

Strategic Performance Measurement and Management: The Distinctive Nature of the Public Sector and Implications on Performance Measures

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This research is the third paper in a series that is a spin-off from a comprehensive systematic review on the conceptualisation and application of strategic performance measurement and management in the public sector of a fragile periphery country which was conducted for the first of a three-paper dissertation for the Doctorate of Business Administration degree with PSB Paris School of Business. The doctoral thesis was successfully defended on March 26, 2020.

Abstract

Purpose: Strategic performance measurement and management (SPMM) as a subject has come over increased research radar over the last four or so decades. The so-called “performance measurement revolution” of the 1980s to 1990s concentrated on the private sector. “Business managerialism” and “accountingisation” kicked-in into the public sector with transplanting of hitherto private sector management techniques under New Public Management (NPM) and other administrative reform programmes by various governments internationally. Specifically, the 1990s saw the implementation of modern multi-dimensional SPMM systems originally in the private sector. Considering the nuanced nature of the public sector, the transfer of SPMM systems from the private to the public sector has not been straightforward due to technical, conceptual and behavioral factors. This paper contrasts the features of the private and public sectors and investigates the implication of the distinctive nature of the public sector on the application of SPMM in the public sector. This will augment our perceptions and comprehension of existing public sector SPMM theory and practice. **Design/Methodology/Approach:** The study adopted a systematic literature review (SLR), a mode of research which has been widely adopted and strongly justified for adoption in business and management research since the turn of the 21st century. The study conducted a content and thematic analysis on the commonalities and differences between private and public sectors and implication of the differences on public sector strategic performance measurement and management. The study itself covered 233 published and unpublished documents covering the seven decades to 2023 which to our knowledge constitutes the most comprehensive update on the public-private debate trends to date. **Findings:** The study thoroughly interrogated the literature perspectives or models on the commonalities and differences between the public and private sectors. The study then deep-dived into the underlying characteristics which differentiate the public and private sectors producing one of the most detailed side-by-side analyses of public-private differentiation based on organisational characteristics, dimension, or concept of all time. The systematic review further identified and derived several thematic areas related to public-private differences and went on to establish the implications of the public-private divergences from an SPMM perspective especially as it relates to the derivation and application of public sector performance measures. These findings are critical for both practitioners and academics as they explore the subject of transplanting private sector SPMM practices into the public sector which is another overripe area for research. The findings provide public managers with a comprehensive and critical cog in their management toolbox as they navigate the practical realities and difficulties of implementing SPMM in the public sector’s unique and complex environment. **Research Limitations:** The main challenge with conducting a comprehensive research of this magnitude relates mainly to the broad range of literature covered, the unwieldy and onerous analysis and lots of judgement calls which could impact bias and replicability. **Practical Implications** - This paper conducts a comparative analysis of the key features of the private and public sectors found in the literature and evaluates how they drive attendant management practices in the two sectors and specifically how the public sector’s distinctive nature impacts on the measures of performance. **Originality/value** - Studying the differences and how they impact the choice of public sector KPIs is crucial in attempting to address the myriad of challenges and potential hindrances to future institutionalisation of SPMM in contemporary PSOs. Exploring and understanding the differences and similarities between public and private sectors is a beneficial springboard to cultivate erudition, cross-pollination and facilitation of knowledge transfer between the two sectors of the contemporary global political economy. **Keywords:** Strategic, performance management, performance measurement, performance measures, key performance indicators, public-private differences
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1. Introduction

One of the core tenets of corporate strategy is that organisations that excel in the planning and execution of their strategy constantly outperform their peers and exhibit characteristics of high performance organisations (Pasch, 2012; Mendez, 2016; Dresner, n.d.; Bititci, Carrie & McDevitt, 1997; De Waal, 2007; Fisher & Downes, 2008). Seasoned public and private sector executives employ strategic performance measurement and management (SPMM) to assist drive strategy execution, performance improvement (Simons, 2000; Kaplan & Norton 2001a, Kaplan & Norton 2001b), for cascading vertical strategic alignment within the organisation (De Waal, 2002; 2003; Dresner, 2010; Kaplan & Norton, 2006), and strategic and operational linkages (Chenhall, Kallunki & Silvola, 2011; Kaplan & Norton, 2008). SPMM is a common approach that provides a line of sight of the institution's strategic goals to executive management and facilitates progress monitoring towards set goals through carefully chosen and spontaneous performance measures.

