practice: in case of the development programmes co-financed by the EU, the financer requires evaluation and provides methodological support as well. The National Development Agency (NDA), the organisation responsible for the effective use of EU aids defines programme evaluation the following way: "The aim of state policies, and development policies within those, is to contribute to the more efficient

organisation of state actions, the more efficient use of state resources and to provide a more transparent state operation" (www.palyazat.gov.hu/ertekeles). The evaluations of the 2004–2006 operative programmes of the National Development Plan are accessible on the NDA website as well as the information on ex ante, supporting and ex post programme evaluations of the current period.

2.2.7. Summarising statements

My aim with the above overview of the temporal evolution and spread of the theories and movements considered to be the theoretical antecedents of performance management is to explore the potential theoretical contributions which have had a great impact on performance management in public administration. The table below summarises the foci of the individual theories, i.e. the targeted level of performance analysis as well as the major links to the field of performance management.

Theories / movements	Focus - level of analysis	Relationship with performance management in public administration
Administration Science and the classical school of Management Science	Organization, organizational unit	• Rationalization • Efficiency as organizational goal • Measuring organisational tasks and processes
Performance appraisal as a part of HRM	Individuals, groups	• Joining individual and organizational goals • Motivation, incentives
Management control	Organization, organizational unit	• Measuring and evaluating tasks, processes and units based on financial data • Logic of management cycle: planning –measuring – reporting and feedback • Planning and analysing methods at organizational level
Quality management	Organization, organizational unit	• Measuring tasks, processes • Defining and measuring quality
Performance budgeting	Macro and organizational level	• Defining and operationalizing public performance • Planning and measuring outputs and outcomes
Policy evaluation	Meso-level	• Program theory • Qualitative analysis methods • Analysing short term and long term outcomes

Table 4: Summary of theories of performance management in the public sector

It is true for all the theories featured in the summary that since their emergence, their tools have been significantly enriched in methodological terms; furthermore, their narrower initial foci have broadened. For instance, during its evolution, quality management developed from being the quality control of production processes to a system incorporating the entirety of the organisation.

In the development of the theories initially isolated, a certain methodological convergence can be observed, to which both practical and theoretical experts have been increasingly reflective. The aspiration for integration, the comparison and harmonisation of different "vocabularies" and perspectives appeared. A good example of this is the approximation of quality management and management control or that of programme evaluation and performance budgeting. Performance management is an umbrella term for these theories and movements under and in relation to which each of them may find their place and which – in the long run – may be able to fulfil the integrating role. Some popular methodologies can help integration as well; for instance, the Balanced Scorecard model is "embraced" by both management control and quality management.

The question is whether the convergence of theories and methodologies is indeed the sign of integration. We are at the beginning of this process, the recognition of its necessity and many times the intention of integration is not tangible since there are counter-forces as well. For instance, various significantly different competitive counselling industries have been built on quality management, management control and performance appraisal, and these market operators give priority to the distinction between them over the aspiration for methodological integration.

The fact that the theories and movements overviewed above have been globally expanding in the public sector might help integration in the long run. This results from the emblematic figures of certain fields (e.g. Taylor, Deming, Kaplan, Osborne), international organisations (e.g. OECD Public Management Group – PUMA) and

publications which became bestsellers (such as Osborne-Gaebler: Reinventing Government). (Van Dooren, 2006)

It is important to point out that with respect to the theories and movements associated with performance management, there has been considerable professionalization (e.g. emergence of professional associations) as well as institutionalisation. The latter may mean representation as an organisational function (e.g. the establishment of controlling departments or quality control groups in administrative organisations or I mentioned before that in the United States, federal-level government organisations frequently hire programme evaluators as full-time employees), or legislative regulations for the application of certain tools (e.g. GPRA).

The theoretical-historical overview enables the revision and clarification of some public opinions and beliefs. The philosophy and tools of performance management are often regarded as exclusively of business origin. In this proposal, examples have been mentioned to prove that significant innovations regarding performance management originate from the public sector as well (e.g. performance budgeting, programme evaluation).

Another public belief is that these theories and tools originate from the Anglo-Saxon countries. It has been pointed out that other parts of the world also contribute significantly to the development of performance management, e.g. the German traditions of controlling are considerable while quality management has Japanese and European roots. However, the dominance and catalytic role of the Anglo-Saxon world (and within that, the United Sates in particular) are unquestionable.

2.3. Possible content components of performance management in Hungarian public administration

The performance management concept discussed in detail in 2.1 distinguishes between the level of public policy and that of management. Hereinafter I am going to concentrate on the management cycle; that is, I will discuss the concept, characteristics and tools of organisational-level performance management. When outlining the concept, I rely on the theoretical connections and contributions reviewed in chapter 2.2.

So far it has been shown that in public administration (the public sector) performance and performance management are complex concepts that are often difficult to operationalise. Therefore, it is important to outline the concepts of the possible content components and interrelations which might be found in Hungarian administrative organisations. By this I do not intend to design a normative model but to list the components which embody and support performance orientation in the central organisations of Hungarian public administration. Various constellations and patterns of these components are possible. Several subcomponents might appear as an integral and comprehensive performance management system; however, it is more probable that even if certain elements of performance management appear in the practices of the organisations in question, these are rather isolated innovative solutions and do not apply to the overall management cycle.

Based on the previous two subchapters, organisational level performance management in its "mature form" is a system supporting and coordinating the management cycle, i.e. the cyclically repeated planning-measurement-feedback actions, providing the most important of those concerned with relevant information and attempting to improve efficiency, effectiveness and quality at every level of the organisation. It does not appear as an independent subsystem within the organisation

but it can be interpreted as a process resulting from the cooperation of several functional areas and among which direct and strong relationships can be established: the planning system defining the objectives, the finance and accounting system, controlling, quality affairs, the human resources management system as well the information system producing information (may) belong here. Its major functions may be:

- to support managerial decisions with relevant information,
- to support strategic planning,
- to communicate objectives and requirements within the organisation,
- medium-term and operative planning,
- to design and operate measurement systems (expense and performance calculation),
- analysis and feedback on the achievement of objectives, and
- to design the motivation system aimed at the improvement of performance.

In public administration, the managers who are key in decision-making may not only be the managers of the given organisation but also the managers of the superior organisation responsible for the decisions concerning the given organisation as well as politicians with regional responsibilities. Therefore, apart from the support of internal decisions, that of external decisions may have an emphatic role in the public sector.

The strategic level of the performance management system helps specify the long-term strategic objectives usually defined in generic terms as well as communicate them within the entire organisation. From a theoretical point of view, the relationship between the strategic and operative levels is established by the preparation of medium-term tactical plans derived from the strategic objectives. In Hungary the institutional budget provides the framework for the annual operation of the budgetary institutions under the scope of the Public Finance Act. According to the applicable regulation, institutional budget planning does not depart from the strategic or medium-term objectives but is constituted characteristically on the basis of the

previous year (with a few or more modifications of the budget numbers of the previous year).

The annual plan provides the basis for everyday operation and it is further broken down into the levels of the individual organisational units, projects, programmes (frames) and even organisation members (e.g. MBO agreements). The interim changes of the accomplishment of the operative plan may be monitored by the performance measurement system (e.g. with appropriate expense calculation), which in turn – within the framework of performance evaluation (interim monitoring) – is interpreted by the conduct of various analyses for decision-makers. The feed-back on the operative cycle provides information primarily on the interim use of resources and makes suggestions as to the necessary interventions. The role of feed-back within the strategic cycle is predominantly to help monitoring the achievement of strategic objectives, draw attention to the unforeseeable changes in time and the design of potential propositions for the changes of the plan.

A possible representation of the performance management process interpreted within administrative organisations is displayed in the figure below.
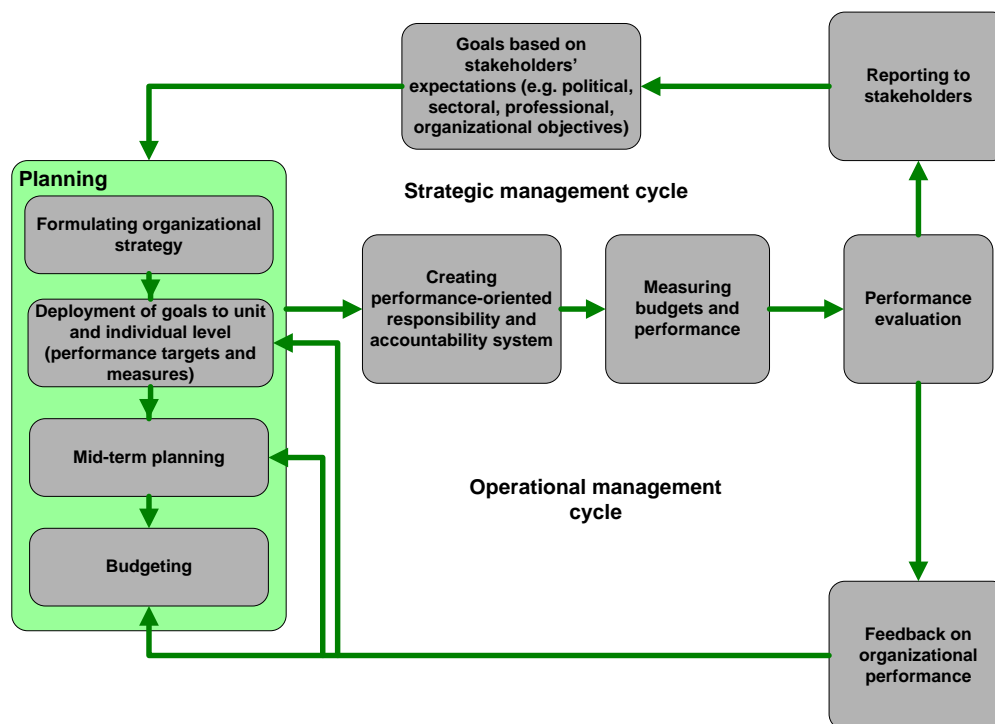
Figure 6: Performance management system at organizational level

Departing from the components of the strategic and operative management cycles (goal-setting and planning, measuring, feed-back–evaluation) a shift towards performance orientation within Hungarian public organisations is possible in the case of the following activities. Apart from one or two exceptions, the agency-type organisations of public administration analysed in the research are all parts of the public finance system. Numerous legislations (laws, government decrees, sectoral provisions) apply to the operation and management of these organisations.

2.3.1. Goal-setting and planning

Starting point

The planning of the annual budget embodies the planning activity of the budgetary institutions of central administration. The essential institutional budget is constituted

on the basis of the previous year, i.e. departing from the numbers of the previous budget year and the expenses of the next calendar year are planned with respect to different types of costs (personnel expenses, material expenses, etc.). Thus, the planning is input-oriented and next year's budget is calculated on the basis of past activities while it usually does not question the basis. The planning is mechanical and instead of the entire organisation, only the management area participates in it.

This budgeting logic is suitable for national and sectoral framework planning; however, its organisational application (reverse planning) means that the specificities and expected quality of the tasks to accomplish are hardly if at all taken into account. This results, for instance, in that the need for the extension of the fiscal framework is difficult to justify. The lack of distinct goal-setting hinders feed-back and evaluation.

Shift towards performance-oriented planning

In the chapter on the theories of performance budgeting I introduced solutions which offer an alternative to traditional input-oriented line item budgeting. A part of those is applicable at the organisational level even if macro-economical budgeting takes places in the traditional (line item and input-oriented) way. Some examples of these tools include but are not limited to the following:

- instead of the previous year, the starting point being the overview of tasks to accomplish and the measurement of their financing needs;

- the definition of performance objectives at the levels of programmes and organisational units as well as attributing indicators to these;

- multi-year (business) planning, strategic planning

Performance-oriented planning requires profound methodological-professional expertise and implies several difficulties. The works discussing the selection of unsuitable goals and indicators as well the dangers of manipulation constitute a large

segment of the literature on performance management in the public sector (such as de Bruijn, 2002, Van Dooren, 2006).

2.3.2. Measuring

Starting point

The continuous monitoring of operation as well as the measuring of performance follow planning in the management cycle. In public finance organisations the requirements of budgetary accounting are to be followed when recording economic transactions. The structure of budget accounting is much more determined by the need for budget planning than by the support of the management decisions of individual organisations. This situation changed in 2014, because a new regulation on budget accounting was introduced, the application of accrual accounting became compulsory in public institutions.

Hungarian budget accounting meant a so-called modified cash-based double-entry accounting till 2014. From the cash-based perspective, "transactions appear in the accounts simultaneously with the cash flow, i.e payments and incomes are recorded. Business organisations apply a so-called accrual accounting, where "the goal is to account the costs and expenditures of activities and which acknowledges the transactions that are the debits of the given period, regardless of the cash-flow. The financially non-settled items appear in the books in the form of liabilities and obligations. The purchase price of real estates and tangible assets is not accounted for during the purchase period, but is calculated into the balance in the order of the depreciation rate" (Antal, 2005, 37.o.).

The cash-based accounting practices imply numerous problems, the main reason for which is that "the system focuses on the *cash-flows of the budgetary year*. Some of the arising problems are related to the fact that certain information needs cannot be satisfied due to the way of accounting while the others are in connection with the fact

that the accounting system – with respect to long-term economy – unfavourably influences the decision-makers" (Kiss & Révész, 2007, 116.o.). The limits of cash-based accounting referred to most frequently are (Antal 2005; N. Kiss and Révész 2007):

- It handles programmes expanding to several periods and years with difficulty since invoices have to be closed at the end of the calendar year.

- It displays the costs of resources not at the time of use but that of its acquisition (more accurately, at the time of invoice settlement). In case of service provision, the information enters the system not at the time of its physical provision but at that of the financial settlement of the invoice. These result in imperfect information for management decisions.

- Budget accounting takes depreciation into account only very limitedly. Its amount is not accounted for among the costs of provided services; therefore, the calculated cost data only include operational expenses. The inappropriate handling of depreciation means that managers are not confronted with the pecuniary consequences of their decisions.

- It does not support investment decisions properly since it might result in the choice of the economically less favourable alternative due to the fact that decision-makers do not base their decisions on all the arising operation costs but on the goal that the investment should impose the least possible costs on them at present.

Thus, altogether, it does not satisfy the information needs of either political or local business managers while it contains plenty of unnecessary and unreliable data. It is not a problem strictly associated with the accounting system but the definition of performance requirements is unresolved and performance measurement based on finance and accounting data (the use and analysis of financial indicators) has no traditions in Hungarian budget planning organisations.

Shift towards performance-oriented measuring

To eliminate the problems mentioned above, numerous countries all over the world switched to the application of accrual accounting within administrative organisations as well. The trailblazers in this respect were New-Zealand and Australia, for instance; however, several OECD member states (e.g. Sweden, Canada or the United Kingdom) have already introduced a result-oriented budget accounting system. This change began in 2014 in Hungary as well.

The project planning, measuring and evaluating methods set by EU as co-funder could support using indicators in public institutions.

2.3.3. Evaluation and feedback

Starting point

In the previous subchapter I already mentioned that the analysis and feed-back based on accounting data supporting decision-making are infrequent in Hungarian public organisations. However, budgetary organisations are supposed to provide other institutions (superior organisations, the Central Statistical Office (KSH), The Tax and Financial Control Administration (APEH), the State Treasury, etc.) with frequent and various data. In Zsuzsa Kassó's phrasing: "The remarkable colourfulness, overlaps and deficiencies which in practice arise [in relation to reporting obligations] are almost impossible to show. However, management should take into account that the institutional system invests a considerably large amount of money and energy in preparing reports and accounting data and indeed, plenty of information is produced. The content and form of these, however, do not support decisions; it is very difficult to find data in this pile produced with a lot of effort which is really useable for the management." (Kassó 2006, 83)

Shift towards performance-oriented evaluation and feedback

The main goal of reporting with respect to performance management is to call the decision-makers' attention to the deviations from the plans, to contribute to the exploration of the reasons as well as provide an opportunity for intervention. Reporting may be related to performance appraisal as well, it serves as the basis for the assessment of managerial performances. Thus, reporting does not merely mean the preparation of financial and accounting statements but it is also an important tool of managerial decision-making support.

The performance reports produced for external participants (politicians, citizens, superior organisations) have a particularly significant role in administrative organisations; they can be the means of enforcing transparency and accountability. Apart from input data, performance-oriented reports also contain data about other dimensions of performance in a clear-cut format.

2.3.4. Further aspects for assessment of public performance management

Apart from the content components, the extent of the institutionalisation, integration and elaboration of performance management elements to be analysed in the planned research may also offer interesting conclusions.

By *institutionalisation*, I mean whether there is an organisational unit or job within the organisation in which duties related to performance management are also present among the tasks. E.g. controlling, quality department, etc.

The analysis of *integration* refers to the fact whether the elements embodying performance-oriented organisational operation discussed in chapters 2.3.1 – 2.3.3 are connected to each other or not. For instance, is the analysis of possibly defined performance requirements represented in the reports? The extent of integration can

be examined among the partial organisational systems covering the functions mentioned above (accounting, quality, IT) as well as among the individual levels of the organisation (organisation-organisational unit-individual).

Elaboration stands for the professional foundedness of the applied performance management components, i.e. the analysis of what characterises the designed performance management elements and tools in technical-methodological terms.

3. Drives of performance management applications in public administration

In addition to the exploration of the possible content components of administrative performance management, the dissertation also examines the question *what factors and mechanisms (drives) can be associated with the design and introduction of performance management applications*. The literature have identified numerous possible drives in relation to this question, although research results are many times not sufficiently convincing with respect to their explanatory power (Van Helden *et al.*, 2007, Van Dooren *et al.*, 2007).

Researchers approach the question from predominantly two theoretical perspectives. On the one hand, they try to identify the factors which might facilitate or prevent the application of performance management tools in the organisation of public administration / the public sector on the basis of *contingency theory* (Kieser, 1995a). On the other hand, the *institutional*, and within that the *macro-institutional theoretical framework* (Walgenbach, 2008) has enhanced the analysis of the relationship between the internal changes of the organisation and the context.

Furthermore, the literature of "policy transfer" having emerged within the fields of political science and international studies is to be mentioned. The term represents a process describing the spread of patterns originating from other political systems (e.g. public policies, programmes, tools) (see the comprehensive study of Dolowitz & Marsch, 2000). The macro-institutional analytical framework fits the understanding and analysis of the process of policy transfer well (Radaelli, 2000).

In this chapter, I am going to introduce the dominant approaches and questions of the area to be analysed. Then, on the basis of the literature I am giving an overview of the possible factors and mechanisms which might be related to the design and implementation of performance management tools.

3.1. The dominant analytical frameworks of the research question and main drives of performance management applications

Numerous researches have been conducted in recent years in order to explore the performance of public organisations and the factors affecting it; these are excellently summarised on the one hand in George A. Boyne's article from 2003, and on the other hand, in the 2007 OECD study by Wouter Van Dooren, Zsuzsanna Lonti, Miekaterien Sterck and Geert Bouckaert (Boyne 2003; W. Van Dooren et al. 2007). The researches exploring the relationship between performance improvement and the factors influencing it are primarily – although not exclusively – based on the contingency theory approach and concentrate on the statistical correlations between some measured dimensions (e.g. output, outcome, efficiency) of certain situational factors as independent variables and performance as a dependent variable.

While a large number of publications have been released on the *analysis of the factors related to and explaining the performance improvement* of public sector organisations, a significantly smaller number of research has addressed the exploration of *factors and mechanisms related to the application (design and implementation) of performance management tools* in public administration / the public sector. The number of revealed evidence is few and the research results often contradict one another. This phenomenon is due to the fact that factors-mechanisms of similar names are operationalised in different ways and measured with different methods.

In the dissertation I am going to focus on the exploration of factors and mechanisms influencing the design and implementation of performance management tools. Analysing the question researchers find that the design and implementation of performance management tools are connected to factors and mechanisms internal as

well as external to the organisation (Ashworth, Boyne, and Delbridge 2007; Cavalluzzo and Ittner 2004; Julnes and Holzer 2001; Wouter Van Dooren 2005). Some researches do not identify the theoretical framework of the analysis explicitly; however, the questions raised as well as the ways of explanation-interpretation reveal the theoretical framework. With the analysis of the effects of situational factors internal and external to the organisation, contingency theory can be considered dominant. In recent years an increasing number of publications using the institutional (and within that, the macro-institutional) interpretation of the organisation and its context has been released (Ashworth, Boyne, and Delbridge 2007; Brignall and Modell 2000).