A couple of the key pillars of SPMM are a) the aligning and cascading down of strategic objectives to day-to-day operational goals and b) that it must facilitate organisational reporting and focus on important metrics (Eckerson, 2004, 2009). Measures of performance play a critically central and indispensable role in SPMM and their prevalence in both private and public sectors are well documented in literature (Boyle, 2000; Eckerson, 2004, 2009; Muravu, 2021; Pfefferkorn, Bititci & Jackson, 2017; Van Thiel & Leeuw, 2002). Literature converges that the organisation's choice of the right metrics to track is the key to successful SPMM implementation (Franco-Santos & Bourne, 2005; Otley, 1999; Kaplan & Norton, 2001a, 2001b; Muravu, 2021) hence it is key for the organisation to be able to determine the right metrics for its specific strategic goals.

Today's rapidly changing and disruptive operational environment or VUCA (volatile, uncertain, complex and ambiguous) world as it is now called, demands agility for organisations to respond and keep up with the constant flux and discontinuous changes (Bititci et al. 2012, Bititci, 2011; Kennerly & Neely, 2003) across sectors and must exhibit the capacity to quickly adjust performance benchmarks and cascade the changes throughout the organisational hierarchy so that the entire organisation can align its performance to deliver on the strategic goals. In this regard, SPMM has been proven as an influential mechanism that organisations can use to close the gap between strategy and execution.

While the role of performance measures has been outlined as sacrosanct in both public and private sector SPMM literature (c.f. Franco-Santos & Bourne, 2005; Hammerschmid, Van de Walle, & Štimac, 2013; Mihaiu, Opreana & Cristescu, 2010; Muravu, 2021, 2020; NAO, 2010; Propper & Wilson, 2003; UNGSC, 2014; Ryan, 2018; Tangen, 2003) and the differences between the public and private sectors due to the unique circumstances of the former, means there are implications for the derivation and/or selection of public sector KPIs. Literature further highlights that, unlike in the private sector, the public sector's nuances make application of agency theory a lot more intricate (Dixit, 2002; Propper & Wilson, 2003) The wholesale transplantation of multi-dimensional SPMM systems from the private sector to the public sector witnessed in the 1990s and 2000s, some without the required customisation resulted in numerous implementation challenges, implies that the resource-intensive systems that were implemented never reaped the intended benefits. These differences make technology, knowledge and skills transfer between the two sectors difficult considering increased collaboration between all sectors of the economy since the turn of the 21st century (Eckerson, 2004, 2009; Muravu, 2021).

The last three to four decades have experienced a huge change to implementation of hitherto private sector performance measurement in public management (Speklé & Verbeeten, 2014; Pollitt, 2006) as part of the New Public Management (NPM) reforms or administrative modernisation. The newly introduced NPM-based methodologies were premised on the concepts of "competitive markets" and "business managerialism" under the overriding precepts of "economic rationality" and "efficiency" and integrating SPMM practices or adoption of a broad set of KPIs or performance measures (Speklé & Verbeeten, 2014; Groot & Budding, 2008; Hood, 1995; Pollitt, 2006; Kelman & Friedman, 2009; Brignall & Modell, 2000; Broadbent & Laughlin, 1998). There is therefore a need to carefully evaluate KPIs that are used in the private sector where and when they are translated to the public sector.

This paper conducts a comparative analysis of the key features of the private and public sectors found in the literature and evaluates how they drive the attendant management practices in the two sectors and specifically how the public sector's distinctive nature impacts on its measures of performance. Studying the differences and how they impact the choice of public sector KPIs is crucial in attempting to address the myriad of challenges and potential hindrances to future institutionalisation of SPMM in contemporary PSOs.