Below I present those factors and mechanisms in detail that are related to the design and implementation of performance management tools in the public sector. The following table summarizes the results of three researches. Each research distinguished several phases in the application of performance management tools. The sectioning defines five elements based on the life cycle-model of Van Helden-Johnsen-Vakkuri (presented in the introduction part of the thesis). In fact, each of these researches analyzed here - albeit with different designation -, focus on the first (design) and third (use) phase of this life cycle-model and examine in the case of both the factors that affect them.

In the following table - in accordance with the focus of the intended research - only those factors are presented that affect the design phase. An article of Patria De Lancer Julnes and Marc Holzer published in 2001 was based on the analysis of a survey of 1997, for which data was retrieved in the United States at local, national and federal government agencies by interviewing their staff (de Lancer Julnes & Holzer, 2001). The authors distinguished between technical-rational factors and the political-cultural factors in relation to performance management tools.

Their hypothesis was that in the design phase technical-rational factors are of major influence, while political-cultural factors play a greater role during use. This fact, in the light of the results, was confirmed, although the authors considered the external,

legislation-based expectation to establish performance measurement as one of the technical-rational factors; that, however, from a macro-institutionalist point of view, can be rather interpreted as one of the mechanisms of normative pressure. This, of course, does not mean that it would not have an ameliorative impact on performance in a technical sense as well.

Ken S. Cavaluzzo and Christopher D. Ittner analyzed the results of a survey of organizations of the federal government, made similarly in the USA in the year 1997 (Cavalluzo & Ittner, 2004). Among the the factors they have identified shown in the table below, only one needs further explanation, namely the "decision making authority". In the study, this factor meant whether the managers interviewed had the authority to make decisions based on the performance measurement.

Van Dooren carried out research in public organizations in Belgium between 2000-2005 (Van Dooren, 2005). While in the above two researches the results were obtained based on multivariate statistical analysis of the questionnaires, Van Dooren used, in addition, some different methods, too; such as content analysis, semi-structured and unstructured interviews. Although he examined the effect of several factors also analyzed in the other two researches, he got to significant results in the case of only two factors: the measurability of the organizational output and the organizational size influenced the design of performance management systems: the more easily quantifiable organizational output and the greater organizational size influenced the design of performance management tools positively.

Contextual factors	Cavaluzzo & Ittner	Van Dooren	De Lancer Julnes & Holzer
Existence of external compulsory performance requirements (e.g. performance indicators)	Not significant		Significant
Availability of resources		Not significant	Significant
Role of trainings	Significant		Significant
Management commitment	Significant		
Decision making authority	Significant	Not significant	
Goal or mission orientation		Not significant	Significant
Ability to identify and interpret performance indicators – measurability of performance	Significant	Significant	
Internal interest groups			Significant
Size of organization		Significant	

Table 5: Main factors related to designing performance management in public administration

(based on Van Helden et al., 2007, de Lancer Julnes & Holzer, 2001, Cavalluzo & Ittner, 2004, és Van Dooren, 2005)

By examining the table, it is conspicuous that although the same factor occurs in several studies, but its relation with the design of the performance management tools is considered distinctly. There are two exceptions to this rule: the importance of the *role of training* and the *ability to identify and interpret the performance indicators*, that is, the importance of measurability of the performance is clearly confirmed in each research.

The reason for conflicting results have already been mentioned: the research presented operationalized, measured, analyzed by different statistical methods the above factors differently; in addition the design of performance management, which was considered as the dependent variable, was differently defined in the researches.

The *policy transfer* literature describes that international institutions play a major role in the spread beyond the borders of tools such as performance management. The EU institutions can catalyse the mechanisms of isomorphism.

A growing number of research deals with the important role of management played in the success of performance management in public organizations (Boyne 2003; Moynihan and Pandey 2005; Nelissen, Denhardt, and Lako 2000). Most of these examine the relationship between an improvement in performance (as dependent variable) and one of the factors of management (as independent variable). George A. Boyne in an article published in 2003, in the one that has already been referred to, defined management as a collection of the following factors:

- management style (which management style is likely to improve performance?),

- organizational culture (which organizational culture type is furthering performance?),

- human resources management (the role of „hard" and „soft" tools),

- strategy formulation process (the relationship of rational versus incremental strategy development and performance),

- strategic content (content analysis of goals and actions according to their impact on performance).

Nelissen et al. (Nelissen et al., 2000) studied Dutch public sector executives and their attitude towards change. This analysis is interesting in terms of the proposed research, because the design and implementation of performance management tools can also be interpreted as a process of change. For the examination of the attitude toward change, the authors analyzed the demographic characteristics (age, sex, education), personal characteristics (leadership style, loyalty to the organization), job-related characteristics (job satisfaction, opinion on employees), their perceptions on future social and cultural changes (their openness to development). The researchers found

that the top managers attitude towards change is in relation to some of their demographic attributes: age and education. Middle-aged top managers (45-55 years) were more open towards change than either their younger or older counterparts; and graduates were more open compared to their peers who had no degree. But these were not the most important factors in the aspect of change-oriented attitude and behavior: job satisfaction, the cognition of future social development, and personal attributes had more explanatory power in the attitude towards change.

These few examples show that although researchers agree that the management does matter in terms of public sector organizations' performance, but there is rather a chaos in literature concerning leadership's definition, relevant elements and concepts that are really associated with the improvement in performance. The comparability of the results is made difficult by the fact that each research operationalizes the seemingly close terms differently.

The reviewed studies rely on multi-variable statistical analysis based on data collected in typically large-scale questionnaire-based, often self-reporting surveys. Some of the studied factors in these researches are often very simplified, and sometimes presented in questionable ways. For example, the organization's flexibility and autonomy is measured by the legal form of the organization; or the sufficiency of resources means the number of employees (Meyers *et al.*, 2006). The relationships they want to explore this way result a very simplistic understanding of the complex mechanisms, which causes a major shortcoming.

3.2.   The examined drivers in the research

The contradictions in the research results concerning the research question indicate that, firstly, it is a „bumpy" field of study, and, secondly, they promise exciting and innovative research results. One of the biggest scarcities of the reviewed researches is that the operationalized complex concepts do not seem to be adequate because of

the deficient elaboration of the methodology used, and the factors analyzed in the theoretical background; and so complex processes remain unexamined.

These shortcomings are also presented in one of the critiques of the contingency-based research, which study describes that although it is looking for and actually is finding correlations between situative factors and several features of organizational structure, it is not giving an explanation on the process of adaptation (Kieser, 1995a).

The above surveys and their results, despite all of their hiatus, give clues which factors and mechanisms should be examined in the planned research. The following table summarizes the potential factors and mechanisms, which presumably are related to the use of performance management tools.

Examined factors	Short interpretation
Public interest towards the organization	Due to budget size or handling of socially sensitive field
Expectations of superior organizations	It could be public administration as well as political organizations
International organizations and pattern	International centres of policy transfer (European Commission, OECD), or partner organizations in the world (e.g. tax authorities worldwide)
Role of management consultants	Methodological experts of performance management tools and models
Access to external resources	External resources supporting performance management
Measurability of organizational activities	Easy / difficult identification of performance measures
Training	Professional and methodological knowledge transfer
Commitment of top management	Support and expectations towards performance management
Goal orientation	Focus on results, long-term strategies
Available internal resources	Assigning of financial, human and ICT resources to performance management

Table 6: Factors and mechanism related to formulating performance management tools

According to the literature, the factors in the above tables are probably related to the development and introduction of performance management tools. Two factors may require some more detailed explanation: the external factors include the public interest towards the organization (see for example Moynihan & Pandey, 2005), this has a number of reasons. On the one hand, a public administration organization can dispose over a large budget, and that fact alone already can be significant to the public; on the other hand, administrative organizations operating in socially sensitive areas (eg. healthcare) might also be in the enter of attention.

Some studies categories resources as external, some as internal factors. This can either mean the cumbersome use of the external-internal dichotomy and its questionability, or may also refer to definitional discrepancies. I deal with organizational resources both as internal and as external factors, because on the one hand it is about assigning organizational resources, and on the other hand it is possible to relate to it as an external factor, the question in this latter case is whether such obtainable resources (eg grants) exist that support the development of performance management tools.

4. Agency-type organizations in the Hungarian public administration

In the previous chapters I have distinguished business sector and public sector, but different parts of public sphere were not handled, although in my proposal the focus is public administration organisations. In this chapter I describe the main characteristics of the examined organisations, agencies, and I try to answer the question why this type of organisations is interesting from the viewpoint of researching performance management.

The structure of chapter follows the next logic: based on international literature first I characterise the relatively autonomous governmental organisations, which have been the focus of international researches in the past decades. Then the research objects, the Hungarian agency-type public organisations will be characterised.

4.1. Agency-type organizations in public administration based on international literature

One of the key features of New Public Management movement is the so-called „agencification" phenomenon, analysed by numerous researches and publications (OECD 2002; C. Pollitt and Talbot 2004; Verhoest 2005; Verhoest et al. 2012; Wettenhall 2005). This means formulating "organizations that 'operate at arm's length of the government to carry out public tasks, implement policies, regulate markets and policy sectors, or deliver public services. They are structurally disaggregated from their parent ministries, are said to face less hierarchical and political influences on their daily operation and have more managerial freedom in terms of finances and personnel, compared to ordinary ministries or departments" (Verhoest et al. 2012, p.3). Agency-type organizations exist in large numbers in countries which are not considered to be the forerunners of NPM, and therefore their establishment is not clearly linked to the principles of NPM – this is the case in Hungary as well (Hajnal, 2010).

In fact, there is no generally accepted definition in the international literature, and even terms can be quite diverse. They are called agencies, quasi-autonomous or semi-autonomous organizations, non-departmental public bodies, quangos, arms-length organizations etc. The diversity of definitions and terms is rooted in the heterogeneity of the examined organizations: from country to country a variety of characteristics can be found ranging from the different formal-legal solutions to various responsibilities and managerial autonomies. In addition, they are highly volatile organisations based on analysis of country practices. Nowadays the term 'agency' has become the most commonly used in the literature.

I do not intend to review the diversity of definitions, but it is important to note that in the United States many agencies are directly subordinated to the legislature (the congress), while in Europe agencies are considered as part of the executive power.

In this research by "agency" I refer to legally independent public organizations directly subordinated to the government (either the cabinet or a ministry), and having nationwide competences. Private or private-law based organizations established by the government are excluded, and the public organizations subordinated to the parliament are included (based on Hajnal 2011, p.58).

The structural disaggregation means that agencies are out of the direct scope of politicians. And as a result of application of different management tools (typically some form of target setting, monitoring, reporting, and deregulation of control over personnel and finance) the cost-sensitivity and service-orientation can improve. Some researches examine the relation between performance management and agency-type organisations (Pollitt, 2006, Verhoest, 2005), actually the proposed research can be incorporated into this research stream. The following subsection briefly describes the Hungarian situation of the agency-type organisations.

4.2. The objects of research: autonomous administrative organs, governmental bureaus, central bureaus, independent regulatory bodies

In Hungary a rapidly changing-evolving and heterogeneous organizational circle corresponds to the agency concept (Lőrincz, 2005b). After the transition formation and consistency of principles and practices for agencies applications were missing (Hajnal 2011). This resulted an unregulated proliferation of agencies.

The first attempt regarding the regulation of agencies was the 2040/1992 Government Resolution, which categorized the agencies into three groups: organizations with nationwide competence, central bureaus and ministry bureaus. This categorization influenced the discourse about agency-type organizations till 2006, however the regulation allowed deviations, exceptions to the features declared. The typology changed in 2006, the LVII. Act 2006 classified these organisations into three categories: *autonomous administrative organs* (e.g. Hungarian Competition Authority), *governmental bureaus* (such as the Central Statistical Office), and *central bureaus* (for example the Hungarian State Treasury). The legislation varies depending on the classification. The most significant difference is the supervisory body: in the first category the supervisor is the parliament, in the case of governmental bureaus the government, and the central bureaus are supervised by ministries.

In 2010 the regulation changed again (XLIII. Act 2010), the former categorization of agency-type organizations remained, but a new group was formulated, its name is *independent regulatory body*. These four categories are considered as agencies in the thesis. In Europe the widely accepted definition of agencies includes only organizations that are part of executive branch, in Hungary these are the governmental and central bureaus, and the newly formulated independent regulatory bodies. But I decided to expand the scope of agency-type organizations: the autonomous administrative organs subordinated to the Parliament became also the object of research. The reason for this is twofold: on the one hand the organizations

'move' between categories from time to time, on the other hand, the phenomenon of organizational autonomy seems to be an important factor regarding performance management, therefore, involving autonomous public bodies with greater autonomy may be warranted. This extension does not affect significantly the overall number of organizations involved in research, the total number of this type of agencies was five in 2015.

Features	Autonomous administrative organization	Independent regulatory body	Governmental bureau	Central bureau
Founder	Law	Law	Law	Government decree
Superior organ	Parliament	Parliament / Cabinet	Cabinet	Ministry
Appointment of agency head	Based on statute	Appointed by the prime minister or the president of the republic based on the proposal of the prime minister	Appointed by the prime minister based on the proposal of the superior minister	Appointed by the superior minister
Example	Hungarian Competition Authority	National Media and Info-communication Authority	Hungarian Intellectual Property Office	National Health Insurance Fund of Hungary

Figure 7: Legal categories of agency-type organizations in Hungary

The number of these organizations has increased in recent times: while in the nineties there were 22-25 main authorities, in the beginning of 2000 the number rose to 30, around 2010 it is between fifty to sixty (György Hajnal 2012; Lőrincz 2005) The number of this type of organizations was 75 in the beginning of 2015, when the empirical research was conducted.

5. Theoretic grounds of methodologies applied in the research

In the previous chapter my aim was to emphasize the continuously changing, forming nature of performance management in public administration (chapter 2), the challenge of interpreting the ambivalent outcomes of quantitative research methods used in order to answer the proposed research questions (chapter 3) and also the fact that how innovative it is to examine the selected research field within Hungary regarding both the subjects (chapter 4) and the research questions. Considering all before-mentioned aspects, the proposed research is an exploratory research. On the one hand there has not been any research before conducted in the organizational context which I have selected as subject of the research. On the other hand the number of empirical researches in this field is growing gradually, however, these have not yet lead to convincing results, or only to some extent.

Besides exploring the elements which embody performance orientation, my aim is to map the drivers of different applications of performance management and to understand and interpret its mechanisms. Both quantitative and qualitative methods are suitable to examine these problems. Quantitative methods help to explore content elements, while qualitative methods may support the understanding and the interpretation of drivers. Thus current research is based on mixed methods research, which aims to combine quantitative and qualitative methods. In the following first I briefly introduce the theoretical fundamentals and main models of this mixed approach, then I place my own research into this context. That is followed by introducing the characteristics of the two methodologies applied in the research: content analysis (quantitative) and grounded theory (qualitative).

5.1. Mixed methods research

Quantitative and qualitative research methodologies had been considered as different paradigms by researchers, incommensurable with each other. In the recent decade a

third methodological paradigm has emerged in social sciences research, which considers that it is important to combine previously separated methodological approaches in the examination of societal phenomena (Sántha 2013). Mixed methods has become widely recognized in the international literature, and as an indicator of how embedded this area is, manuals and textbooks have appeared in the education of methodologies (Creswell 2009). Moreover, since 2007 there has also been a journal in this area (The Journal of Mixed Methods Research). In the recent years mixed methods research has appeared, in the Hungarian social sciences research too, however, only partially, and a summary on the methodology is also available (Király et al. 2014).

In the case of mixed methods it is neither about simply applying more than one method (multimethods research), nor about methodological triangulation, but it is an explicit *purpose to combine quantitative and qualitative methods, to use them together and to understand the examined phenomenon better*. 'The special feature of mixed methods is exactly that it combines the richness and the exploratory nature of qualitative research with the focused nature of quantitative research, the outcomes of which can be quantified and generalized. Behind this approach lies the assumption that data 'of different quality' are possible to combine, handle them together in a research and this is for the benefit of both methods.' (Király et al. 2014, p. 96).

There are several authors writing about the application of mixed methods from the point of view of *philosophy of sciences* (Onwuegbuzie and Leech 2005; Tashakkori and Teddlie 2010). The incommensurability (incomparability) of paradigms is an argument frequently used against the joint application of quantitative and qualitative methods. The reason for this opinion is that quantitative methods are embedded in positivist paradigms, while qualitative methods in interpretive (or in other words: constructivist) paradigms, which give mutually exclusive answer to ontological, epistemological and methodological questions. In the two-dimensional matrix designed by Gibson Burrell and Gareth Morgan in 1979 with an aim to structure the existing organizational theories, the horizontal axis represents the dimension of philosophy of science, which

is important regarding the selection of the proper methodology, and the two ending points mean the objectivist and subjectivist dimension of philosophy of science (Kieser 1995).

The Sociology of Radical Change

Radical Humanist	Radical Structuralist
Interpretive	Functionalist

Subjective   Objective

The Sociology of Regulation
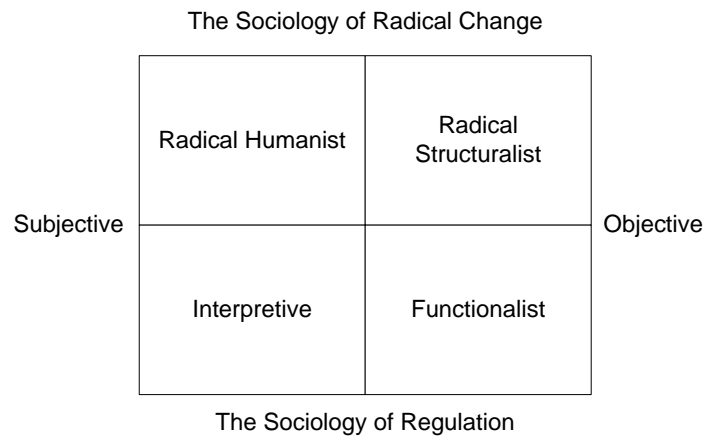
Figure 8: Paradigms in organizational theory – matrix of Burrell and Morgan

According to the positivist (in the model of Burrell-Morgan functionalist) paradigm, the world is independent from us (objectivist ontology), and the aim is to reveal and interpret general principles and casual links. Representatives of this paradigm usually use positivist methodology (quantitative). While according to the interpretive paradigm social / organizational reality exists inside us, is constructed by the society (subjectivist ontology), the aim is to understand local meaning and the process of reality construction. In this case reality is not independent from the researcher (subjectivist epistemology). To this paradigm typically qualitative research methods are associated (Gelei 2006). In the debate on the incommensurability of paradigms there are some approaches which consider that it is possible to combine quantitative and qualitative methodologies. One of these is multiparadigmatic approach (for more see Primecz 2008)), another is the paradigm of pragmatism. The definition for paradigm of the latter is less strict, and means the basic assumptions shared by a scientific community (of researchers) on the nature of questions, the research methodologies etc. (Tashakkori & Teddlie 2010). The primary focus of this approach is neither on the characteristics of reality (ontology) nor on valid knowledge

(epistemology), instead this approach looks at the research question and examines what kind of research methods would be most suitable to understand the given problem as well as possible (Creswell 2009; G. Király et al. 2014). Moreover, it is emphasized by pragmatism that considering quantitative and qualitative as opposites is incorrect because quantitative methods are not necessarily positivist and similarly, qualitative researches are not necessarily constructivist, thus they can be easily integrated in the same research as well (Onwuegbuzie and Leech 2005).

Based on the above-mentioned theories, the joint use and the combination of quantitative and qualitative methods in social sciences research may be possible, but at this point it is worth examining that in which cases is it suitable to apply different methodologies together. The most important arguments for applying mixed methodologies can be summarized as follows (Creswell and Plano Clark 2011; G. Király et al. 2014):

- *triangulation*: using methodological triangulation it is possible to check whether the research outcomes go into the same direction, thus reliability can be increased;

- *complementarity*: applying more methodologies we can get a more complete picture about the examined phenomenon and the outcomes of one of the methods can be interpreted easier using also the outcomes gained from the other method;

- *elaboration*: the outcomes of research carried out by one of the methods can support the design, formulation of the other research, carried out by another method;

- *initiation*: a research based on mixed methods is more likely to highlight possible contradictions of the examined phenomenon and to propose new research questions;

- *expansion*: applying mixed methods can widen and deepen the focus of research, as different aspects of the phenomenon are examined by different methods, and this methodological openness means that the researcher takes more potential methods into consideration in the process of designing the research model.

Researches based on mixed methods have several typologies. In the following I introduce the systematizing factors published by Creswell, and Creswell and Plano Clark, which help to define the potential research structure. If mixed methods seem to be suitable for answering the research question, there are further factors which need to be considered. The researcher needs to think about (1) *timing*, i.e. during the research quantitative and qualitative data recording and data analysis can be parallel or sequential. If data recording and data analysis is sequential, the order of these need to be decided. There is also a so called multiphase or combined timing, when the research process can be divided into at least three or more phases and quantitative and qualitative methods can be applied in parallel and / or sequentially. The second factor is (2) weighting, when the proportion of quantitative methods to qualitative methods needs to be considered. It is possible that one of the methods is emphasized more but it can also be that both methods are represented in the research to the same extent. In the case of (3) mixing the question is when and how the researcher combines quantitative and qualitative methods. Mixing can happen during data collection, during the analysis, during the interpretation of the outcomes or in all the three phases. Another way of mixing is *bonding*, which means that different kinds of data are recorded, analyzed and interpreted differently during the research but there is a connection between these phases. For example, in a project of two phases first quantitative data is collected and analyzed and the participants of the qualitative research are identified as a result of the analysis. Another way of mixing is *integration*, which means the unification of quantitative and qualitative data in a joint database. The third way is *embedding*, when besides the primary database of a larger research secondary data are used, which play a supporting role during the research. Finally the

explicit or implicit nature of (4) theoretical frames have also an impact on the structure of the research, because theories orientate the researcher when he or she is formulating the research questions, identifying participants, collecting data etc. (Creswell 2009).

The above-mentioned four factors – timing, weighting, mixing and theoretical frame – help to develop the structure of the research. Today there are several models of mixed researches which provide a suitable frame for implementing the research process. An excellent summary on the four most frequently used research structures is given by Király et al. (2014). Further research models are also available in English in the book of Cresswell-Plano-Clark (2011). In the following I introduce briefly the four most widely used structures:

1. *Convergent design*: the researcher carries out quantitative and qualitative data collection and data analysis and combines the two research methods only in the interpretation phase.

2. *Explanatory design*: research phases are followed by each other. The first phase consists of quantitative data collection and data analysis. The second phase includes qualitative data collection and data analysis, what is based on the outcomes of the first phase. The results of the qualitative phase enhance the understanding of quantitative outcomes of the initial phase.

3. *Exploratory design:* In the case of this model the two methodologies are also built on each other, but this time the first phase is to explore the phenomenon in a qualitative way and the second consists of quantitative data collection and data analysis. The purpose of this kind of research structure can be to examine whether the outcomes of the research conducted on a small sample can also be generalized on a larger population.

4. *Embedded design*: the researcher collects both quantitative and qualitative data in the frame of a purely quantitative or qualitative research. In this case secondary data collection has complementary and supporting roles (e.g.

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illustrative case) and may be carried out before, during or after the primary data collection.

5.1.1. Mixed methods approach in the case of the current research

In this chapter I place my own research into the context of the before-mentioned aspects and models: I give reasons for choosing mixed methods approach, then I define the expected outcomes of combining quantitative and qualitative approaches and finally I introduce the selected mixed methods model as the structure of my research.

The appropriate research structure is oriented by the research questions presented in the introductory chapter. My purpose is on the one hand to get an overview on performance management tools applied by Hungarian agency-type organizations, on the other hand to reveal the reasons and drivers of the application of these tools. To answer the first research question such kind of method is suitable which can give a comprehensive picture on the examined organizations and on the existence of performance management tools applied by them. Regarding this question it is important that I collect information about as large proportion of the examined type of organizations as possible, because this is the only way I can draw well-grounded conclusions on the existence and penetration of performance oriented operation in the examined field. This research objective may be best met by using quantitative methods because of their focused nature and that they may lead to generalizable outcomes. These are the reasons for choosing the method of *web content analysis*. This is a quantitative procedure processing entire texts (websites of the examined organizations), what contributes to gaining a general picture on the performance management tools applied in agency-type organizations. Besides the content analysis itself it also provides information on the context of the texts, which makes it possible for me to draw conclusions also on the second research question (what kind of

organizational circumstances make the application of performance management tools more likely).

The second research question, the aim of which is to reveal and understand drivers and reasons of performance management application, can be answered by using qualitative methods which are suitable for exploring the phenomenon deeper. For this reason I made semi-structured interviews for data collection. The interviewees were senior managers of agency-type organizations and experts possessing thorough knowledge on these kind of organizations. I have conducted the data collection and data analysis based on grounded theory. According to this methodology, theory (interpreting the elements and revealing the drivers of performance management) is improving in accordance with the empirical data collection and reality is constructed by the participants of the research during the research process. Using this methodology the phenomenon can be examined only on a significantly smaller organizational base but to a deeper level.

The main reason for choosing mixed method in my research is that research questions leading the research have determined different kinds of research focus and to answer these both quantitative and qualitative methodologies have been necessary to be applied. Getting familiar with and describing the applications of performance management require different kind of survey than analyzing its drivers deeply. The selected methods complement each other well, as on the one hand the outcomes of content analysis have contributed to the selection of the interviewees of the qualitative phase, while on the other hand it was possible to deepen and clarify the relationships revealed during the content analysis. Applying mixed methods make the understanding of the phenomenon more comprehensive, which is a positive effect of examining it from more directions and different aspects.

In order to choose the right research question timing, weighting, mixing and theoretic frames need to be considered. Decisions about these factors are summarized in the following table.

Timing	Weighting	Mixing	Theorizing
Concurrently	Equal (both methods have the same weight)	Integrating	Explicit
Sequential – qualitative first	Qualitative emphasis	Connecting	
Sequential – quantitative first	Quantitative emphasis	Embedding	Implicit

Table 7: Aspects to consider in a mixed methods research (Creswell 2009)

Concerning timing, the quantitative and qualitative researches have followed each other, starting with the quantitative phase. Both methodologies have similar weight during the research. Mixing is done by connecting, which means that the second research phase is built on the outcomes of the first phase. My intention was to make the theoretical frames which orient the research as explicit as possible already in the first part of the thesis.

Based on all the before-mentioned characteristics, the research structure has an explanatory sequential design, where the two phases of the research follow each other and first comes the quantitative phase. Defining the samples and specifying the questions of the qualitative phase is carried out based on the outcomes of the quantitative phase. The following flow-chart shows the content and order of each phase of the research structure (Creswell and Plano Clark 2011; G. Király et al. 2014).
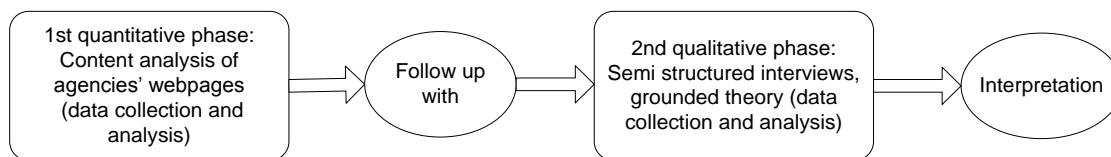
Figure 9: The mixing process of quantitative and qualitative methodologies: explanatory sequential design

The main purpose of this kind of research structure is to give a deeper explanation of the initial quantitative outcomes in the qualitative phase. Its use is particularly recommended if the researcher intends to gain a general picture based on the quantitative data and examine the relationships between different sources of data, and at the same time the researcher is able to reveal and interpret the underlying mechanisms (Creswell and Plano Clark 2011).

This research structure has two variants. The more frequent solution is that the researcher gives priority to the first quantitative phase and uses the subsequent qualitative phase to interpret the quick results of the quantitative phase (e.g. extreme cases). In the case of the other variant the emphasis is placed rather on the second phase, and the aim of the first quantitative phase is to make a well-grounded selection of the participants of the qualitative phase. My research is characterised by both variants: the selection of participants of the qualitative phase was oriented by the outcomes of content analysis, moreover, relationships revealed during content analysis have supported the specification of the topics of the interviews. Thus in my research both phases are represented to the same weight. Before I introduced the methodological considerations and decisions, I provide a brief overview on the methodological fundamentals of web content analysis and grounded theory.

5.2. Quantitative research phase: fundamentals of content analysis

The origins of content analysis date back to several hundred years, but it has become a popular research method for approximately 60 years. Its focus is on the analysis of written mass media (Neuendorf 2002). In accordance with the widespread use of internet, it has become a popular research method of this media too (Géring 2014).

There are different definitions for content analysis, a summary of these is provided by e.g. Kimberly A. Neuendorf in his book about discussing the methodological issues of

content analysis (Neuendorf 2002). I used the concise and expressive definition of Krippenforff as a startpoint of my research:

'Content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use.' (Krippendorff 2004, 18)

Based on this definition the main characteristics of content analysis can be summarized in the following, according to Géring (2014):

- *Complex scientific methodology* leading to reliable and valid outputs, having large theoretical and methodological traditions, developed research procedure and data analyzing softwares supporting it.

- *Handles texts*; the elements of the analysis and data include texts, parts of texts (or even videos, pictures). During the analysis texts are translated into data (numbers, codes) and analyzed by statistical methods.

- The primary aim of content analysis is not to reveal the inner characteristics of the texts (e.g. grammar, stylistics), but to *reflect on* phenomena and *the context* beyond the text (e.g. drawing conclusions on a social institution to which the text refers).

This approach considers texts as something more than themselves, and which do not simply map the characteristics of the existing world. The authors of the texts can 'create worlds which they can see and live in' through the texts (Krippendorff 2004). During the interpretation of data the context of examined texts should be taken into account as the meaning of the texts is determined by a given context, discourse or purposes.

During my research texts processed by content analysis were websites of the examined organizations. The special features of Internet (global size, decentralized nature, non-linear and hyperlinked-structure, the mixture of different media types)

have a great impact on the process of content analysis: on sampling, formulation of units of the analysis, coding and analysis. In order to secure the validity and reliability, it is inevitable to systematically consider how to handle these problems (Géring 2014; Weare and Lin 2000).

Internet is characterized by the system of hyperlinks and links causing intertextuality, what the researcher must handle during web content analysis. It is necessary to decide how far the researcher will follow links and subpages already when he or she defines the units of analysis, in this case the websites. This is on the one hand about deciding how 'deep' the researcher digs into a certain website (how many clicks he or she does), and on the other hand about what kind of contents are part of the units of analysis (Géring 2014).

Managing the problem of time is also a special feature of internet researches. The content of websites can change very rapidly, a content previously recorded can no longer be available for the researcher a short time after. This can be caused e.g. by the entire change of the website. It is also a case when a huge amount of old information is available on the website without indicating the date when the data was published. The question is which period does the researcher include in the research, and during the phase of analysis and interpretation it also needs to be considered, which period of data recording the research outcome refers to (Schneider and Foot 2004).

To summarize the main characteristics, web content analysis is suitable for systematizing written content of different websites into a standard structure, and for gaining a construe database using a method which provides reliability and validity based on a carefully constructed research structure. Moreover, this method has made is possible to gain an overall picture about Hungarian agency-type organizations (e.g. exact number, sectoral classification, size, age, etc.), as there have not been any databases which included this type of organizations or it would be too complicated to identify these institutions. When interpreting the outcomes, it is critical to take into account that information available on the websites of these organizations cannot give

an comprehensive and accurate picture about events and processes of the organizations, but looking at contents appearing on the websites and the examining communication of the organization via the internet provide an opportunity to make conclusions on the relation of agency-type organizations to performance management, the weighting of different appearing contents and the role of performance orientation.

5.3.   Qualitative research phase: grounded theory approach based on semi-structured interviews

The qualitative phase took place in the second part of the research. In this phase I was building on grounded theory and I generated data via semi-structured interviews.

The expression 'grounded theory' was created by authors Barney G. Glaser and Anselm L. Strauss. According to them the main point is the 'theory systematically exploitable from the data of social sciences research' (Glaser and Strauss 1967). The authors have established grounded theory in contrast to hypothetic-deductive theories. The theory is constructed from empirical data, through continuous and systematic analysis.

Grounded theory is acknowledged internationally, the book of Glaser and Strauss from 1967 is the most frequently cited source in qualitative research in the area of social sciences. In Hungary works introducing grounded theory in details have been written mainly in the fields of sociology, anthropology and philosophy (Kucsera 2008; Mitev 2012). However, in management sciences there are relatively few researches which have chosen this methodological framework (Bokor 2000; Esse 2012).

Grounded theory makes the creation of middle-range, or so called substantive theories possible. A substantive theory can be interpreted only within a restricted social context and in a narrow area revealed by the research contrary to more abstract, formal theories which may refer to more general phenomena. It is not an

aim of this method to formulate valid statements about reality. Instead, the aim is to understand relationships between actors and 'is suitable to make statements about how the actors interpret reality' (Mitev 2012, p.20).

The research process of grounded theory includes systematic methods, which start with empirical data collection and end with the creation of a multiple, middle-range theory. In recent decades different directions of grounded theory have emerged: the two authors of grounded theory have continued to work independently and as development of the theory they represent different standpoints regarding the methodological steps. The structure of my research follows the direction represented by Strauss and Corbin (Strauss and Corbin 1998). The main point is that *it is allowed to use terms which already exist in the literature during the formulation of the research problem and during the creation of coding categories, and it is also allowed to design the research process in advance.* While according to Glaser, who is committed to the original approach of grounded theory, only codes established during data analysis can be used, because defining the problem in advance and using already existing categories kill productivity, as these force the researcher to use already existing theories. Moreover, Glaser considers induction as a key element of the method, while according to Strauss and Corbin a combination of inductive and deductive logics can also be applied (Mitev 2012).

The most important methodological elements of grounded theory are the followings:

- *Theoretical sampling*: the sample is not defined in advance, is also not random but is developed in accordance with the progress of the research process, revealed outcomes and emerging questions guide the researcher towards new situations.

- *Parallel data collection and data analysis, continuous comparison:* data analysis is not separated from the data collection phase, the researcher analyzes and interprets data in the process of continuous comparison in order to be able to identify emerging patterns and topics.

- *Multi-level coding process:* during coding data is grouped in topics which get category labels (codes). According to Strauss and Colbin, first we should generate as much categories as possible (open coding), then the researcher is searching for relationships between the categories. In this process similar codes are placed into categories, then higher-level-categories are created, which become the elements of the theory (axial coding). Finally, the aim of selective coding is to integrate and specify the theory, categories are ordered around a central conception by the researcher.

- *Creating notes (memos):* the step between coding and analysis, writing down ideas.

- *Reaching theoretic saturation (saturation point):* data recording should be continued until the new codes contribute to the research, have explanatory power.

Data recording was carried out by using *semi-structured interviews* (Kvale 2005). This means that I had prepared with a few questions but other topics could also emerge during the interview and I could also add new questions on the spot. The line of interviews have developed iteratively as the research proceeded, in accordance with grounded theory approach. So in the first interviews I had open questions, while later I had questions also about different relationships.

To provide a *summary on grounded theory*, the main points of the approach are that *participants (interviewees) create the reality* and *relationships revealed by the researchers can be tested in the subsequent interviews.* When we create abstract categories and formulate theories it is necessary to return to the original data. I have designed the process of data collection and data analysis taking these aspects into consideration (Maxwell 1996).

6. Structure, process and results of the empirical research

After getting an insight into the theoretical fundamentals of the research methodology, this chapter is about specific methodological steps of the quantitative and qualitative phases. As the structure of my research is building on explanatory design, first I introduce the decisions and steps of data collection and data analysis related to web content analysis (research phase 1), then I present the research results of this phase. Then, based on these I introduce the methodological steps and outcomes of the second research phase. The term 'performance management' will be replaced by 'PM' in order to avoid repetition when introducing the results.

6.1. Examination of the websites of agency-type organizations - process and results of web content analysis

The first phase of the research is a quantitative web content analysis, which is a methodology applicable to express the frequencies and present the statistical comparisons building on the database created during coding according to a previously defined criteria system of the websites examined. In this research the role of the internet is not to generate content (like in the case of chats and blogs) but it serves as a platform for information transfer. During the research I was examining the appearance of certain topics, programmes, given documents and organizational units. My primary aim was to reveal the topic-structure of the texts examined (websites of the organizations and documents available on these websites). The analysis of links, language, pictures etc. was not part of my research.

According to Krippendorff, the steps of content analysis can be the following (Géring 2014): 1) formulation of research questions, hypothesis, 2) sampling, 3) defining the units of analysis and coding categories, 4) checking codes and reliability, 5) data analysis, interpretation. Based on these, the research process included the following steps:
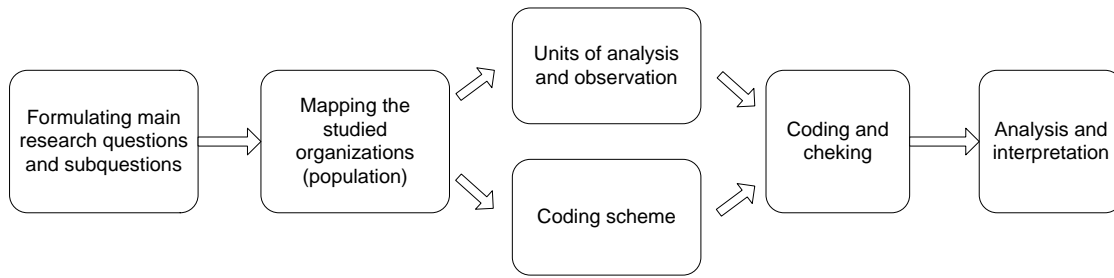
Figure 10: The process of web content analysis

6.1.1. Research questions orienting the web content analysis

The research, aiming at examining performance management tools applied by the organizations of Hungarian public administration, was oriented by the following two questions:

1. What kind of performance management tools appear in agency-type organizations of the Hungarian public administration?
2. What drivers and mechanisms may explain the design and introduction of performance management tools in the examined organizations?

The main research questions are building on each other, thus their order is not random. Among the organizations first I examined performance management tools and elements applied by them, then I revealed the drivers of their use. During web content analysis I examined both research questions but of course during the data analysis and the interpretation of the outcomes I took the limitations of the methodology into consideration. Performance management tools appearing and being communicated on the website of the organization do not give an overall and precise picture of all performance management tools applied by the organization. But the majority of the examined organizations have a website, where they publish a big amount of regularly updated information in connection with the operation and the activity of the organization. Contents appearing on the websites and analyzing the

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weighting of these makes the analysis of the attitude of the agency-type organizations to performance orientation possible.

The first research question refers to the content, while the second aims at revealing the relations between content and context, i.e. the effect of different organizational and external factors on the application of performance management tools. Characteristics of the context have been identified also during coding the websites. Beyond the two before-mentioned research questions, web content analysis has also supported to get to know agency-type organizations better, e.g. to identify their number or to reveal the characteristics of their operation. The two research questions have been divided to subquestions in order to carry out a more focused content analysis (see tables below).

Number	Research questions and subquestions regarding the content
Q1	**What kind of performance management tools exist in agency-type organizations of the Hungarian public administration?**
Q1_1	How frequently do contents related to the objectives of, plans of the organizations appear on the examined websites?
Q1_2	How frequently do professional reports appear on the examined websites?
Q1_3	How frequently do contents related to quality assurance appear on the examined websites?
Q1_4	How many of the examined organizations operate organizational units or positions which cover duties of (also) performance management?

Table 8: Research questions orienting the web content analysis concerning performance management tools

Number	Research questions and subquestions regarding the relation of content and context
Q2	**Which factors and mechanisms can explain the establishment and implementation of performance management tools in the examined type of organizations?**
Q2_1	Can relationships be recognized between the publishing of the examined performance management elements on the website and different sectors, the superior body, the age and size of the organizations?
Q2_2	Can relationships be recognized between the embeddedness of performance management and the different sectors, the superior body, the age and the size of the organizations?

Table 9: Research questions orienting the web content analysis regarding the relation between content and context

6.1.2. Mapping the examined type of organizations - determining the population

The population consists of the type of organizations expected to be examined in the thesis, i.e. agency-type organizations of the Hungarian public administration. As I already introduced in chapter 4, these organizations are defined in different ways in the international literature. By now this type of organizations has an accepted category system as well. They are legally independent and operate separately as budgetary institutions with competence on a national level. Their superior body is typically the government, a ministry or the parliament. Organizations subordinated to the cabinet or a ministry are defined as governmental bureaus or central bureaus, while institutions subordinated to the Parliament are defined as autonomous administrative organizations according to the Hungarian regulation. However, these categories are not always used consequently and comprehensively. In the case of many organizations neither the statutes nor their charter includes their exact classification.

As a consequence of the above-mentioned conceptual unconfidence and because of the fact that within this type of organizations structural changes, (e.g. consolidations, mergers, reallocating tasks, change of the superior body (Hajnal 2011)), are very frequent, one of the first steps of content analysis was the overall mapping of this type of organizations. Though there are public data sources which include data about this type of organizations[3], these have not been updated in many cases or certain organizations were completely missing from the examined database.