The rest of this paper is structured as follows:

- Section 2 constitutes the literature review.
- Section 3 outlines the systematic review method employed in this study.
- Section 4 is a presentation of the research results
- Section 5 is a discussion of the results
- Section 6 articulates the managerial implications, the conclusion and future research opportunities

2. Literature Review

2.1 Performance measures in the literature

Key performance measures or indicators are as old as strategic performance measurement and management (SPMM) itself straddling centuries back in the private sector and at least since around 1900 in the public sector (Williams 2003; Muravu 2020, 2020b, 2021). They are also called “indicators”, “metrics” and “key performance indicators” (KPIs) and these terms will be used interchangeably and jointly called performance measures in this paper. Performance measures have been defined as *metrics* that are used to capture the efficiency and / or effectiveness of an action (Liebetrau, 2015; Bourne, Neely, Mills, & Platts, 2003; (Neely, et al., 1996) Neely, Gregory, & Platts, 2005), can be financial or non-financial, internal or external, quantitative or qualitative and lagging or leading (Liebetrau, 2015; Bourne et. al., 2000; Eccles, 1991; Epstein & Manzoni, 1998; Gregory, 1993; Neely et al., 1997; Meyer, 2008). Contemporary literature has insisted that they should be linked to organisational strategy (Liebetrau, 2015; Bendoly, Rosenzweig, & Stratman, 2007; Bourne et al., 2000; Neely et al., 1994, 1996; Neely et al., 1997; Neely, 1999; Micheli & Manzoni, 2010) thereby truly transforming them from ordinary metrics to strategically aligned metrics or Key Performance Indicators (Eckerson, 2004, 2009). Muravu (2020, 2021) did a great job in tracking the progression of performance measures and that of the SPMM field in the private, public and third sectors and are recommended reads.

2.2 Theoretical / Conceptual Framework

Strategic performance measurement and management is premised on corporate governance theory and most literature pinpoint agency theory as the main underpinning theory for SPMM and measures of performance by extension (Kaplan, 1984; Muravu, 2020, 2020a, 2021; Van Thiel & Leeuw, 2002; Waweru, 2010). Other theories related to corporate governance in general and specifically SPMM include stakeholder theory, goal setting theory and performance prism theory. Below is a brief illumination of these theories.

Agency theory

Most corporate governance research is grounded on agency theory or principal-agent theory which was introduced to corporate governance literature in the early to mid-1970s (Franco-Santos, Lucianetti & Bourne, 2012; Van Thiel & Leeuw, 2002) and was credited with resolving most SPMM problems (Kaplan, 1984). It highlights the separation of ownership from control of usually private sector organisations (Clarke, 2004). Agents are represented by executive managers and principals are owners while the board functions as the monitoring mechanism (Mallin, 2004). The principal assumption of principal-agent theory is that there is divergence in interests between management and shareholders. It is argued that management are ordinarily unwilling to advance the principals’ (shareholders) interest and are pre-occupied with selfish manipulation of profits and resources and, therefore, they should be closely controlled and monitored. Agency theory also postulates accounting information as the spine of contracting between economic agents and forms a key theoretical framework for SPMM (Kaplan, 1984; Van Thiel & Leeuw, 2002; Waweru, 2010).

Van Thiel and Leeuw (2002) hypothesizes that the theory underpinning public sector SPMM is the separation of politicians’ policy formulation role from and the independent agency or public sector managers’ policy execution role. This relationship is managed through drawing of (performance) contracts outlining the respective roles and responsibilities of central government and policy implementers. The fundamental role of KPIs in managing the relationship between the public sector principals and agents under various administrative reform programmes such as NPM is well documented and thoroughly investigated in literature (c.f. Muravu, 2020, 2021).

Stakeholder Theory

Stakeholder theory is also one of the key corporate governance theories that is premised on the argument that, since organisations operate in society, and not a vacuum, they must be accountable to all stakeholders. It further postulates that organisations have numerous and varied stakeholders, not just shareholders, with divergent interests which must be balanced by the organisation (Clarke, 2004). Stakeholder theory facilitates exploration of the important role of corporate governance in the delivery of services especially in multiple stakeholder organisations like PSOs.

Performance Prism Theory

Performance prism theory is applied on the service delivery facet which is fundamentally performance. According to Adams and Andersen (2015) the performance prism framework consists of five facets, “the top and bottom facets and three other facets”. The facets are “stakeholder satisfaction”, “stakeholder contribution”, “strategies”, “processes” and “capabilities” (Adams & Andersen, 2015). The critical elements of the performance prism are the stakeholders’ expectations of the organisation and the organisation’s expectations of itself. Corporate governance aspects of any organisation impact service delivery to various stakeholders.

Goal Setting Theory

Locke and Latham (1990) are leading scholars in goal-setting theory and research and incorporated around 400 studies on goals into a theory of “goal setting and task performance” (Teo & Low, 2016). The theory postulates

that there are two perceptive behaviour determinants namely, values and intentions or goals. Its primary assumption is that an employee's behaviour reflects their "conscious goals and intention" (Kian, Yusoff, Rajah, 2014). Goal setting underlies all major theories of work motivation such as Vroom's (1964) expectancy, instrumentality and valence (VIE) theory, Maslow's (1970) and Herzberg's (2009) motivational theories, Bandura's (1986) social cognitive theory, or operant-based behaviourism. It is widely management accepted and used as a means to improve and sustain work performance in the workplace (DuBrin, 2012; Kian et al., 2014) and validated by hundreds of empirical studies (DuBrin, 2012; Teo & Low, 2016). Successful workplace managers apply goal setting theory to elucidate "expectations, improve performance, and staff development which, in turn, improves organisational performance". Goal setting theory is credited as the fundamental concept of Results Based Management and related SPMM systems.

2.3 The nexus between public sector performance measures and NPM

Before deep diving into the systems review's findings on the distinctive nature of the public sector, we first interrogate a stream of literature that provides the direct link between public sector measures of performance and NPM. The NPM definition highlights the degree of distinctiveness of the public sector from the private sector as one of the "cardinal" elements of public administration which became the basis of the so-called seven basic NPM doctrines (Christensen & Yoshimi, 2003; Fryer & Antony, 2009; Hood, 1991, 1995; Ridwan et al., 2013). The literature highlights that the NPM doctrine propounded the use of performance measurement and management practices adopted from the private sector to improve decision-making and performance of the public sector. This led to "accountingisation" or implementation of several commercial accounting and managerial approaches such as strategic business planning, target setting, accrual accounting, performance-based budgeting and BSC-type SPMM systems in the public sector transcending all manner of PSOs and focusing on performance management, use of better financial and non-financial indicators and results achievement (Ridwan et al., 2013; Hood, 1991; Fryer & Antony, 2009; Christensen & Yoshimi, 2003; Northcott & Taulapapa, 2012; Ross, 2011; Muravu, 2021).

According to Christensen and Yoshimi (2003), Hood's (1995) NPM definition highlights two relevant "cardinal elements" of "progressive public administration", namely, "degree of distinctiveness from the private sector" and "extent of rules operating to maintain buffers against political and managerial discretion" (p72). Hood (1991, 1995) utilised these two key elements to identify what he called the seven fundamental NPM doctrines (Christensen & Yoshimi, 2003; Fryer & Antony, 2009; Ridwan et al., 2013; Alford & Greve, 2017) with Doctrines 1-4 relating to the public sector's distinctiveness while Doctrines 5-7 relate to operational rules versus managerial discretion:

- Doctrine 1: The unbundling of the public sector into corporatised units which were organised by product leading to decentralisation.
- Doctrine 2: More contract-based competitive provision, with internal markets and term contracts. resulting in increased competition between organisations and sub-units entailed
- Doctrine 3: Stress on private-sector style management practices.
- Doctrine 4: More emphasis on accountability and parsimony / prudence in resource utilisation.
- Doctrine 5: Engagement of proficient executive managers.
- Doctrine 6: Unambiguous official measurable standards and measures of performance and accomplishment, and
- Doctrine 7: Superior emphasis on output controls / reliability of services

The relevance of Hood's seven doctrines underlying NPM and their inter-dependencies to SPMM is that Doctrine 6 is paramount to this paper but so is doctrine 3 to a significant extent as it is overarching while doctrines 2, 3, 4 and 7 also maintain a close strong affiliation. Christensen and Yoshimi (2003) provide an example that it is the utilisation of performance measures (Doctrine 6) that facilitates the creation and enforcement of contracts with specified service standards (Doctrine 2). Similarly, resultant the performance measurement from Doctrine 6 enables operationalisation of private sector management practices (Doctrine 3), amplified tension on resource usage (Doctrine 4) and increased emphasis on output controls (Doctrine 7). They reckon it is inconceivable for Doctrines 2, 3, 4, and 7 to be implementable in the absence of measures of performance which anthropomorphise Doctrine 6. They argued that the whole debate engulfing NPM in literature can essentially be reduced to the challenge of unambiguous performance measures to sufficiently underpin Doctrines 2, 3, 4, and 7 (c.f. Considine, 1990; Painter, 1988; Considine and Painter, 1997; Guthrie, 1998a; Guthrie, 1998b; Guthrie & Parker, 1998; Olson, Guthrie, & Humphrey, 1998; Rhodes, 1998).