In 1 January 2015, 75 organizations have been operating in Hungary which do meet the definition of an agency-type organization applied in this thesis. The size of population has made it possible to define the whole population as subject of research, there was no need for sampling. As a consequence outcomes can be more easily generalized. Out of 75 organizations 72 had an operating website at the time of data recording, so in the first months of 2015.

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[3] One of such databases is a 'Közadatkereső' (http://kozadat.hu, a website where one can search for public data). Based on the Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information, an organization performing public service has to publish data of public interest defined by the act on the website of the organization, and at the same time the organization has to provide data for 'Közadatkereső'. Unfortunately not all institutions of the examined type of organizations are listed in this database and in several cases I found outdated data. On the website 'kormany.hu', which is the website of the government, the examined organizations can also be found (e.g. as auxiliary institutes of the given ministries), but this database is also not comprehensive and up-to-date in all cases.

6.1.3. Defining the units of analysis and the units of observation

In content analysis units of analysis and that of observation are the same, for instance in the case of regular text analysis, when the aim of the research is for example to examine articles. In the current research units of analysis are organizations involved in the research. This means that conclusions of the research refer to agency-type organizations and different characteristics of the organization (e.g. age if the organization, superior body, sectoral classification) are examined to define the context. Whereas for *observation units I draw conclusions* on the characteristics of the examined organizations building *on the analysis of the websites of the organizations*.

As I already mentioned in the chapter about the theoretical background of content analysis, the analysis of web has many characteristics which the researcher needs to tackle during the research process in order to give standard and reasonable limitations to contents available on the website. Such decision point concerning intertextuality is that starting from the main page how deep do we follow subpages and links navigating to other pages. During data recording there were no limitations used regarding how 'deep' the searched content can be found, but links navigating away from the website (to the website of partner organizations or international organizations) were not part of the observation.

Concerning the text types analyzed, not only the text of websites but also documents available to download were subject to the research. Such documents include e.g. organizational charts, bylaws, documents on strategy or professional reports. Different types of text had different time limitations during the coding phase. For example in the case of a mission statement a text of more years is still valid while a 5-year-old budget or professional report has not been examined. Regarding contents updated annually I have not examined those which were generated before 2012.

6.1.4. Defining the category system of coding

During the definition of categories and areas to be involved in the analysis I was building on international literature on the appearance of performance management in public administration (content and drivers) and Hungarian literature processing the characteristics of Hungarian public administration. Regarding the first research question, during the web content analysis I examined only those elements of PM which can be displayed on websites. Based on these the coding system included different performance management areas and categories defined within them, which are summarized in the following table.

Main themes	Categories (codes)	Explanation
Planning	Mission statement	Mission statement / values / vision of the agency
	Strategic plan	Strategic document of the agency
	Operational plan on the website	Short-term professional-operational plan on the web
	Operational plan in organizational and operational rules (OOR)	Short-term professional plan in the organizational and operational rules (or charter) of an agency
	Annual budget	Annual budget of the agency
Reporting	Report on budget	Report on the budget
	Performance report	Report on the agency's (annual) performance
Quality management	Documents of quality management	Quality policy, certifications etc.
Institutionalization of performance management	Management control	Organizational unit or position
	Quality management	Organizational unit or position
	Strategy	Organizational unit or position

Table 10: Coding scheme related to performance management content

Each categories were handled as yes / no questions, the two possible answers were whether the given topic or document appears on the website of the organization or not. The dichotom form of question (1=appears; 0=does not appear) increases the reliability of coding and binary variables can be analyzed using different statistical

methods, in contrast with nominal variables measured not in a binary way (Füstös et al. 2004).

In order to answer the second research question which examines the relation between content elements and context, one part of the possible drivers suggested by the literature had to be identified in the frame of content analysis. Of course it was not possible to identify all of the drivers using this method, for example the commitment of the senior management or the qualification and knowledge of the members of the organization could not be measured, but certain contextual elements being in relationship with performance orientation could be grabbed during the analysis of websites. The findings are summarized in the following table.

Categories of context (codes)	Explanation
Sector	Organizations can be grouped into ten sectors based on governmental functions (COFOG)
Superior body	The Parliament or one of the ministries
Age of the organization	Time passed since the establishment of the predecessor
Time passed since the appointment of the top manager	Time passed since the appointment of current top manager (years)
International organizational unit	Organizational unit dealing with international partner organizations or other international issues
Number of employees	Number of employees of the organization (FTE, 2014)
Budget	Size of the budget of the organization (2013 as actual or 2014 as planned)

Table 11: Category system of coding related to the context

6.1.5. Coding and revision

After collecting the websites of the examined organizations and deciding about the questions in connection with the units of observation, the persons carrying out the

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coding (a junior and a senior) have assessed a selected website together, thus they could clarify the unclear categories and to harmonize their different interpretations. The pilot analysis and the training of coding persons increase significantly the reliability of the research.

The coding period lasted from January to mid-March in 2015. After she has finished coding, I checked the coding of the junior coding person and the questions and problems identified by her. Only some codes had to be modified compared to the original coding. Data was converted to an SPSS database which was followed by the statistical analysis.

6.1.6. Analysis and interpretation

In the analysis I was examining frequencies in order to answer questions such as 'what kind of performance management tools appear in the examined type of organizations' (research question Q1 and related subquestions). Besides, I was searching for statistical relations between the context variants included in the research and between performance management contents (Research question Q2 and related subquestions).

During web content analysis I have gained a comprehensive picture about Hungarian agencies (their exact number, size, age, etc). It is also an important result because there is no formal, official list or database of Hungarian agency-type organizations (Hajnal, 2012). First, I will briefly present some characteristics of the examined organizations, what helps us understand the context, in which the results of the data analysis are valid.

Main characteristics of agency-type organizations in times of data recording

In 1 January 2015, I identified 75 organizations which do meet the definition of an agency-type organization applied in this thesis (for the list of organizations see Annex

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8.1). Out of these organizations 3 did not have a website in times of data recording. This means that these three organizations could not be involved in data analysis in connection with most of the examined variables, but in the case of a few variables the availability other information (e.g. charter, bylaws) has enabled to carry out data analysis.

The following figure shows the breakdown of the examined organizations by superior body. Most of the organizations had been operating under the supervision of the Ministry of Human Capacities (19) and the Ministry of Interior (12), while the less institutions were operating under the supervision of the Ministry of Justice (3) and the Ministry of Foreign Affairs and Trade (3) in times of data recording.
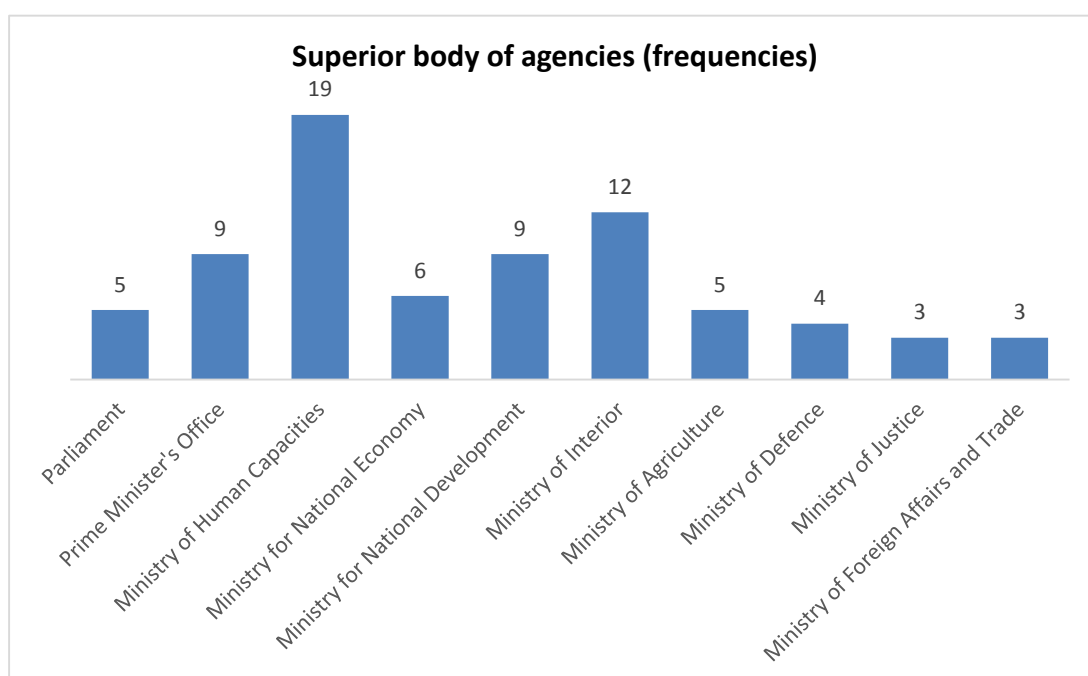
Figure 11: Superior body of the examined organizations

The figure below shows the governmental functions (COFOG) of examined agencies (see Decree 68/2013. (XII. 29.) of the Ministry of National Economy on the rules of classification of governmental functions, appendix 1). In organizations where several governmental functions appear at top level, I tried to identify the dominant function. Most agencies operate in the area of economic affairs and general public services.

Only one agency belongs to environmental protection, and one other organization is part of housing and community amenities.
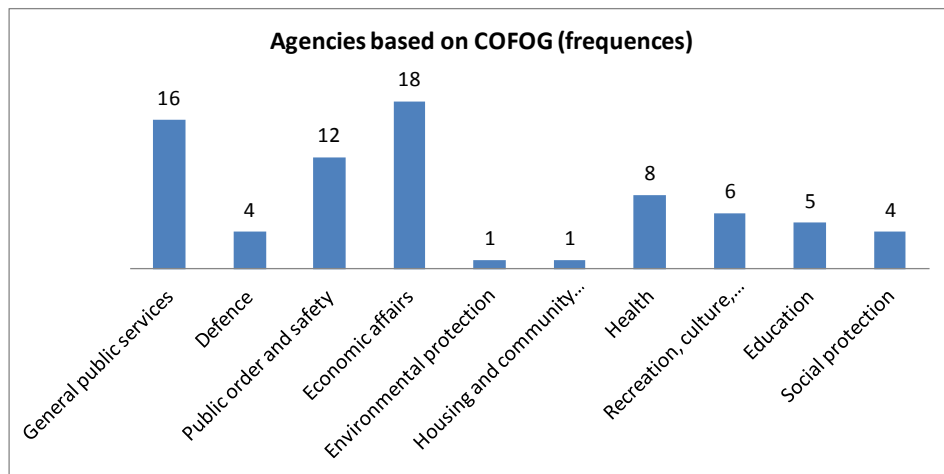
Figure 12: Agencies based on governmental functions

The examined organizations show a very diverse picture of the Hungarian agency-type organizations regarding their age, size and stability. The smallest organization employed 20 people, while the largest 130 330 people at the time of data collection. The latter, however, is an extremely high number, only three agencies had more than 2000 employees. (besides the Klebelsberg Institution Maintenance Centre, the number of employees of the National Tax and Customs Administration of Hungary and the Hungarian Ambulance Service exceeds 2000 people).

	N	Scope	Min.	Max.	Average	Variance
Number of employees	64	130310	20	130330	2851.54	16573.5
Annual budget (thousand HUF)	58	184.587.400	317.600	184.905.000	12.504.965	27.738.618
Age of the organization	75	145.00	0.00	145.00	19.50	27.92
Time passed since the appointment of the top manager, 1 Jan 2015 (year)	70	19.00	0.00	19.00	3.23	3.82

Table 12: A few basic characteristics of agency-type organizations

Similarly to the number of employees, the size of budget also varies widely: the smallest organization has an annual budget of 317.6 million forints, while the largest budget exceeds the annual 184 billion forints (the budget of KLIK is even larger, but I did not manage to find reliable information on it).

The age of the examined organizations varies widely as well, the oldest agency was 145 years old and the youngest agency was established in the beginning of 2015. Assessing the age of the institutions was not in all cases easy, because as a result of frequent structural changes concerning this type of organizations, there were difficulties in identifying the predecessors and thus legal continuity. The starting point was the year of foundation indicated in the charters.

An important factor regarding the stability of organizations is the time since the top manager of the agency has been appointed. (Relevant information was available in the case of 70 organizations). The top managers of the examined agencies spent on average 3.2 years in their current position. I have found only six organizations where the top manager has been governing the agency for more than 5 years, i.e. the manager was in the current position before the change of government in 2010 as well. However, in half of the organizations (34 cases) top managers have changed also within the last two years – even several times.
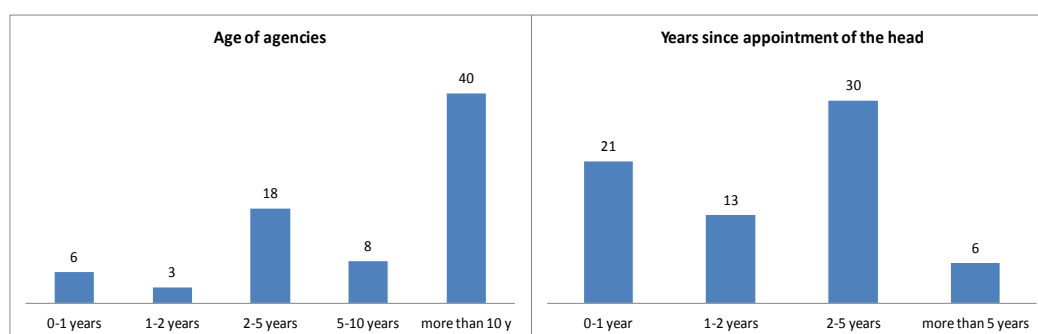
Figure 13: The age of agencies and the number of years since the appointment of the head

Appearance of the examined elements of performance management on the websites of the organizations (research question Q1)

In this chapter I summarize the outcomes of certain subquestions of research question one (Q1). I examined the *existence and application of objectives and plans* (Q1_1) through the appearance of mission, strategy, operative plan and budget on the websites. *Reports and assessments* (Q1_2) have been analyzed by the existence of professional reports. Q1_3 was about the existence of *quality assurance*. It is important to note that the appearance of budget and budget plan on the website of the organizations is not a tool of performance management, because in Hungary budgets are made by a traditional budgeting technique based on the previous year, which cannot be considered as a sign of performance oriented operation. Why I still mention budget and budget plan is that publishing these on websites is obligatory for all institutions providing public service in order to enhance transparency (for more see the Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information or the following website: www.kozadattar.hu).
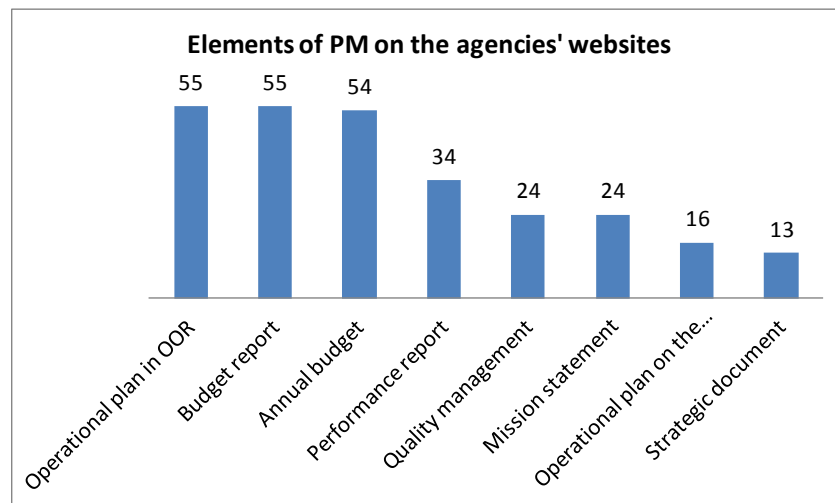
Figure 14: Elements of PM on the websites of the agencies (frequencies, N=72)

More than three-quarter of the examined agencies published *annual budgets* and *budget reports* on the web. This rate cannot be assessed as high because based on a regulation it is an obligatory task for all agencies. The appearance of these documents is not a sign of commitment to performance oriented operation, as I mentioned before, but is important because of transparency.

I have also examined the existence of *operative plans*, which in public administration are typically embodied in annual or half-yearly work plans or work programmes. According to organizational and operational rules (available also on the examined homepages) 55 agencies formulate annual operational plan, but only 16 organizations publish these on their websites. Formulating an annual operational plan is also an obligatory task for agencies.

Nearly half of the agency-type organizations (34 cases) publishes *performance report* regularly, typically on an annual basis and evaluates the professional work of the organization. Professional reports are created in varying quality, level of detail and scope. Those published documents were grouped into this category which provide an evaluation summary on the activities of the organizations from previous year and the most important events and activities are summarized by different indicators and the narrative assessment of those. This report is not equal to the narrative report supplementing the numerical report of the budget, the aim of which is to explain the deviations between the planned budget and the actual revenues and expenses. Of course the professional reports almost always include planned and actual data in connection with the budget but its content is broader and focuses much more on the introduction and assessment of professional activities.

24 agencies published their *mission statement* on the Internet. The appearance of this is a sign of long-term planning, because formulating a mission statement is part of strategy development. One third of the organizations publishes documents related to *quality management*, such as quality policy statement, ISO certificate or elements of CAF evaluation.

I have found strategic plan on the websites of the agencies only in 13 cases. Government Decree 38/2012 (III. 12.) on Government Strategic Management prescribes the formulation of institutional strategy for the examined type of organizations, which has to align with the mid-term international strategy, with the ministerial programme and with sectoral policies. At the same time the regulation classifies the institutional policies as non-obligatory plan documents, so it is on the one hand an obligation, while on the other hand facultative.

I examined how intense the use of different methods is. I calculated the total points of the following five categories: mission statement, strategic document, operational plan on the website, performance report, quality management. The examination also shows how widespread the application of these tools in agency-type organizations is and we get an answer to the question whether organizations apply multiple tools in parallel. Budget plan and budget reports were not included in the research, which are otherwise compulsory to be published and in the case of operative plan I took into consideration only those which were available on the websites. Three quarters of the agencies publish at least one performance management tool and more than 40 per cent (31 organizations) communicate the use of at least two types of performance management tools.

Number of PM tools on the websites of the agencies

No PM	1 PM tool	2 PM tools	3 PM tools	4 PM tools	5 PM tools
20	21	11	13	6	1
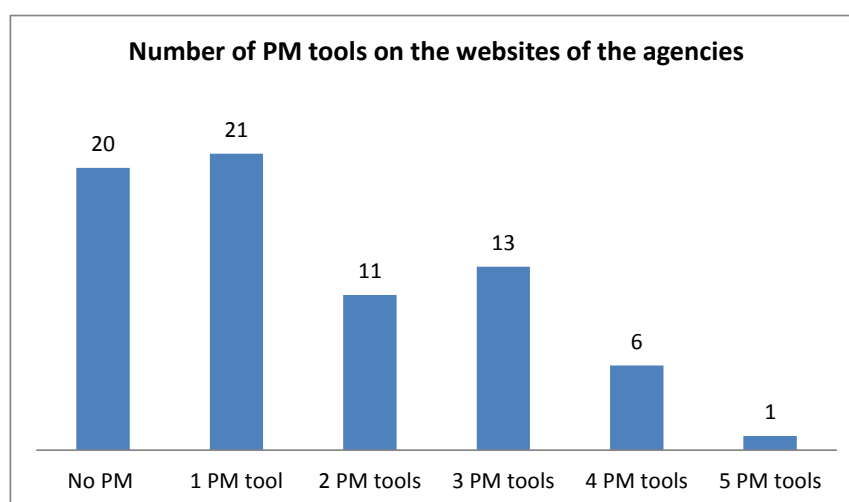
Figure 15: Intensity of the use of PM methods (frequencies)

In subquestion Q1_4 I examine whether agency-type organizations operate organizational units or positions which are related to performance management (e.g. controlling, quality assurance, strategy). The use of PM-related organizational units or positions represents the institutionalization of performance management. In order to answer this question coding was carried out based on organizational charts available on the websites and task descriptions included in the bylaws.