We can therefore authoritatively assert that the adoption of private sector practices by the public sector were not random but logically derived from NPM principles themselves (specifically 1, 2, 3, 4 to a larger extent and the rest to a more limited extent). Our conclusion is, therefore, that the relationship between measures of performance and NPM is not an assumed but a direct one. This confirms that performance measures are the

microcosm of performance measurement and management (the macrocosm) while the latter is a *sin qua nom* for NPM. A magnified logical spin-off from this conclusion is that, if private sector SPMM systems such as the BSC were crudely criticised in private sector implementations, as established earlier in the study, it follows that the same systems struggle to deliver when transposed in the public sector with its nuances.

3. Method

This paper aims to answer the following research question:

- What are the distinctive features of the public sector and what are their implications on public sector measures of performance?

The main aim is to investigate the similarities and differences between the public and private sectors in the existing literature with specific emphasis on the implication of the differences on the distinctive nature of public sector performance measures. The specific objectives is to conduct a comparative analysis of private and public sector characteristics and their implication on the application of SPMM in the public sector. This will enhance our insights and understanding of existing public sector SPMM theory.

To respond to the research question, we adopted a systematic literature review (SLR). The articulation of SLR, the rationale for its adoption in management research and by extension for this paper is fairly covered in literature (c.f. Bourne, Neely, Mills, & Platts, 2003; Denyer & Tranfield, 2006; Franco-Santos & Bourne, 2005; Franco-Santos, et al., 2007, 2012; Hall, Beecham, Bowes, Gray, & Counsell, 2012; Kareithi & Lund, 2012; Muravu 2020, 2020a; Pfefferkorn, Bititci, & Jackson, 2017; Taticchi, Balachadran, & Tonelli, 2012; Taticchi, Tonelli, & Cagnazzo, 2010; Tranfield, Denyer, & Smart, 2003) such that it is if no added academic value to repeat it in entirety. Also, due to space constraints, we refer you to Muravu (2020, 2020a, 2021) for a more detailed outline of the SLR protocol used for this paper and attendant articulation of the rational thereof.

Suffice it to say, the rationale for choosing systematic review for this study is that as a research mode, it transcends the traditional “narrative” literature reviews and has been adopted extensively in the SPMM field to explore and gain a deep understanding of several phenomena e.g. the evolution, develop theoretical or conceptual frameworks / models, establish state-of-the-art / global theoretical developments in the field and to propose a research agenda (e.g. Bourne et al., 2003; Carneiro-da-Cunha, Hourneaux & Correa, 2016; Franco-Santos & Bourne, 2005; Franco-Santos, et al., 2007; Neely, 1999; Mackie, 2008; Mimba et al., 2007; Pfefferkorn et al., 2017; Taticchi et al., 2010; Taticchi, Balachadran, & Tonelli, 2012; Wanderley & Cullen, 2013). The systematic review is considered adequate for exploring and synthesising the differences between public and private sectors and thematically identifying the challenges emanating from the public sector’s distinctiveness and how it impacts on SPMM implementation in the public sector

Six steps were followed in complying with the three main stages and twelve phases of the SLR as outlined in Tranfield et al. (2003).

Stage One: The first stage involved systematic extraction of the thematic pillars to be pursued by the review and the following two broad pillars emerged from the research question articulated above, namely:

- a) Commonalities and differences between the public and private sectors; and
- b) Implications of the differences on public sector measures of performance

Stage Two: The second stage involved six steps which were religiously followed as per the dictates of the SLR process. These were i) literature search (involving hand search ad citation tracking, electronic search and database strategy and key journal search), ii) identification and extraction of data, iii) selection of studies to constitute the primary data set (involving subjecting gathered materials to defined inclusion and exclusion criteria v) & vi) subjecting the primary dataset of 233 selected published and unpublished documents, covering the period from 1953 to 2023, to a double phase, single review process. The next section presents the findings of the systematic literature review.

4. Results

The study’s findings are thematically arranged. The departure point for this inquiry is the investigation of the commonalities and differences between the public and private sectors followed by a review of the impact of the public sector’s distinctive nature on its SPMM practices especially on the choice, application and use of these measures of performance. The literature was clear that, for some time now both scholars and practitioners fought over the linkage between public administration and business administration (Keltgen, 2009). The translation of private sector practices into the public sector been scoffed at in public administration literature. Questions have been raised as to the possibility of wholesale adoption of these private sector practices into the public sector (Weerakkody, El-Haddadeh, & Al-Shafi, 2011) or whether sizeable customisation maybe required (Kankanhalli & Kohli, 2009). Some sections of literature outrightly claim that the differences between public and private organisations are so magnified that there should be no transfer of commercial practices to the public sector. They further claim that the two sectors vary in several key dimensions, such as organisational environments, goals, structures and managerial values, which can become barriers to transmission of private sector management

techniques to the public sector (Boyne, 2002).

Literature perspectives on the similarities and differences between private and public sectors

We start by examining literature insights on the models for differentiating the public and private sectors and then proceed to their commonalities and differences.

4.1 Models of public and private sector differentiation

The differential between private and public sectors are highlighted in organisational theory since time immemorial albeit the studies have focused on different variables (Esteve & Ysa, 2011; Ring & Perry, 1985; Perry & Rainey, 1988; Nutt, 1993, Scott & Falcone, 1998) but rarely “from a global and integrative perspective” (Esteve & Ysa, 2011; Perry & Rainey, 1988; Rainey & Bozeman, 2000; Boyne, 2002).

Conceptual differences abound too e.g., the definition of “public” and “private” is highly contested in organisational and public administration theory (Cauter, Snoeck, & Crompvoets, 2014) hence the most desirable starting point is the definitions prior to contrasting the terms (Cauter et al., 2014; Scott, 2002). The two terms are rooted in Latin (i.e., public means “of the people” and private means “set apart”) and the public-private sector debate has raged since the early twentieth century. Three main approaches are highlighted in literature as differentiating the public and private sectors.

4.1.1 The generic approach

This approach taxonomises organisations as strictly either public or private and diminishes the differences between “public”, “private” and “hybrid” organisations. They attempt to harmonise organisations regardless of sector, as “similarly based upon its management functions, organisational processes, managerial values and decision-making processes”. They trivialized the differences between public and private sector organisations calling them inconsequential (Scott, 2002; Murray, 1975; Cauter et al., 2014).

The generic approach supporters believe that it is evidenced by convergence between public and private sector management through the transplanting of private enterprise practices and the shift to privatisation of numerous public services that took off in the West in the 1980s and is commonplace in modern public sectors globally. The emergence of hybrid entities blurred the previously existing discrete institutional margins rendering the classification of organisations as either ‘public’ or ‘private’ inadequate (Cauter et al., 2014; Scott, 2002). The whole concept of “privatizing” the public sector’s service delivery business embodied in the administrative reforms of the 1980s and 1990s highlighted that the public sector could overturn its apparent insufficiencies through engaging private sector best practices (Morgeson & Mithas, 2009; Kankanhalli & Kohli, 2009). This saw the emergence of private sector management methods such as “KPIs”, “cost savings” and “customer service” become commonplace (Boyne, 2002; Rochelau & Wu, 2002) and flourished under the New Public Management (Ward, 2006; Halvorsen, Hauknes, Miles, & Røste, 2005). The PSOs who were eager to benefit from market-based efficiencies started to collaborate with PSOs under the so called ‘public private partnerships’ (PPP) (Kankanhalli & Kohli, 2009; Halvorsen et al, 2005; Cauter et al., 2014) of the latter part of the 20th century.