PM related organizational units or positions in agencies
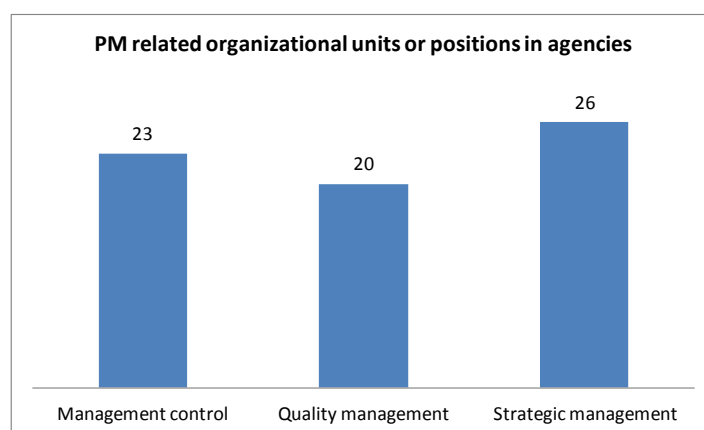
Figure 16: PM-related organizational units or positions in Hungarian agencies

Strategic departments can be found in more than one third of the agencies, management control units or positions are operated in 23 organizations and departments or positions responsible for quality management exist in 20 agencies. Organizational units of management control usually belong to the business area (e.g. under the name of Budgeting and Controlling Department) or sometimes can appear as a unit supporting the senior manager (e.g. Department Supporting the Management) in the organizational structure. The area of quality assurance is usually operating subordinated to the senior management. Organizational units dealing with strategic issues are the most heterogeneous regarding their allocation within the

organization. There are examples for that this is an area appearing on the level of senior management (e.g. Vice-President of Strategy), in more cases it is a department or staff subordinated to the senior management (e.g. Strategic Cabinet), it is relatively frequent that it operates jointly with project management (e.g. Department of Strategy and Programme Planning) and there is also such solution where it operates jointly with the international area (International and Strategic Directorate). It is also possible that strategic and controlling areas operate within one organizational unit.

The intensity of institutionalization shows how many PM-related departments or positions the organizational structure includes.
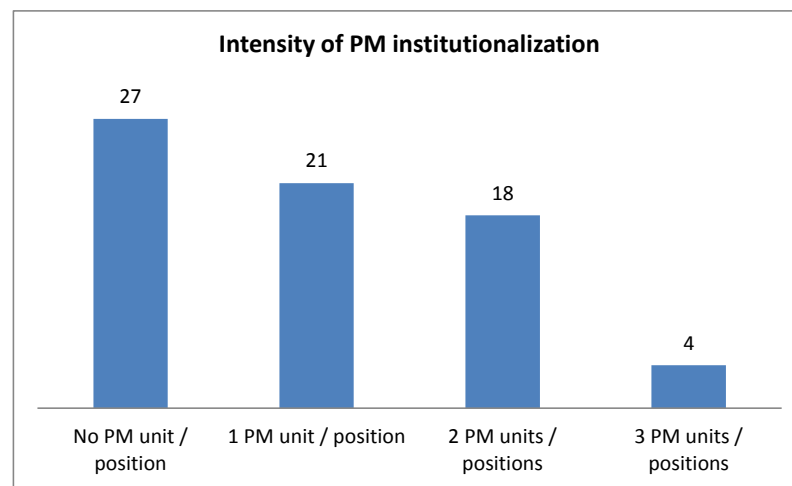
Figure 17: Intensity of PM institutionalization (frequencies, N=70)

Approximately 40 per cent of agencies do not use the examined PM-related organizational units or positions at all. In 21 organizations (30 per cent) I have found one type of department or position, in 18 agencies two examined areas were institutionalized, while four organizational structures contained all of the three areas.

As a summary it can be stated that the examined elements of performance management tools are not unknown in the majority of agency-type organizations. Three fourth of the organizations publish at least one performance management tool

on its website, and more than 40 per cent (31 organizations) communicates the application of at least two performance management tools. Of course publishing only one performance management element does not mean that the organization is committed to performance orientation. But publishing multiple performance management tools makes it more likely that in the given organization performance management applications or tools do really operate.

At the same time it is not possible to draw well-grounded conclusions on the specific characteristics of tools and their organizational embeddedness simply building on the publishing of these tools on the websites. The appearance of organizational units related to performance management and organizational positions in the organizational structure imply that certain elements of performance management have been institutionalized and have become part of the day-to-day operation of the organization. Approximately 60 per cent of the examined organizations have at least one organizational unit, the activity of which is closely related to performance management, and in the case of 21 organizations (approx. 30 per cent) at least two institutionalized areas could be found, appearing also in the organizational structure.

I also examined whether there is a relation between performance management tools published on the websites and the embeddedness of the area. There is an existing and positive relation between these two variables (the correlation coefficient is 3.14, $p=0.001$): organizations which publish multiple PM methods on the internet have institutionalized this field to a higher extent, i.e. they have more PM-related organizational units or positions.

It is also important to mention that in a substantial part of the organizational websites (20 out of 72) there has not been any reference to any of the examined performance management tools, and in the case of 40 per cent of the organizations the organizational structure has not indicated any organizational units related to performance oriented operation.

Relation between the application of performance management elements and certain organizational characteristics (research question Q2)

The second research question refers to the factors and mechanisms which can explain the establishment and implementation of performance management tools in the examined type of organizations. The qualitative phase of the research is basically oriented by this question. But in the case of a several factors it is worth examining if there is a relationship between performance management elements appearing on the websites and factors describing organizational context. Similarly, an examination can be carried out on the relationship between the application of organization units related to performance management and some context variables.

Based on the literature (see chapter 3) there is a conflicting picture about what factors, drivers help and block the application of performance management tools in the organizations of public sector. Content analysis is suitable to draw conclusions on the context, so I took a few factors which had been identified during the analysis of the websites and examined the relationship between these factors and the examined elements of performance management. The following table includes the context elements involved in the analysis, their brief interpretation and the reasons for choosing them.

Context variable	Interpretation, reasons
Superior body	The superior body (Parliament, government, ministry) which places requirements to agency-type organizations can have an effect on the application or non application of performance management, based on the literature.
Sectoral classification	Sectors have been identified based on governmental functions (COFOG = Classification of the Functions of Governments). Based on sectoral classification there may be differences in performance management applications between organizations.
Size of budget, number of employees	The size of organization can be measured by the size of its budget or the number of its employees. According to some researches, the size of the organization can have an effect on the application of performance management.
Age of the organization	Time passed since the establishment of the organization. In stable organizations having a longer history institutionalization is more likely.
Time passed since the appointment of the top manager	The support and commitment of the senior management seems to be critical regarding the application of performance management. The stability of the top manager can have an effect on the application of performance management.
International relations	International embeddedness of the organization (e.g. through policy transfer mechanisms) can also have a relationship with performance management.

Table 13: Context variables involved in the analysis

I examined the relations between certain performance management elements (mission, strategy, operative plan, professional report, quality assurance) and organizational units related to performance management and between the above-mentioned context variables using correlation tables. The significance of the relation between the variables was tested using chi-squared test (Falus and Ollé 2008).

During the analysis the following relationships were significant (the results of relevant correlation tables and the chi-squared tests can be found in annex 8.2)

- The relation between the *classification* of organizations *by governmental functions* and the *publication of the operative plan in the bylaws* has shown a

significance level of 95 per cent. This can be explained by a specific regulation of given sectors, for instance organizations carrying out official controls it is obligatory to make and publish annual or half-yearly official control plans.

- The classification by *superior body* has shown significant relationship with more factors. The relation between the publishing of the *operative plans on the websites* and the classification by superior body has shown a significance level of 99 per cent. The relation between the existence of an *organizational unit responsible for quality assurance* and the *penetration of performance management elements* has shown a significance level of 95 per cent *with the intensity of publishing these* and the before-mentioned context variable. This outcome underpins the assumption that requirements of the superior body play an important role in the application of performance management.

- The size of the organization is characterized on the one hand by the size of its budget, while on the other hand by the number of employees. According to the analysis of correlation tables, the larger budget an organization has, the more likely a management control unit is established. This relationship has shown a significance level of 95 per cent.

- The *number of employees* has relation to *organizational units responsible for quality assurance* (significance level of 99 per cent): the more employees an organization has, the more likely an organizational unit responsible for quality assurance oparates.

- The age of the examined organizations and the time passed since the appointment of the top manager have not shown a significant relationship with the analyzed variable. The time passed since the appointment of the top manager had relationship with institutionalization, but only at significance level of 90 per cent.

- The intensity of international relations (which was measured by the existence of organizational units dealing with international relations) has shown a significance level of 95 per cent with the publishing of operative plans on the website, and a significance level of 99 per cent with the publishing of professional reports and the existence of a management control unit.

During the analysis of the relation between context variables and performance management elements, and between context variables and organizational units it has turned out that there are relations between certain contextual factors and between the publishing of PM and the level of institutionalization of PM. The most significant factors are the role of superior bodies and the existence of international relations, while the age of the organization has no relation with performance orientation, based on the analysis.

The existence of these relations gives no explanation to how these factors support or hinder the application of performance management tools. This question can only be answered by a thorough analysis containing more information. Revealing and interpreting these mechanisms is the main aim of the second, qualitative phase of my research, which is built on personal interviews. The outcomes of the first research phase have given a useful orientation in determining the focus of the interviews.

6.2. Process and results of the qualitative research phase

In subchapter 5.3 I introduced the theoretical fundamentals of the qualitative research phase. In this chapter I summarize the process and the main outcomes. As the whole research process is built on mixed methods, more precisely on explanatory design, first I present the connection between the two research phases.

Web content analysis is connected to the qualitative research phase in two points:

1. Sampling: identifying participants of the research. The difference between possible ways of sampling in qualitative research (thus also in grounded theory) and in quantitative methods is that the former is dominated by the principle of relevance, instead of randomness. During content analysis I have mapped agency-type organizations of the Hungarian public administration and I have got a comprehensive picture about performance management elements appearing on their websites, and about organizational units and positions are applied by the agencies. This general picture has helped me a lot in identifying those organizations which lead me closer to answering my research questions. I was searching for organizations where multiple performance management tools were applied and performance management was to some extent institutionalized. This was an important factor in selecting the interviewees because this means that they have some kind of experience and interpretation about the elements and conception of performance management and they may have an opinion about the factors supporting and hindering the application of performance management. The aim of my research is exactly to reveal these interpretations and mechanisms. Another important aspect was that interviewees have experience for a longer period of time both on the examined organizations and on performance management, so I was searching for managers and experts who have been in a leading position in the examined type of organizations for more years.

2. Identifying the focus points of the research: As a result of content analysis a few factors have emerged (e.g. the role of superior body, international embeddedness), which can have a relation with the application of performance management. Revealing these factors deeper and understanding the mechanisms have oriented the data collection and data analysis in the qualitative research phase.

The chart below presents the research process building on grounded theory approach, which also shows the logic of unfolding. In the next subchapter I introduce the steps of this research process.
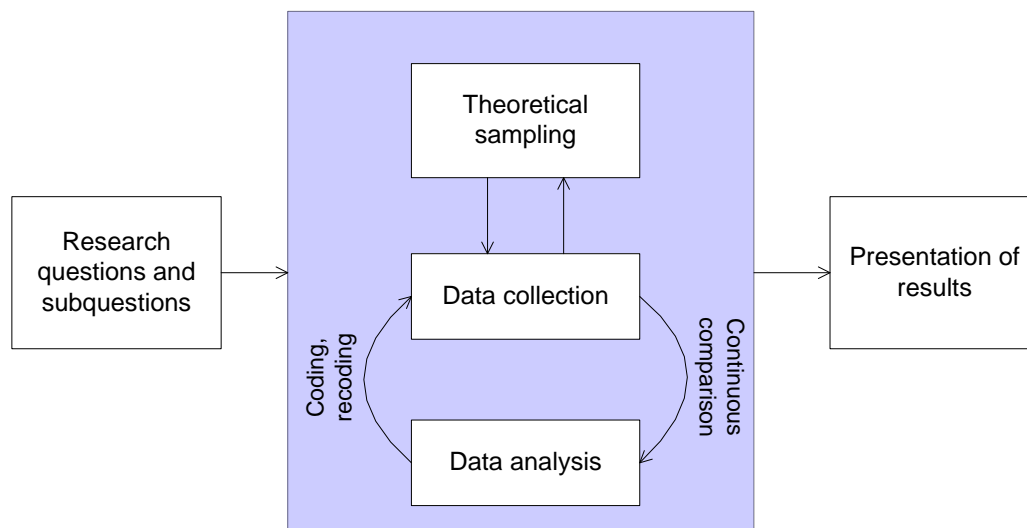
Figure 18: Qualitative research process (Strauss and Corbin 1998)

6.2.1. Questions orienting the qualitative research

The two main questions, which have oriented the qualitative research phase were the same as in the first research phase. But the subquestions of the current phase were different.

Number	Research questions and subquestions orienting the qualitative research phase
Q1	**What kind of performance management tools exist in agency-type organizations of the Hungarian public administration?**
Q1_i	What kind of expectations, opinions can be observed regarding certain performance management tools applied for the performance oriented operation of public administration by the interviewed managers, experts?
Q1_ii	Can typical, repetitive patterns regarding the application of these tools be observed within organizations which have established performance management tools?
Q2	**Which factors and mechanisms can explain the establishment and implementation of performance management tools in the examined type of organizations?**
Q2_i	What kind of explanations do interviewees provide concerning the drivers of performance management applications?
Q2_ii	What kind of hindering factors are in the way of applying performance management tools in the examined organizations?

Table 14: Research questions orienting the qualitative research phase

6.2.2. Sampling

In qualitative research the researcher is looking for patterns which can provide information about his or her research question. The main characteristics of sampling in qualitative research (A. Gelei 2002; Miles and Huberman 1994) are the following:

- tries to have small sample and to consider the embeddedness into the context (contrary to large sample and leaving context out of consideration);

- selecting the sample in a conscious, targeted way (contrary to random sampling);

- selecting the sample based on theory (contrary to representativity);

- sample being created gradually, from step to step (contrary to previously defined sample).

During the planning phase of the research it is important to take into consideration that the number examined type of organizations is relatively low. Altogether 75 agency-type organizations operate in Hungary and their exact number is changing from year to year because of structural changes (e.g. consolidations). As I already mentioned in the beginning of this chapter, during the sampling I tried to find those intensive institutions rich of information, where performance management applications have a longer tradition and even more tools may be applied. The identification of these organizations was eased by the outcomes of web content analysis.

The first interviewee has been working at an organization where there existed performance management elements and organizational units, based on the web content analysis. The interviewee was not top manager of the organization but deputy manager, working in the institution in a leading position for more than 15 years (apart from a few years when the interviewee was not working in this organization but still in public administration). After coding and analyzing the first interview, I had a feeling that I should put the findings into a wider context, so I chose an expert to be my second interviewee, who was working for more of the examined organizations as management consultant and has wide experience regarding both performance management and public administration.

After coding and analyzing the second interview I approached 8 managers via e-mail, who are for several years members of senior management as top managers or deputy managers, and, based on content analysis performance management tools and related organizational units are operated in the institution. These two conditions jointly applied to approximately 10 agency-type organizations. Out of the approached managers five answered and four accepted my invitation for a personal interview. Finally six semi-structured interviews were made (5 managers, 1 expert), moreover in one of the organizations besides the interviewee, who was the top manager of the organization, one of the deputies of the interviewee has answered in writing my previously sent research questions. As this written answer included a significant

amount of interesting and detailed information, I added it to the texts to be analyzed (the list of interviewees is available in the annex). During the analysis of the interviews I found that the approached senior managers took the role of an expert when they were talking about the examined phenomenon: all of them has an experience of a decade or even more in their organization, they are acknowledged in their profession, they have a wide picture on the mechanisms of the operation of public sector and also on the characteristics of the operation of organizations of public administration. They have experienced more changes of the government, changes of the superior body and changes in law and in the organization. As a consequence I considered the interviews of managers and the expert as equal during processing them.

6.2.3. The iterative process of data collection and data analysis

Data collection - as I already indicated in chapter 5.3 - was carried out using semi-structured interviews. During the selection of interviewees I was primarily concentrating on top managers, because they are in charge of deciding the potential implementation of performance management tools and they are the persons who are most likely to use information in connection with performance management in the decision making process. Besides the top managers, an expert interview has also been made with a consultant having experience in connection with several agency-type organizations regarding certain tools of performance management. The advantage of semi-structured interviews is that my questions got answered and also the aspects and interpretation of the interviewee was taken into account.

The preparation for the personal interviews started in March 2015 and the interviews were made in the first three weeks of April. Prior to the interviews I examined the outcomes of content analysis regarding the given organization (website, charter, bylaws, applied performance management tools) and the CV of the interviewee. The time frame of the interviews was planned to be an hour, the shortest lasted for 40 minutes while the longest for an hour and a half. The interviews were recorded with

the prior consent of the interviewees, what enabled me to make a word-for-word transcript of the interviews. For the interviews I previously made an outline which was modified after the first two interviews (the questions are available in the annex). During the interviews I was not forcing all questions to be answered but to make the interviewee talk about the most important topics, otherwise I left them speak about what they had in mind in connection with the given topics.

In grounded theory approach data collection and data analysis cannot be strictly separated, data analysis is carried out continuously also in the time of the new interviews, thus the outcomes of a previous interview can be built in the following interviews. Data analysis was carried out in the form of a spiral, iterative process - building on feedbacks.

The way of data analysis was coding. According to Strauss and Corbin (1998) this is a multi-level process, starting with open coding, then relationships, connections are being searched in the categories identified (axial coding), finally the evolving theory is being integrated, specified (selective coding). In the coding process I used the software called NVivo.

The first interview was coded by open coding, I tried to label the main topics. The created coding system in this phase had 34 elements and only one level. The open codes have been supplemented by some further categories which might be important in the analysis, according to the literature. Thus the category system grew to 46 elements. The interview was recoded based on the new system. After coding the second interview and specifying the coding system I started to search for connections between the categories (axial coding) and this was the time for creating more abstract categories too. Thus a two-level coding system was starting to evolve, including main categories and subcategories. This hierarchical coding structure was continuously modified during the following interviews. Based on the new coding system I recoded the previous interviews as well. The coding system which has evolved after the fifth interview was not modified after the last interview, it was already suitable for coding

it. The hierarchical coding structure evolved during the analysis of the interviews is available in the annex.

Thus coding and continuous comparison is an iterative process, which require the texts of the interviews to be read and coded again and again. The most time consuming phase was the search for connections and finding abstract categories. This work phase was characterized by many dilemmas and rethinking.

6.2.4. Quality of research: presence of the researcher, reliability, validity

How we think about the quality of a qualitative research differs from in the case of a quantitative research. In this chapter I briefly introduce my efforts to comply with the quality requirements of qualitative research.

Data arising from semi-structured interviews is a result of joint interaction (between researcher and interviewee), consequently it is impossible to exclude the *effect of the presence of the researcher*. At the same time I tried to identify this effect and use it in my research (Maxwell 1996). It is a distorting effect when the interviewee would like to meet requirements which he considers real, and the reason for this is that the outcomes of the research will be seen by other people and he strives to answer "well" and to avoid making mistakes. To tackle this phenomenon I tried to stay neutral in my wording and not to judge neither positively, nor negatively what they say. As all of the interviewees were elder then me, had doctoral or PhD degree and I was not asking them about abstract issues but about the operation of the organization, I have not experienced any intention of conformity as a reflection to my status (being a university teacher-researcher) (Esse 2012).

The reliability of a research is assured by its methodology. In qualitative methods exact reproducibility cannot be required to the same extent as in a quantitative research. But in the case of using these techniques can also be convincing that other researchers would have found the same results. This means that the research process needs to be

described in such a detailed way that another researcher should be able to conduct a similar research based on it. I tried to comply with this requirement in chapters on the theoretical fundamentals of the methodology and on the research process. In order to increase reliability the researcher has to document the research process as precisely as possible. In my research this was ensured for example by recording the interviews and the research process can also be tracked by memos and notes.

Assuring validity is more difficult than assuring reliability. According to Maxwell this concept can be defined as an attention to the correctness and credibility of description, explanation and interpretation. The key is to recognize hazards affecting validity and to be aware of them. In order to increase credibility the researcher has to describe in a detailed way why a certain research model is applied or why the given interviewees have been selected. In the former chapters my research process was introduced taking these aspects also into consideration. During my research the theoretical sampling, continuous comparison and feedbacks from my supervisor and colleagues have increased credibility. It affects credibility in a negative way when the aim of the researcher is not to understand the findings but for example to force his or her own frame to gain ground. This can occur if the researcher is applying too closed questions. Leaving outstanding data or alternative explanations out of consideration can jeopardize theory construction. Methodological steps of grounded theory (multi-level coding starting with open coding, continuous comparison, making memos) contribute to the avoidance of such distorting effects and thus enhance the validity of the research.

6.2.5. Research results

The main results of the qualitative research phase are summarized in Figure 19 (see below), it is a system of main supporting and interfering factors influencing PM applications.

Based on grounded theory it is considered to be a middle-range substantive theory which might be applied only in the examined specific area or context. Mechanisms and relations among categories were formulated during the coding and re-coding of the interviews, and the first phase of the research have also had an impact on identifying some of the categories.

The following figure summarizes the connections between the examined categories. The examined phenomenon is located in the centre: PM elements and PM-related organizational units and positions. As a result of the study I have identified another central category: managerial attitudes towards PM, which are connected to the applied PM elements and units. Attitudes are judging statements which reveal the way of our feelings (Bakacsi 1996). On the left and on the right of the figure supporting and interfering factors affecting PM can be found. In the following I introduce the elements of this figure and the relations between them.
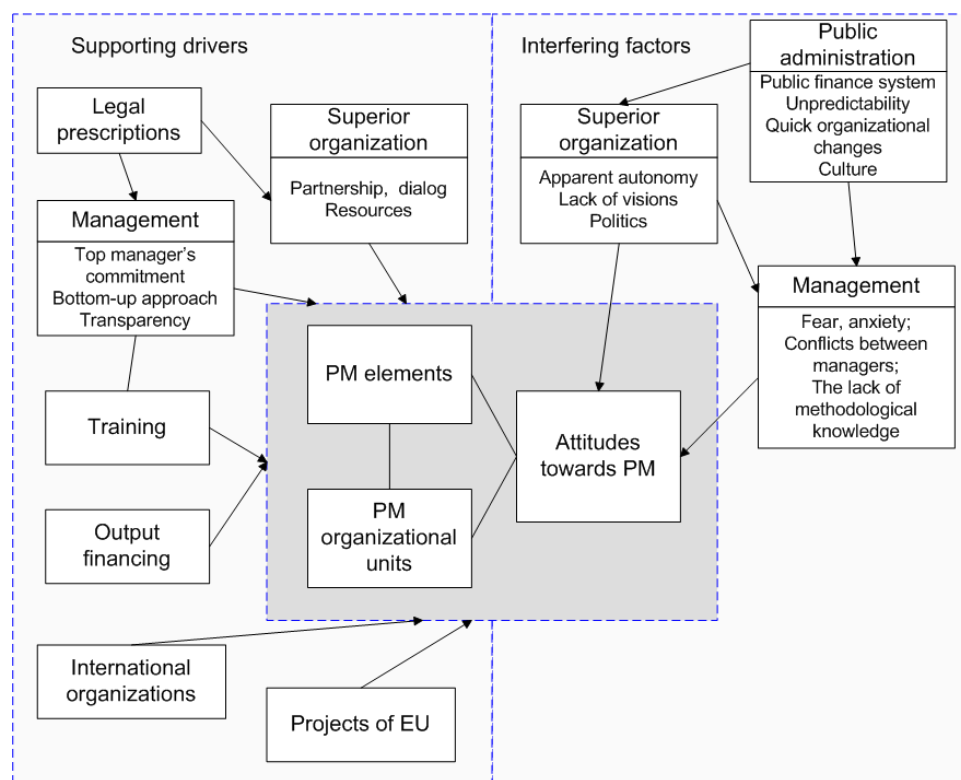
Figure 19: The system of drivers and interfering factors influencing PM

From the interviews it became clear that the approached organizations use several kinds of performance management elements. Moreover, the list is longer than what was identified in the quantitative phase as I was focusing only on elements which are suitable to be published on a website. The managers more or less knew the content, meaning and possible role of performance management tools even if a certain tool was not in application in that organization. In the following I first introduce how performance management is applied in certain subsystems (planning-accounting-reporting) then I present the lessons learned on the operation of related organizational units. The managers have expressed their attitudes, positive or negative relation regarding certain elements or organizational units, which I will indicate those too during the analysis.

1. Planning systems

Long-term planning and strategy making do exist also formally in two out of all of the approached organizations, as they had institutional strategy. In one of the institutions there was a strategy under the governance of a previous top manager but now there is none. Another manager said that they had strategic objectives but they did not do formal strategy making. Certain elements of strategic planning do exist in one part of the institution, but do not exist in other parts.

> *"Feasibility studies in priority projects can be considered as strategic documents That covers the whole project period, includes real analysis of the situation, objectives, development needs, work breakdown, identifying target group." (I6)*

It was the case in more interviews that strategic plans were made, even several times but it was not followed by wider strategic management (monitoring, modification).

"What is usually typical is that we develop a strategy, which is one thing. But even in the case of carefully developed strategies implementation, measuring and regular correction do not really happen. This means that even if there was an up-to-date strategy, that becomes outdated after a while and the operation is not characterized by continuous monitoring and aligned with the budget these take the institution forward." (I5)

"It is a result of the insufficiencies of public administration and us that we have to start things over again and again. This means that we cannot implement a balanced scorecard or such. There has always been an intention to make this an updated strategic line, a continuously revised spiral and a system determined by regular cycles. Instead, we always had to start over or find completely new ways." (I2)

Strategy making was considered important by the interviewees, their attitude was rather positive and they defined it as a desired but not exactly well implemented activity. The possible reasons will be revealed later in the analysis.

Mid-term plans (for the coming 2-3 years) are made in all institutions, except one. This tool was considered important as well, however, in several cases they mentioned that hardly ever have the plans become reality.

"We made a 3-5-year plan which was interrupted mostly by the law. The legal environment was continuously changing and also the profile [of the purchasing organization], so the needs as well." (I3)

"A mid-term plan had last been made in 2014 in the organization, but its accuracy and applicability is questionable because of the uncertainty of elements of the market environment and the legal environment." (I7)

Regarding *operative, one-year plans* it is typical that yearly working plans the aim of which is to plan the professional work is completely separated from budget planning which serves as the basis of the operation.

"Budget planning and the yearly working plan (planning of professional tasks) can well exist in parallel without being connected to each other." (I5)

"There is no direct connection between compiling the yearly working plan and the budget proposal." (I7)

"The yearly working plan includes only the expenses necessary to carry out the professional work." (I6)

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Besides, a few interviewees presented that very detailed professional working plans are made in their organization, which provide a basis for the operative professional work.

"[The organization] makes detailed working plan, which prescribes the tasks to be done by the given organizational units, the performance objectives to be achieved and the indicators of the work." (I7)

The stress arising from the deviations of planning logic of European Union projects from the planning logic of the core activity of the organization has been mentioned again.

"What is really difficult for the whole institution system is to integrate the highly determined, standardized methodology of European projects, what was put into the current, unfocused something, but, of course everyone is keeping it away from himself. Thus those who are in charge of budget planning say that they do not deal with European resources." (6)

There are both positive and negative attitudes towards making professional working plans. Several managers commented that they consider it pointless to make yearly operational plans, which is required by the superior body.

"[the superior body] accepts the working plan, then tells us what to do." (I6)

"In fact there was a period when the governing or supervisory body asked for our working plan. We can put longer places in the working plan - I think it is just much smoke, little fire. [...] We can write down such things but these are only very general operation principles." (I4)

Budget planning is based on traditional budgeting technique based on the previous year. Two organizations can be mentioned as exceptions - partially - as both applied needs estimation as a starting point of planning of their own revenues and one of them applied activity-based planning too.

"Planning of activity costs is also applied besides traditional budgeting technique based on the previous year. In the recent years (2012, 2013) several materials was made with such structure: the entire management plan of [name of the organization] can be and was broken down by tasks. The activity based

planning is mostly useful by calculating the effects of expenses-incomes of the new tasks. In the case of repetitive activities it is not useful." (I7)

The dominant approach is still the traditional budgeting technique based on the previous year, as it has been the obligatory way of planning the next year of operation.

"The annual traditional budgeting technique based on the previous year determines the entity and sense within this sector." (I5)

2. System of accounting, measurement

Within the examined type of organizations accounting records had a cash based approach over a long time and it is a significant improvement that accrual accounting has been introduced from 1 January 2014. The interviewees have reflected on this new element without asking them.

"In my opinion this is a highly positive and important step ahead. But for the time being we are struggling. I think this can have a positive effect on the long run, now the accounting basis of a register is being established which is comprehensive just like in the case of companies. Because companies also have cash flow statements and profit and loss statements. Now we have the opportunity to have both. What would be still important is that a change in approach should follow the change in the system." (I5)

Negative voices have also emerged, and in my opinion this can be explained by that organizations are still tackling with the difficulties of the switch.

Apart from the accounting subsystem there is a number of other sources of data serving for performance measurement within the organizations (core activity, supporting systems such as staff records), which are often collected and categorized for external data supply. Data generated during the professional core activities and support activities are used as data sources by the management control department, but it is rather typical in organizations where this field has an activity-based approach.

3. Reports, evaluation

Each of the approached managers use internal reports, regular and/or ad hoc reports. Of course the way of doing it varies in every organization, some of them use monthly and quarterly reports to support the management. Whereas, three organizations prefer ad hoc reports and besides they intensively use the *query functions of the information system*.

> *"I was looking at the daily performance data, the outgoing, that has been used, the demand [...] Then the budget, I checked every day where did our financial officer, who was a bit anxious, restrain money, what could we do that we have not yet done, as we have some reserves. I went to the office every day very early, when there were only a few people there, because I could concentrate on and check this daily report then." (I3)*

> *One can see [from the information system] that something make the processes stuck or go slower. One asks for lists, statements which show who is dealing with how many processes, how those are progressing. One can look after the process." (I4)*

But the analysis shows that not all managers of the organization use these internal information sources and reports in their work. There are or there would be further opportunities to use these internal information sources.

> *"There is much data available, but this opportunity is not utilized. This means that it is not analyzed in a reasonable way, nor brought back to decisions." (I5)*

> *"It primarily depends on the own, unique habit of the given manager. If there is affinity, interest in the manager, and he requires it, then it can work quite well. So when somebody likes to work from this then he works this way, but somebody does not like it." (I5)*

The use of different *indicators* was mentioned in several interviews. These are typically indicated in reports and these thoughts are also typical for the use of indicators. The separated nature of European projects appeared also in connection with the indicators, i.e. the phenomenon that performance is measured very intensively and various indicators are being used in the case of these projects. But this practice exist only in this isolated area within the organization, outside the projects the use of the indicators is not usual. The topic of indicators was characterized mostly by negative attitudes.

"The [organization] carries out a highly intellectual work which is extremely hard to standardize, performance is very difficult to be assessed. At the same time European projects require performance indicators. Thus the role of the indicators is more significant, but this have not become typical in the day-to-day operation." (I6)

"Measurement has become part of public awareness due to European projects and obligatory indicators prescribed by them. Identifying and meeting these indicators is a formal drag for everyone, in my opinion." (I5)

4. Individual performance assessment

Most of the interviewees started to talk about personal performance assessment and its role without asking. As I wrote in the chapters about theoretical framework, since 2002 there has been several initiatives by the government in order to make the application of personal performance assessment systems obligatory, so the concept is well-known in the examined type of organizations.

There was only one case when my interviewee talked positively about personal performance assessment. However, in this organization performance assessment of the employees had started already earlier than the government initiatives were introduced.

"In this area, where people may have several hundreds of folders, keeping the schedule and legal compliance can be assured by requirements concerning personal performance. If we create such requirements, these have to be standardized and deviations have to be measured by professional fields. This way the amount of work and workflow can be planned, such as our outputs. As a summary, it is a relationship recognized for several decades already, and performance requirements of those working as official decision makers have developed a lot over those decades. So the new performance assessment system has not made any difference in our organization." (I1)

The attitude of the other interviewees was rather negative in connection with the personal performance assessment system. The following quotation can be considered as typical:

> *'The performance assessment of civil servants is taken seriously on a seasonal basis, when it has actuality, otherwise not. I also have it, it needs to be filled, then we have a formal assessment and we discuss it as well... So it has importance to some extent, but it is not suitable to assess how much value his or her performance creates." (I2)*

Most of the interviewees have answered with no to the question whether the objectives of the organization, plans and personal goals are connected in practice, except for the organization, where personal performance assessment has a tradition of several decades. One further interviewee mentioned that earlier, under the governance of another top manager, there existed also planning on an individual level.

> *"After the working plan had been finished, the central director was responsible for that one month following the approval of the working plan everybody submitted his or her own individual working plan." (I6)*

Organizational units, positions related to performance management

In the followings I summarize the opinions and attitudes regarding organizational units related to performance management. In the quantitative research I was examining three organizational units or functions, namely *management control / controlling, quality assurance and strategic planning*. But in the interviews further organizational units have appeared, closely related to performance management. These were the units responsible for the planning, implementation and accounting of *European projects*, units dealing with *internal audits* and the wider *financial area*.

As regards the management control area the results are the same as in the case of content analysis: this function is usually linked to the financial area. There was only one case where controlling was linked to the senior management as staff, and another interviewee said that controlling had been operating as staff next to the senior management but then it was transferred next to the financial manager. While at for-profit organizations management control is strongly characterized by accrual based approach, according to three interviewees controlling has rather financial focus.

"Under controlling we specifically mean financial controlling. (I6)

"At the beginning of the decade nobody knew what controlling was, everybody started to think in financial monitoring and such." (I2)

The other three interviewees have talked about the operation related functions of controlling. They mentioned examples when controlling included planning and analysis-related tasks in connection with the core activity. For instance this area, carries out comparisons between organizational units or analysis in order to increase its own revenues, or supports decision making with calculation of unit costs. Management control unit also has a role of a management consultant.

"When I need information on one of the areas I go to the controlling immediately." (I2)

It is important to highlight that 3 out of the approached organizations has a controlling unit consisting of several people for years. In these cases interviewees were talking about controlling particularly proudly and with a positive attitude.

In connection with the management control function one of the interviewees has referred to internal audits, which is most likely not a unique situation among agency-type organizations. In organizations where performance management tools are not applied and management control is not institutionalized controlling area, it is not likely to have know-how concerning internal audits.

Regarding quality assurance, several organizations mentioned that it does exist in the organization, but in fact they do not use it. People who would have a role of dealing with quality assurance based on their scope of activities are busy with other duties.

"We have a quality manager who is now dealing with programme management. He has made a quality strategy for our organization what was in principle approved [by the top manager] but it has never been announced. And most importantly, the organization is not being operated according to this." (I6)

"There was a moment of breakthrough that maybe now our culture enables us to move towards CAF. Then a strong push has started, but you know, the

problem is always the same. If the breakthrough is not complete, the senior management does not support the initiative with its full potential and does not push it over a period or till the end, then the whole thing is starting to die. And now we have something elaborated in our drawer." (I2)

In a few of the approached organizations quality assurance tools are used intensively and these play an important role in the governance of the organization. This opinion was typical for organizations which had ISO or NAT certificates. In these cases managers were talking proudly about the certificates and they described the tasks related to quality assurance positively even if some of them also mentioned the huge administrative burden entailed.

"In 2004 we had an objective to [...] have our activities be accredited. There was an external incentive to do so, namely that we knew that a related EU regulation is going to enter into force. In Hungary [out of those conducting this activity] we were accredited first. Which is a huge advantage. In 2004 we applied for a structural fund to receive support for the preparations. Because the superior body was not really interested about this whole thing, this was rather important to meet professional standards. [...] So we applied, I think we won 60 million forints for the preparation, then we asked a company [dealing with accreditation], the preparations were done, the submission was done and since 2009 our institutional system has been accredited. This is already the second cycle of this. [...] We have not worked with a worse quality before but now we also have a paper to prove it. A huge extra administration work was entitled to it." (I4)

In one case indicators of the new quality assurance system were integrated in the individual performance assessment system and it has become an important part of the internal information system.

"We own ISO 9001 certificate for 5 years. Moreover, ISO 27001 for 3 years and ISO 20000 for 1 year. These TQM indicators were added to our indicator system, what is useful because our points system could be aggregated into one dimension, thus the annual performance of a given person could be summarized in one score. But after a certain limit aggregating performance into a single variable is misleading. Extremely. And with bad or good intention, but dysfunctional individual behaviours emerge." (I1)

The latter cannot be considered as a typical solution. The interviewees gave mostly negative answers to questions about certain PM elements and systems or to questions

on the linking and integration of the elements of different levels. I already mentioned some examples on this: the separation of working plans and planning the budget or the lack of linking organizational and individual level objectives.

Out of the 5 organizations 1 had an organizational unit dealing with *strategy making* in an institutionalized form. In the other organizations strategic planning was not applied (see before), or is applied but has not been institutionalized.

> *"We are small and it would be ridiculous to develop a working group for strategy making as a permanent organizational unit, but in fact we do have a group dealing with strategy in the cabinet." (I1)*

In connection with European projects I already mentioned that in the planning and monitoring of these projects numerous performance management elements appear, which are requirements of the EU and organizations do meet them. At the same time it can be observed that these elements are isolated within the organization and are not connected with other areas. This phenomenon was mentioned by one of the interviewees with strong frustration.

> *"What we have not managed to improve for years is to connect basic tasks with project tasks. [...] this poses a huge conflict in the operation of the organization. Practically this has separated the organization into two parts. Because there are people who work on projects and others working in the normal operation." (I6)*

The decree regulating the activity of *internal audit* also prescribes how to operate the internal control system, the establishment of which is duty of the top manager of the organization (Government Decree 370/2011 (XII. 31.) on the Internal Control System and on the Internal Audit of Central Public Administration Bodies). In all organizations included in the research (75 agency-type organizations) there is a position of an internal auditor or related organizational unit - depending on the size of the organization. In this law many provisions can be found which are important from the point of view of performance management. One of these is that the internal controlling system has to include proceedings which ensure that activities are proper, economic, efficient and effective. These aspects aim at the application of economy,

efficiency, effectiveness, so performance oriented operation (see chapter 2). The internal auditor has to carry out performance audits intermittently, however, this is not part of his primary duties.

The approached managers typically have not mentioned the internal audit function, neither the internal controlling system in connection with performance management. When I asked them about it, they still have not considered it as a position, organizational unit or activity closely related to the topic. Internal audits are about the revision of compliance, proceedings regulating the internal operation and revision of financial documentation. Performance orientation is not in the focus. Operating the internal management control system means much more according to the law, but the approached managers had different opinion.

> *"There is this internal control system, which would be obligatory to operate. So I started to work on it, but as I opened the door and looked around in this world, I found so much work that I changed my mind, because I neither had time nor energy to deal with it." (I6)*

As a summary we can say that the approached interviewees are well informed about different tools of performance management and its possible application areas. However, in the examined organizations certain performance management elements appear with different emphasis, roles and tasks, several tools are applied in all of the organizations during their operation. The interpretations included also cases when frustration, disappointment or negative attitude of the managers was strongly palpable and the managers also shared their ideas regarding development opportunities of performance management. The analyzed performance management systems are characterized by fragmentation, certain elements work well, but they are not integrated in a whole system, what was recognized by several managers. One organization can be mentioned as an exception, where performance management system is operated in a relatively integrated way.

Attitudes related to performance management

During the introduction of the appearance and interpretation of the elements and organizational units of PM I also mentioned the related managerial attitudes. Data analysis shows that the attitude of managers determine fundamentally if these tools do exist in the operation of the organization and if yes, how. The direction of the relationship is not clear, based on the interviews it seems that primarily the attitude or set of the managers shape PM applications, but on the long run these sets can change and PM might have a role in this change. There was an interviewee, who mentioned a change in attitude seeing the operability of a PM tool.

> *"Initially I was the biggest sceptic, because I said that when an organization started to qualify itself and people started to qualify themselves, that required a certain level of such type of culture. And we cannot really expect much until this is developed." (I2)*

It was varying that to which exact elements did the interviewees have a positive or negative attitude, however, in the case of certain tools rather positive or rather negative attitudes were typical (e.g. their attitude towards mid-term planning was rather negative). Anyway, the shape or change of the attitudes seems to be a key element regarding the application of PM. So during the interviews my aim was to reveal those mechanisms which support or hinder the change of positive attitudes related to performance management.

During the analysis I identified some main attitudes (categories) related to performance management tools and organizational units, what is summarized in the following table. The first three is about positive attitudes, while the other three is about rather negative, skeptical attitudes.

Category	Short interpretation	Example
Used intensively	The interviewee is proud to talk about it and is committed to the operation of a PM tool already applied, the introduction of the tool was in many cases carried out by the interviewee.	*"It has a long tradition in our organization. I have always dealt with it since I have been working here." (I2)*
Self-imposed introduction	Transferring a good example seen elsewhere into the operation of the organization.	*"There were staff change programmes, we tried to apply each other's' good samples, good practices." (I6)*
Challenge, problem	Positive expectation, attitude expressed in connection with a PM tool which is completely lacking or working improperly.	*"An upcoming challenge is for me to examine how a business plan looks like, what elements it has." (I6)*
Used to be operated	In the case of certain performance management tools the interviewees expressed their regret that these tools used to be applied before but in times of the interviews they were not.	*"By now the planning is not that proactive. Of course this does not depend on the institution but on [sectoral government]." (I6)*
External pressure, to be performed formally	Sceptic or negative attitude in connection with a PM element, in many cases an obligatory legal requirement applies to the organization and/or is prescribed by the superior body.	*"In most places this is considered as an administrative task to be done." (I5)* *"I think it is just much smoke, little fire." (I4)*
It exists but is not used	PM tools which were introduced before but are not in use by the organization are usually characterized by sceptic, negative attitude.	*"Even if there was an up-to-date strategy, it becomes outdated after a while and the operation is not driven by that." (I5)*

Table 15: Categories of managerial attitudes related to performance management

The link between managerial attitudes and PM elements is of key importance from the aspect of how an organization interprets performance management. In the next chapter I introduce what kind of factors support the application of performance management, how related managerial attitudes evolve and which factors cause reverse effect, which means apparent, formal application of performance management tools or setting which factors pose aside PM completely and developing negative attitudes against it.

Mechanisms, factors supporting the application of performance management

During the process of analyzing the interviews, I identified some supporting and hindering mechanisms. It was interesting that during the coding certain categories appeared simultaneously as supporting and as hindering factors. These codes were 'management' and 'superior organization', and I had to create subcategories to better understand the phenomenon. First I introduce the supporting factors then those mechanisms which mean an obstacle in PM applications, according to the interviews.

A *superior organization* (ministry or state secretariat) will appear as a driver related to performance management when it treats the *agency as a partner, provides additional resources for the introduction of PM tools* (required by the superior organ), and there is *a dialogue between the two levels*.

> *"They [the secretary of state and head of the agency] developed the annual plan together. Then there was a regular discussion about it, it was not our decision what to do. They argued for months on which tasks can be involved, the ministry is willing to finance this but will not finance that, this should be the focus, not that. They discussed everything also on a budget level. This type of negotiation does not exist today." (I6)*

Management has become a key category of the relationship system which can be a supporting and also hindering factor of the examined phenomenon. In the case of supportive management the *commitment of the top manager to performance management* has appeared.

"If the top manager considered it important, you would move mountains. But if he did not consider performance management important, it would become a struggle." Elements of performance management will always operate, depending on who does what in his own area, but it will not work on an organizational level." (I6)

"If the top manager has a certain view, proactivity and interest of it, and if he demands it, it can work quite well. [...] I consider this as the most important element. Because if these are given, the top manager will find the external resources, the consultants and what his or her pattern is." (I5)

These quotations also underpin why managerial attitudes have a central role in the relationship system. At this point we can find an interpretation on what can be the reason for the fragmented performance management applications and in which cases (with a supportive top manager) is it possible to link different subsystems to each other.

The personal commitment of the top managers of the agencies is obviously one of the key supporting factors, however it could not have a long-term effect in the period of this study. An important finding of the web content analysis was the rapid change of the heads of the agencies, thus we can say that it is not a stable position in Hungarian agencies. Only 6 top managers out of 75 were in their position before 2010. This can be considered as a grace period. It is no coincidence that these organizations have the most mature performance management systems. Out of the 6 managers 3 were interviewees during my research. Moreover, since 2010 the top manager appointed in 2010 have changed in more than half of the organizations and there is organization where more changes have happened.

"[The top manager of an agency is] the lowest level of politics. And I think nothing is worse than the lowest level of politics. Then comes the qualified failure, he will be carrying a political stigma. And it does not matter who I am talking about, everybody has gone this way." (I2)

Besides the top managers, their deputies can have a crucial role in supporting PM tools, and a deputy position can be a stable and committed leader role. But this hypothesis requires further investigation.

Beyond the person of the top manager the managerial approach of the management seems to be important (top-down or bottom-up). Several of the interviewees agreed that the *involvement and empowerment of employees* supported the application of performance management tools.

> *"Creating the whole algorithm took more than a year because it was developed together with the employees. Everybody was busy with it for one year and a half" (I3)*

> *"If there is a good atmosphere and you explain them what is the sense in working and why is it good for them, then they will accept and do it." (I3)*

Transparency as a value in the management has also a supporting effect regarding performance management applications. This is an element influencing mostly the application of tools related to transparency of the activity of the organization (e.g. public professional reports, mission appearing on the website etc.).

> *"It would be necessary to increase the transparency in of the whole system, this is still missing. If we look at the reports of a foreign authority, a school, a university, a hospital or any kind of public organization, that looks like a report of a company being present on the stock market. Doesn't it? It is nice, attractive, has 20 pages, tells you the most important things. Full of pictures, easy to understand. Here this genre does not really exist." (I5)*

> *"The main goal of our performance report is to improve the international transparency and to gain credibility and trust towards our organization." (I1)*

> *"...it was necessary to see that communication will have a crucial role in the future, so what was a strategic change is the consideration that communication is at least as important as professional content, what we put into it." (I2)*

Besides the superior body and certain factors of management legal requirements can have a supporting effect on the application of PM elements. Theoretically this can have a fairly direct effect: there are several laws which prescribe the use of given performance management elements for agency-type organizations as an obligation. Out of these several are used by the organizations. One of these is the introduction of accrual accounting system (Based on Government Decree 4/2013 (I. 11.) on the Accounting of Public Finances) or the obligatory disclosure of elements in order to

increase transparency (Standard disclosure list based on Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information).

At the same time I saw several legal requirements during the research which prescribe different tasks related to performance management as obligatory, but those are not or only partially, formally implemented in the organizations concerned. I already mentioned a few of these in the previous chapters, but it is worth summarizing them:

- Government decision 1365/2011. (XI. 8.) on the further tasks ensuring to keep the deficit target of 2012 prescribes for Central Public Administration Bodies in the central subsystem of public finances to define their performance indicators both quantitative and qualitative, norm of the number of employees and norm of costs. This is typically a regulation related to activity-based costing, which consists of the proper definition of activities, allocating costs to the activities, creating cost drivers etc. This type of cost accounting belongs to the tasks of the activity-based approach of controlling. According to the interviews there are examples for activity-based costing in the approached organizations but not because of this decree. In the other organizations similar calculations are not made.

- According to Government Decree 38/2012 (III. 12.) on *Government Strategic Management*, government agencies and central offices have to make yearly institutional working plan as an obligatory strategic plan document, which contains the objectives, deadlines and measures for the following year, and the plan has to be sent to the superior ministry until 15 January every year. One outcome of the content analysis is that the majority of the organizations do make yearly working plan, however, according to the bylaws not all of them. There was an interviewee who mentioned that the superior body of their organization does not require to make yearly working plan. The same decree does not define the development of institutional strategy as an obligatory element (only as recommended).

- The law prescribing the development of *internal control* system has also been mentioned before (Government Decree 370/2011 (XII. 31.) on the Internal Control System and on the Internal Audit of Central Public Administration Bodies). Certain elements of the internal controlling system (e.g. monitoring system) are connected to performance management, however, according to the interviews these elements are less likely to be used in the day-to-day operation. The State Audit Office has published a report in 2012 on the examination of the development and operation of internal control systems. It has found that in the case of the examined institutions and chapters 47 per cent was appropriate, 38 per cent was partially appropriate and 15 per cent was inappropriate in terms of qualification of the internal control system. Examining only the monitoring system the picture is even worse: "According to our assessment, out of the pillars the appropriacy level of monitoring is the lowest, the proportion of institutions qualified as "inappropriate" is 35.7 per cent" (Állami Számvevőszék 2012, 30.o.).

What are the lessons learned? Incentives of certain elements of performance management have appeared in the government objectives (which has been mentioned earlier already) and this intention was expressed in different laws. But a regulation itself is not sufficient, because the introduction of PM systems requires knowledge, time, additional financial resources, etc. If supporting mechanisms were not prescribed by the regulation, organizations would introduce PM only formally, or they would simply not apply the required PM methods at all.

During the research I have identified several factors, which have a supporting effect on PM applications. The role of trainings is twofold: it increases the PM-related knowledge and skills of managers, and the training of staff has a positive effect on motivation.

> *"Learning was extremely motivating. One could recognize that after a while, they attended courses, if they had possibility to do so. Or in the recent years we had a Social Renewal Operational Programme. We always applied for Social*

Renewal Operational Programme, because they wanted extra training. We organized middle level leadership training or they received communication training. They really liked these." (I3)

Financing mechanism has also significant effect on performance oriented thinking. If financing is linked partially or fully to the services or products provided by the organization, this strengthens output focus. There were several organizations among my interviewees where the proportion of own revenues was significant within the whole budget. It is typically about products or services of official price, but financing has contributed to recognizing the role of performance management.

> *"I am proud that after several years we have an estimation on the revenues and work flow based on model calculations, where the deviation of the 1-10-months numbers from the yearly plan pro-rata was 1 - 1.5 per cent." (I1)*

> *"... the controlling unit has compared cost data from time to time [between organizational units generating output]. If controlling has recognized something, which was not necessarily outstanding, only a few per cent, then they tried to figure it out and achieve that more revenues are generated from that story." (I3)*

The importance of *international partner organizations* is that they can learn good practices from each other in the field of performance management. This element was also highlighted by several interviewees. These relationships typically do not have a direct effect but an indirect effect, for example they might foster organizations to change their approach.

> *"The European [...] institutions have a professional consortium. [...] There were staff change programmes, we tried to apply each others' good samples, good practices." (I6)*

At the same time participating in the network of international partner organizations is vulnerable, in many cases these relationships are rather linked to persons and if the given person leaves the organization, then the relationship can also end.

The obligatory methodological elements of planning, implementation and accounting of projects financed by resources of the European Union also appear as an international effect, but they also provide a well-defined requirement system. Several interviewees mentioned that European projects are regular in the organization (Social Renewal Operational Programme, Social Infrastructure Operational Programme, State Reform Operational Programme). Requirements of implementing projects (co-)financed by the European Union can contribute to the development of organizational performance management methodology.

> *"European projects has to be planned according to this strict planning system. We use Gantt charts for planning, we have to make benchmark analysis, there are indicators, these have to be reported quarterly, we have cash-flow plans…" (I6)*

> *"What would be good to realize is that project as a genre does not only cover European projects but these can surely be internal developments as well which should be treated in a similar way, as a project. Or developing a law and participating in the process is actually a project: is unique, has beginning and termination, the participants have to be defined…" (I5)*

It was not included in the scope of the research to examine how much do organizations learn about performance management via European projects from a methodological point of view. It was mentioned by the interviewees that European projects are difficult to integrate in the operation of the organizations.

Mechanisms, factors hindering the application of performance management

In this subchapter I will overview the main factors hindering PM applications, based on the interviews.

Regarding *superior organizations* some interviewees pointed out that legal and financial independence of the agency is often limited, their autonomy is apparent.

> *"sometimes we are handled as a ministry department and the superior body manage the institutional budget as it was its own." (I6)*

It also results that there is no real agreement, which is obligatory for both parties to the same extent about the budget and aboutthe professional working plan.

> *"The superior body does not feel like making an agreement on the annual budget which includes also the rules on how the superior body can manage this budget." (I6)*

Limiting the independence of the organization is not favourable for the application of performance management, because it keeps the manager uncertain in terms of what he can exactly plan even on the short run and what is he responsible for.

The frequency in the change of the superior body, e.g. the change in ministers, state secretaries also appeared as a hindering factor, however, this was experienced differently by the interviewees. The frequent change in sectoral policies belong here too, which the interviewees mentioned as hindering effect.

> *"Due to the fact that people change frequently in the ministry, we have to teach them again and again what our duty is. They saw that we are willing to cooperate, for example when we had to adapt the European directives, we made that instead of them... It was better for us as well, you know? Because we had a bit more work but it was made appropriately." (I3)*

> *"Prompt reorientations in sectoral policies and changeovers in the government and this hectic schedule creates a difficult environment to establish a balanced, stable organizational governance." (I6)*

> *"We have not even built [the new activity] and they take it away. "And the most beautiful in the whole thing is that we have just established a new function without any additional financial resources, and now they want to take the function and also budget resources. Well, we said that we will give back gladly all what the ministry has provided for this task. And they do not understand. Because the minister was changed as well." (I6)*

The interviewees identified hindering factors also regarding the *management* of the agencies. Conflicts between top managers appeared in several interviews, what is not favourable for the establishment of performance management applications.

> *"Earlier I wanted to introduce ISO, but with the former top management I could not do that." (I1)*

"It is a question of managerial culture, how we collaborate." (I2)

"The financial manager does not think it is necessary. He says it is a problem of the project. He is working with the resources. But I am not interested in the resources, and where they are accounted, that is not a responsibility of project governance. It is the responsibility of the accounting. That is how we treat each other." (I6)

The lack of methodological knowledge regarding PM is also a hindering factor.

"All of us here has grown up using budget and thinking according to the budget. We never had to make a business plan. That is our shortcoming, not being able to create a business plan." (I6)

"This gap should be dissolved that motivation does not mean that I can give more money." Here everybody thinks that money is the only motivation." (I5)

According to the interviews it is also a hindering factor that many managers of the agencies do not dare to be proactive and they feel anxious. This is in connection with the superior body providing only apparent autonomy.

"Change of attitudes is necessary. This highly centralized system provides a very small autonomy for agencies, and the fault-finding attitude and the complete lack of empowerment are not good. So it is very hard to act like a leader and difficult to achieve results, because whatever the leader does, there is an uncertainty above him that he can be fired." (I5)

"Recently we examined how mature the management is in terms of strategy making. It turned out that the majority is full of fear and anxiety, but one cannot lead an organization that way." (I2)

The *broader context of public administration* is also an important category among hindering factors, it influences also the mechanisms described above. The Hungarian public finance system, the unpredictable and quick organizational changes and last but not least some cultural characteristics of public administration were the main subcategories.

"Public finances is a warm basin, something feathering." (I6)

"Institutions have to provide a huge amount of different data. Moreover, there are different revisions when the institution is full of employees of the State Audit Office or the Government Control Office for months, and the

administration of the institution becomes so busy that it is impossible to perform the day-to-day work." (I5)

One top manager of the organizations has mentioned that they have to provide data twice a week for external parties, what is also very burdensome.

The effects of the unpredictable environment and of quick changes in the laws was already mentioned in connection with planning systems. Many organizations see planning unreasonable, mainly on the long run because of these factors.

A few interviewees mentioned the hindering effects of the culture of public administration, what makes it difficult to implement innovative initiatives.

"The most important value of public administration is stability, and it always goes in the direction of mediocrity. And therefore there is a constant struggle with efficiency and effectiveness." (I2)

In summary, the possibilities of PM in Hungarian agencies can be interpreted in a complex and less supporting context. The interviewees were selected from agencies that are considered performance oriented, and even in their case, often appeared to be skeptical and with a negative attitude about PM. I have also seen examples for situations when the managers have succeeded in implementing their ideas, and they managed to develop and institutionalize certain elements of performance management. In order to make performance management tool system operate in a stable and integrated way, which influences the operation of the organization efficiently, numerous factors of the current context need to be changed.

7. Summary, conclusions

In my thesis I answered two questions. My aim was on the one hand to reveal what kind of performance management tools appear in agency-type organizations of the Hungarian public administration, while on the other hand to identify the supporting and hindering mechanisms regarding the application of these tools. International and Hungarian literature of performance management of public the sector and previous researches on agency-type organizations of the public sector provided the theoretical background of the research.

The empirical research was built on *mixed methods research* and *explanatory design*. The *first phase of the research was a quantitative web content analysis*, which is a methodology applicable to express frequencies and present statistical comparisons building on the database created during coding according to a previously defined criteria system of the examined websites. This phase was about revealing major operational characteristics of Hungarian agency-type organizations and identifying the performance management elements published on their websites and also the organizational units, appearing in the organizational structure related to performance management. The relationships between context variables and performance management elements, organizational units which might have an effect on performance management based on the literature have also been analyzed.

Data collection and data analysis in the *second, qualitative phase* was built on *grounded theory*. According to this the theory of the research (interpreting performance management elements, revealing their drivers) is evolving together with empirical data collection, and reality is being constructed by the research participants during the research process. Using this methodology the phenomenon can be examined only on a significantly smaller organizational base but to a deeper level.

In the phase of web content analysis all agency-type organizations of Hungary were subject of the observation, what increases the transparency of the outcomes. In 1

January 2015, 75 such organizations have been operating in Hungary. In the following I introduce the most important outcomes gained during content analysis, following the research questions.

Question Q1: What kind of performance management tools exist in agency-type organizations of the Hungarian public administration?

The appearance of the examined five elements of performance management (mission, documents related to strategy, operative plans, professional reports, quality assurance) was strongly varying in the case of the 72 organizations which had also a website. There were 20 organizations which have not published any of the examined elements on its website, whereas other 20 organizations have published 3 or even more. Most of them published their professional report on the website.

Of course publishing one or two performance management elements on the website does not mean that the organization is committed to performance orientation. But publishing multiple performance management tools together makes it more likely that in the given organization performance management applications, and tools do really operate.

It is not possible to draw well-grounded conclusions on the specific characteristics of tools and their organizational embeddedness simply building on the publishing of performance management tools on the websites. The appearance of organizational units related to performance management and organizational positions (management control, quality assurance or strategy) in the organizational structure imply that certain elements of performance management have been institutionalized and have become part of the day-to-day operation of the organization. Approximately 60 per cent of the examined organizations have at least one organizational unit, the activity of which is closely related to performance management, and in the case of 21 organizations (approx. 30 per cent) at least two institutionalized areas could be found, appearing also in the organizational structure.

There is an existing and positive relation between the number of performance management tools published on the website and how institutionalized the area is: organizations which publish multiple performance management methods on the Internet have institutionalized this field to a higher extent, i.e. they have more performance management related organizational units or positions. According to my research, performance management applications can be found at two-third of the agency-type organizations and one-quarter of these organizations apply several performance management elements and have also institutionalized the activities related to performance management.

Question Q2: Which factors and mechanisms can explain the establishment and implementation of performance management tools in the examined type of organizations?

This question orientates basically the qualitative phase of the research. But in the case of a few factors it was worth examining if there was a relationship between performance management elements appearing on the websites and factors describing organizational context. Similarly, an examination was carried out on the relationship between the application of organization units related to performance management and some context variables (superior body, sectoral classification, size and age of the organization, time passed since the appointment of the top manager, international relations). During the analysis of the relation between context variables and performance management elements, and between context variables and organizational units it has turned out that there exist relations between certain contextual factors and the publishing and the level of institutionalization of performance management. Significant factors are particularly the role of the superior body and the existence of international relations, while the age of the organization has no relation with performance orientation, based on the analysis. Revealing and gaining a deeper understanding of how these relationships effect each other was an important outcome of the second research phase.

In *developing the second, qualitative phase* I have built on the outcomes of the first phase. Web content analysis was connected to the qualitative research phase in two points: on the one hand it oriented the sampling, while on the other hand it helped to specify the research focus. Grounded theory, which was the basis of this research phase, is characterized by theoretical sampling. I tried to find intensive cases, which are rich of information. In the selection of the interviewees it was also an important aspect that I find managers or experts who know agency-type organizations for several years, are possibly members of the senior management and, based on content analysis, performance management tools and related organizational units are operated in their organization. As the whole population was not too big (75 organizations), both of these two conditions were fulfilled by approximately 10 organizations. Finally six semi-structured interviews were made (5 managers, 1 expert).

The outcome of the qualitative research is the relationship network of the category system developed about the examined phenomenon, summarized in the following figure. The most important outcomes of this phase will be summarized also alongside the two research questions. The outcomes generated during answering the first research question are presented in a relationship system seen in the middle (performance management elements, organizational units, attitudes related to performance management). Supporting and hindering factors on the right and left side represent the elements related to the second question and the relationships between them.
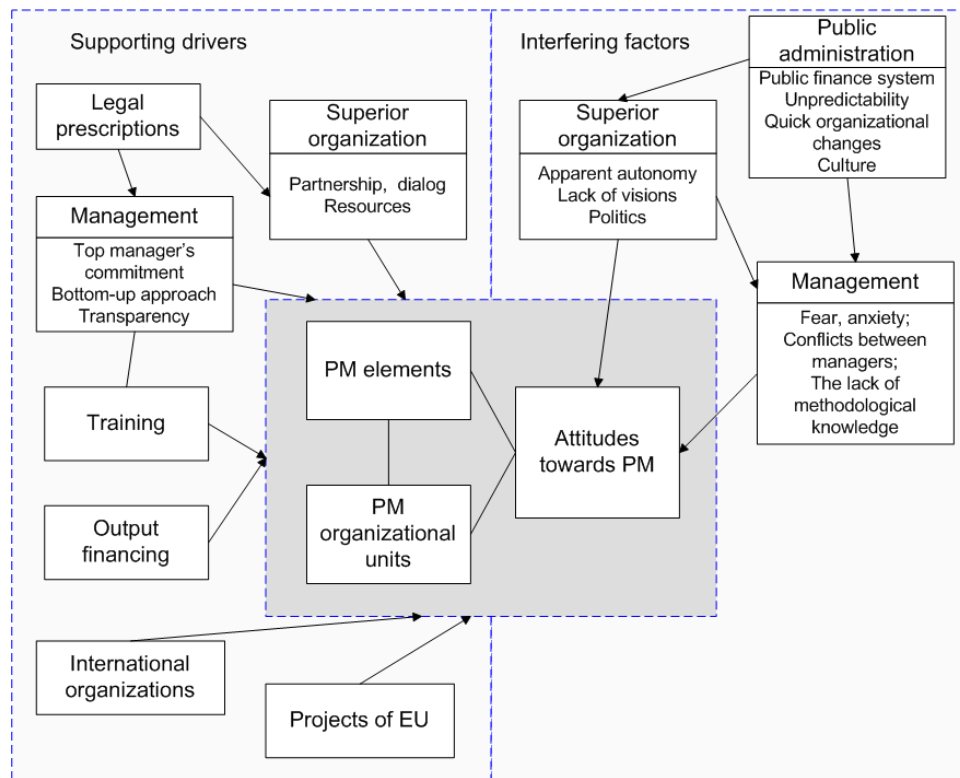
Figure 20: Results of the qualitative research

Regarding research question Q1 it is an important outcome that opinions on certain performance management tools and their application are highly influenced by managerial attitudes towards them. The approached interviewees are basically well informed about different tools of performance management and the possible application areas. However, in the examined organizations certain performance management elements appear with different emphasis, roles and tasks, several tools are applied in all of the organizations during their operation. The interpretations included also cases when the frustration, disappointment or negative attitude of the managers was strongly palpable and the managers also shared their ideas on development opportunities of performance management.

The analyzed performance management implementations are characterized by *fragmentation*, certain elements work well, but they are not integrated in a whole system, they do not determine the operation of the organization in fundamentals, what was also recognized by several managers. There were hardly any examples for

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the joint application of *organization level and individual level tools*. One organization can be mentioned as an exception, where performance management system is operated in a relatively integrated way.

Separation of organizational units could also be observed in terms of performance management: in organizations which are executing numerous European projects have different planning, accounting, measurement and reporting systems, which are not integrated in other subsystems of the organization. Even though methodological requirements of EU projects provide a perfect learning opportunity in connection with the operation of the organization as well.

According to the typology of Bouckert and Halligan, which differentiates Performance Administration, Managements of Performances, Performance Management and Performance Governance, performance management applications revealed in the qualitative phase belong to the second type, to the practice of management of performances. This type is characterized by the application of micro or organizational level performance management tools, the appearance of measurement systems developed alongside certain organizational units and the functional areas, measuring processes and outputs besides inputs, the suboptimal use of available information and the separation of policy and management. But I do not think that this type is general within the examined type of organizations, because as the outcomes of quantitative research show, many agency-type organizations do not use any performance management tools at all, while my interviewees come from organizations where performance management tools are applied intensively.

Research question Q2 was about revealing the supporting or hindering mechanisms of the application of performance management tools. During the analysis of the interviews a *complex context* has evolved, in which the application of performance management tools can be interpreted.

There are two outstanding factors in this context: *the role of superior body* and *the role of management* is twofold, many supporting and hindering mechanisms were

identified related to both. A superior organization can promote performance management in agency-type organizations if the organization is handled as a partner, there is real dialogue between them and additional resources are provided for meeting the expectations of the superior body. At the same time a superior organization can have a negative effect on performance management applications when only apparent autonomy is provided to the agencies and the expectations are conflicting and changing rapidly. This results in an unpredictable environment and the shift of responsibility

The personal commitment the attitude of the top manager of the agency is clearly one of the most important influencing factors regarding performance management, however this driver could not prevail within the research period. An important outcome of content analysis is that within the examined type of organizations top managers change frequently. There are only a few organizations (6 put of 75 organizations) where the current top manager was in his position before the change of the government in 2010. This can be considered as a grace period. It is no coincidence that these organizations have the most mature performance management systems. Since 2010 the top manager appointed in 2010 have changed in more than half of the organizations and there is organization where several changes have happened. In this situation the role of deputies is appreciating (if their position is relatively stable).

Transparency as a value and *empowerment* can contribute to the success of performance management applications. However, conflicts between managers, both perceived and real, the lack of performance management-related knowledge and that managers are afraid of losing their position have a negative effect on performance management.

In this summary I would like to highlight two elements of the supporting mechanisms. During the research I found many laws or decrees which prescribe the application of specific performance management tools in agencies. The intention of many of these

laws is not achieved in practice. A *law or decree* in itself is not sufficient for the successful application of performance management, it requires professional knowledge, time and additional financial resources. Without any incentives it is most likely that the organizations introduce performance management formally but they do not apply it in practice or they simply not introduce the given tool at all. The role and effects of legislation regarding performance management are controversially judged by international researches as well, and this is underpinned by the current research results (Cavalluzzo and Ittner 2004; Julnes and Holzer 2001).

What was similar among the examined organizations is the judgment of public administration as a context of performance management. Regarding public administration interviewees have mentioned only elements which appear as hindering factors: a culture typical of public administration, quick and unpredictable changes and the operation system of public finances. However, related to the latter the shift to accrual accounting was highly appreciated.

Finally I would like to outline several research directions which could further enrich our knowledge and understanding of the field. Widening the sample could result in an exciting research. Among the auxiliary institutions of ministries there are many organizations which operate in a company form but are owned by the state and provide public services. Examining these organizations could be interesting related to performance management.

Another research direction would be to further analyze the mechanisms revealed, to a deeper level. The knowledge transfer role of European projects rise an interesting question related to performance management: revealing how they influence the operation of the organizations, what the obstacles are in adapting this knowledge into the operation.

Content analysis of publicly available reports which were collected in the quantitative research could also mean further inputs for examining performance orientation of agency-type organizations.

8. Annexes

8.1.　　Annex: List of agency-type organizations in Hungary

#	Név	Rövid név	honlap	#	Név	Rövid név	honlap
1	Alkotmányvédelmi Hivatal	AH	www.ah.gov.hu/	39	Mezőgazdasági és Vidékfejlesztési Hivatal	MVH	www.mvh.gov.hu/
2	Állami Népegészségügyi és Tisztifőorvosi Intézet - OTH	ÁNTSZ -O	www.antsz.hu	40	Nemzetbiztonsági Szakszolgálat	NBSZ	www.nbsz.gov.hu
3	Állami Számvevőszék	ÁSZ	www.asz.hu	41	Nemzeti Adatvédelmi és Információszabadság Hatóság	NAIH	www.naih.hu
4	Balassi Intézet	BI	www.balassiintezet.hu	42	Nemzeti Adó- és Vámhivatal	NAV	www.nav.gov.hu
5	Bevándorlási és Állampolgársági Hivatal	BAH	www.bmbah.hu	43	Nemzeti Befektetési Ügynökség	HIPA	http://hipa.hu/
6	BM Nemzetközi Oktatási Központ	BM NOK	www.nokitc.hu	44	Nemzeti Családi és Szociálpolitikai Intézet	NCSSZI	ncsszi.hu
7	BM Országos Katasztrófavédelmi Főigazgatóság	BM OKF	www.katasztrofavedelem.hu/	45	Nemzeti Élelmiszerlánc-biztonsági Hivatal	NÉBIH	www.nebih.gov.hu
8	Büntetés-végrehajtás Országos Parancsnoksága	BVOP	www.bvop.hu	46	Nemzeti Fogyasztóvédelmi Hatóság	NFH	www.nfh.hu
9	Egészségügyi Engedélyezési és Közigazgatási Hivatal	EEKH	www.eekh.hu	47	Nemzeti Információs Infrastruktúra Fejlesztési Intézet	NIIFI	http://www.niif.hu/
10	Egészségügyi Készletgazdálkodási Intézet	EKI	www.eki.hu	48	Nemzeti Kommunikációs Hivatal	NKOH	nincs honlap
11	Emberi Erőforrás Támogatáskezelő	EMET	www.emet.gov.hu	49	Nemzeti Közlekedési Hatóság	NKH	http://www.nkh.gov.hu
12	Európai Támogatásokat Auditáló Főigazgatóság	EUTAF	www.eutaf.kormany.hu	50	Nemzeti Kulturális Alap Igazgatósága	NKAI	www.nka.hu
13	Földmérési és Távérzékelési Intézet	FÖMI	www.fomi.hu	51	Nemzeti Kutatási, Fejlesztési és Innovációs Hivatal	NKFIH	nkfih.gov.hu/
14	Forster Gyula Nemzeti Örökségvédelmi és Vagyongazdálkodási Központ	Forster Központ	www.forsterkozpont.hu	52	Nemzeti Média és Hírközlési Hatóság	NMHH	www.nmhh.hu
15	Gazdasági Versenyhivatal	GVH	www.gvh.hu	53	Nemzeti Művelődési Intézet	NMI	www.nmi.hu
16	Gyógyszerészeti és Egészségügyi Minőség- és Szervezetfejlesztési Intézet	GYEMSZI	www.gyemszi.hu	54	Nemzeti Örökség Intézete	NÖRI	nori.gov.hu
17	HM Hatósági Hivatal	HM HH	hm.hatosagihivatal.kormany.hu/	55	Nemzeti Rehabilitációs és Szociális Hivatal	NRSZH	nrszh.kormany.hu/
18	HM Védelemgazdasági Hivatal	HM VGH	honvedelmibeszerzes.kormany.hu/	56	Nemzeti Sportközpontok	NSK	www.mnsk.hu
19	HM Védelmi Hivatal	HM VH	nincs honlap	57	Nemzeti Szakképzési és Felnőttképzési Hivatal	NSZFH	www.nive.hu
20	Igazságügyi Hivatal	KIH / IH	kih.gov.hu	58	Nemzeti Védelmi Szolgálat	NVSZ	www.nvsz.hu
21	Igazságügyi Szakértői és Kutató Intézetek	ISZKI	www.iszki.hu	59	Nemzetstratégiai Kutatóintézet	NSKI	http://www.nski.hu/
22	Információs Hivatal	IH	mkih.hu/	60	Oktatási Hivatal	OH	www.oktatas.hu/
23	Katonai Nemzetbiztonsági Szolgálat	KBH	www.kfh.hu	61	Oktatáskutató és Fejlesztő Intézet	OFI	www.ofi.hu
24	Klebelsberg Intézményfenntartó Központ	KLIK	klik.gov.hu	62	Országos Atomenergia Hivatal	OAH	http://www.haea.gov.hu
25	Kormányzati Ellenőrzési Hivatal	KEHI	kehi.kormany.hu/	63	Országos Betegjogi, Ellátottjogi, Gyermekjogi és Dokumentációs Központról	OBDK	www.obdk.hu
26	Kormányzati és Informatikai Fejlesztési Ügynökség	KIFÜ	http://kifu.gov.hu/kifu/	64	Országos Egészségbiztosítási Pénztár	OEP	www.oep.hu
27	Közbeszerzési és Ellátási Főigazgatóság	KEF	http://www.kef.gov.hu/	65	Országos Környezetvédelmi és Természetvédelmi Főfelügyelőség	OKTVF	orszagoszoldhatosag.gov.hu
28	Közigazgatási és Elektronikus Közszolgáltatások Központi Hivatala	KEKKH	www.kekkh.gov.hu	66	Országos Mentőszolgálat	OMSZ	www.mentok.hu
29	Közlekedésbiztonsági Szervezet	KBSZ	http://www.kbsz.hu	67	Országos Meteorológiai Szolgálat	OMSZ	www.met.hu/
30	Közlekedésfejlesztési Koordinációs Központ	KKK	http://www.3k.gov.hu	68	Országos Nyugdíjbiztosítási Főigazgatóság	ONYF	www.onyf.hu
31	Központi Statisztikai Hivatal	KSH	www.ksh.hu	69	Országos Rendőr-főkapitányság	ORFK	www.police.hu
32	Külügyi és Külgazdasági Intézet	KKI	http://kki.gov.hu/	70	Országos Vérellátó Szolgálat	OVSZ	www.ovsz.hu
33	Magyar Államkincstár	MÁK	www.allamkincstar.gov.hu	71	Országos Vízügyi Főigazgatóság	OVF	www.ovf.hu
34	Magyar Bányászati és Földtani Hivatal	MBFH	http://www.mbfh.hu	72	Szellemi Tulajdon Nemzeti Hivatala	SZTNH	www.sztnh.gov.hu
35	Magyar Energetikai és Közműszabályozási Hivatal	MEKH	www.mekh.hu/	73	Szervezett Bűnözés Elleni Koordinációs Központ	SZBKK	szbkk.gov.hu/
36	Magyar Földtani és Geofizikai Intézet	MFGI	www.mfgi.hu	74	Szociális és Gyermekvédelmi Főigazgatóság	SzGyF	www.szgyf.gov.hu
37	Magyar Kereskedelmi Engedélyezési Hivatal	MKEH	www.mkeh.gov.hu	75	Terrorelhárítási Központ	TEK	tek.gov.hu
38	Magyar Nyelvstratégiai Kutatóintézet	MANYSI	nincs honlap				

8.2. Annex: Results of cross tabulation analysis

8.2.1. Cross table: Governmental functions

Kormányzati funkció * Operatív terv említése szmsz-ben Crosstabulation

Count

		Operatív terv említése szmsz-ben		Total
		nem	igen	
Kormányzati funkció	Általános közszolgáltatások	0	15	15
	Védelem	1	1	2
	Közrend, közbiztonság	5	5	10
	Gazdasági ügyek	3	15	18
	Környezetvédelem	0	1	1
	Lakásépítés és kommunális létesítmények	0	1	1
	Egészségügy	3	5	8
	Szabadidő, sport, kultúra, vallás	0	6	6
	Oktatás	0	4	4
	Szociális védelem	2	2	4
Total		14	55	69

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.216[a]	9	.045

8.2.2. Cross table: Superior organizations

Felettes szerv * Operatív terv honlapon - Crosstabulation

Count

		Operatív terv a honlapon		Total
		nem	igen	
Felettes szerv	Országgyűlés	0	5	5
	Miniszterelnökség	6	1	7
	EEMI	15	4	19
	NGM	4	2	6
	NFM	6	3	9
	BM	12	0	12
	FM	4	1	5
	HM	3	0	3
	IM	3	0	3
	KKM	3	0	3
Total		56	16	72

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.856a	9	.003

Felettes szerv * Tm elemek weben kategóriái Crosstabulation					
Count					
		Tm elemek weben kategóriái			
		Nem jelenít meg TM elemet	1 vagy 2 TM elemet jelenít meg	3-nál több TM elemet jelenít meg	Total
Felettes szerv	Országgyűlés	0	2	3	5
	Miniszterelnökség	3	1	3	7
	EEMI	4	8	7	19
	NGM	2	2	2	6
	NFM	1	4	4	9
	BM	6	6	0	12
	FM	0	5	0	5
	HM	1	2	0	3
	IM	0	2	1	3
	KKM	3	0	0	3
Total		20	32	20	72

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.853a	18	.030

8.2.3. Cross table: Amount of budget

Crosstab: Költségvetés nagysága * Kontrolling szervezeti egység				
Count				
		Kontrolling szervezeti egység		
		nem	igen	Total
Költségvetés kategóriák	300.000 - 500.000 eFt	7	0	7
	500.001 - 1.000.000 eFt	5	1	6
	1.000.0010 - 3.000.000 eFt	10	3	13
	3.000.001 - 10.000.000 eFt	8	8	16
	10.000.000 eFt felett	7	9	16
Total		37	21	58

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.036a	4	.040

8.2.4. Cross table: Number of employees

Crosstab: Létszám * Minőségügyi szervezeti egység				
Count				
		Minőségügyi szervezeti egység		Total
		nem	igen	
Létszám kategóriák	20-50 fő	4	0	4
	51-200 fő	23	5	28
	201-500 fő	7	8	15
	501-2000 fő	11	3	14
	2000 fő felett	0	3	3
Total		45	19	64

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.147[a]	4	.004

8.2.5. Cross table: International organizational unit

Crosstab: Nemzetközi kapcsolatok szerv egys * operatív terv weben						Value	df	Asymp. Sig. (2-sided)
Count					Pearson Chi-Square	5.231[a]	1	.022
		Operatív terv a honlapon		Total				
		nem	igen					
Nemzetközi kapcsolatok szervezeti egység	nem	30	4	34				
	igen	22	12	34				
Total		52	16	68				

Crosstab: nemzetközi kapcsolatok szerv egy * szakmai beszámoló						Value	df	Asymp. Sig. (2-sided)
Count					Pearson Chi-Square	7.124[a]	1	.008
		Szakmai beszámoló		Total				
		nem	igen					
Nemzetközi kapcsolatok szervezeti egység	nem	23	11	34				
	igen	12	22	34				
Total		35	33	68				

Crosstab: nemzetközi kapcsolatok szerv egys * kontrolling szerv egys						Value	df	Asymp. Sig. (2-sided)
Count					Pearson Chi-Square	9.545[a]	1	.002
		Kontrolling szervezeti egység		Total				
		nem	igen					
Nemzetközi kapcsolatok szervezeti egység	nem	30	5	35				
	igen	18	17	35				
Total		48	22	70				

8.3.   Annex: Interviewees of qualitative research

Name	Organization	Position	Date
Wolfné dr. Borsi Julianna	Oktatáskutató és – fejlesztő Intézet / Hungarian Institute for Educational Research and Development	Deputy director	1st April 2015., 9.00-10.00
Tanács Zoltán	IFUA Horváth&Partners	Head of Public Management Competence Center, senior consultant	13th April 2015., 11.00-11.45
Dr. Miskovits Eszter	Országos Vérellátó Szolgálat / Hungarian National Blood Transfusion Service	Ex director general (till 2014)	13th April 2015., 13.00-14.00
Dr. Susa Éva	Igazságügyi Szakértő és Kutató Intézetek / Network of Forensic Science Institutes	Director general	15th April 2015. 9.00-10.00
Dr. Bendzsel Miklós	Szellemi Tulajdon Nemzeti Hivatala / Hungarian Intellectual Property Office	President	16th April 2015. 15.00-16.00
Dr. Kovács Attila	Országos Tisztifőorvosi Hivatal / Office of the Chief Medical Officer	Deputy Chief Medical Officer	20th April 2015., 11.00-12.00

8.4. Annex: Interview outline

Start

- Introduction

- Goals of the research, planned duration of the interview

- Asking for contribution: record interview as an audio, present the name of interviewees in the dissertation

Experiences in the agency

- How long have you worked in your organization? In what positions?

Performance management elements in the organization

What PM elements exist in your organizations?

- Planning system:
    - Traditional budgeting
    - Annual plan (scheduling professional tasks)
    - Activity-based planning (instead of basis)
    - Defining performance targets and indicators (for projects, organizational units)
    - Mid-term planning
    - Strategic planning
- Measuring, accounting:
    - Cash-based accounting
    - Accrual accounting
    - Management accounting, cost management
    - Using different types of indicators
- Feedback - evaluation
    - External reports
    - Internal reports
    - Public professional reports
    - Project evaluation

- o   MIS – Management Information System

- o   Quality assurance

- Do PM related organizational units or positions exist in your organization (e.g. quality department)? What are their main characteristics (tasks, size)?

Drivers of PM

- What are the main drivers of PM applicatons?

- What factors do hinder PM applications?

Closing the interview

- Sending results

8.5. Annex: Hierarchial coding structure used for interviews

Attitudes	Factors, mechanisms
Used intensively	Superior organization
Challange, problem	*Lack of plans*
External pressure, to be performed formally	*Providing resources*
Self-imposed introduction	*Apparent autonomy*
Used to be operated	*Partnership*
It exists but is not used	*Politics*
Public administration as context	Financing
Operation of public administration	Legal obligations
Quick organizational changes	Training
Turbulent environment	International
External data reports	Market, clients
External monitoring	Managers
Cultural characteristics	*Bottom up approach*
Organizational units	*Lack of methodological knowledge*
Internal audit	*Transparency*
Economic / financial unit	*Fear, anxiety*
Management control	*Leader role*
Quality assurance	*Commitment*
Strategic unit	*Tensions between managers*
EU project	**PM elements**
Organizational context	Internal reports
General function of the organization	Individual performance apraisal
Agency	Accrual accounting
	Indicators
	Budget report
	Budget plan
	Mid-term plan
	Operational plan
	Cash based accounting
	Strategic planning
	Professional report
	MIS - Management Information Systems

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