4.1.2 The core approach or ownership model

This approach acknowledges that there are legitimate reasons why, despite the enthusiasm, PSOs may not always be able to successfully implement common place private sector practices (Morgeson & Mithas, 2009). Antagonists of NPM (c.f. Dunleavy, Margetts, Bastow, & Tinkler, 2005; Hood, 1991; Pollitt, 1995; O’Flynn, 2007) have used this approach to write its obituary claiming it failed to produce the anticipated outcomes’ and actually led to “policy disasters”. It advances that there are intrinsic differences between government and commercial organisations that would make implementation of some private sector practices tricky in the public sector (Ward, 2006; McKinsey and Company 2021). In this regard, it completely opposes the generic approach’s notion that the divergences between the two types of organisations are trivial and essentially propounds that principal differences indeed do exist which justifies unique sectoral classification (McKinsey and Company 2021; Singh 2023; Buchanan, 1974; Rainey, 1979, 1983; Scott, 2002; Cauter et al. 2014).

Literature suggests several core characteristics along which public and private sector organisations can be differentiated and classified including:

- Classifying organisations as either “distinctly public” or “distinctly private” based on their formal legal status (Bozeman & Bretschneider, 1994; Scott, 2002; Cauter et al., 2014).
- Consideration of political and legal restraints (Rainey, Backoff, & Levine, 1976; Nutt, 2000).
- Distinguishing the divergent views of property right theorists and public choice theorists (Scott & Falcone, 1998). The former proposes that private sector managers realise incentive in good economic returns and improved rewards. The later reckon public sector managers lack market condition indicators, are less sensitive to efficient resource use and utilise other indicators to gauge production levels.

The core approach offers a straightforward and quick way of classifying organisations as either distinctly public or distinctly private based on several crucial features (Scott, 2002; Cauter et al., 2014).

4.1.3 The dimensional approach:

According to Halvorsen et al, (2005) some private sector organisations resemble public sector ones and vice versa. Bozeman (1987) goes extreme and posits that ‘all organisations are public, (...) to the extent that it exerts or is constrained by political authority’ (in Sundgren, 2005; Rochelau & Wu, 2002). Similarly, one could claim that “all organisations are private” (Cauter et al., 2014). Rochelau & Wu (2002) disagree on Bozeman’s “absolutism on differences between public and private organisations” arguing that it is “rather a matter of degree.” Perry and Rainey (1988) support this notion claiming that, practically, the distinction between the two sectors is tricky and not clear-cut except for the ownership and funding dimensions. The supposed sectoral boundaries are blurred by existence of many hybrid organisations thereby making the sectoral distinction less sensible and even challenging (Scholl, 2006).

Though we can classify some organisations as either “dominantly public” or “dominantly private”, most organisations are a trade-off of the two extremities (Bozeman & Bretschneider, 1994; Scott, 2002; Cauter et al., 2014). The dimensional approach distinguishes between public and private organisation based on how they relate to exterior political and economic influences. Small number of organisations can be classified as purely private or public, most organisations fall on a “public-to-private continuum” (Scholl, 2006). Unlike the core approach, the dimensional approach makes sense considering the countless hybrid organisations that exist today. The dimensional approach is supported by several authors (Singh 2023; McKinsey and Company, 2021; Jacobsen, 2021; Wamsley & Zald, 1973; Bozeman, 1984, 1987; Emmert & Crow, 1988; Scott, 2002).

4.1.4 Conclusion on the models of public and private sector differentiation

Classifying organisations as public, private or hybrid is clearly problematic. There will always be exceptions for any chosen typecast (Melin & Axelsson, 2010; Halvorsen et al, 2005; Scott, 2002). Organisations in the same sector can still have different goals (Kankanalli & Kohli, 2009; Ward, 2006; Rochelau & Wu, 2002). Correspondingly, private sector businesses differ in their approach to pursuit of profits: large ones concentrate on market share while little ones prioritise sustainability (Halvorsen et al, 2005). Caudle, Gor, & Newcome, (1991) proposed to differentiate between public and private sectors based on key variables such as management level and government (Rochelau & Wu, 2002). There is apparent research evidence supporting existence of sectoral differences, but many outmoded stereotypes may still lack conclusive evidence. Care must be had not to generally categorise organisations based on sectoral association (Scott, 2002). The available evidence is not adequate for anyone to draw definitive conclusions on the differences between public and private organisations (Boyne, 2002; Cauter et al., 2014).

To summarise the findings, we are faced with two broad schools of thought, one which argues for differences between the two sectors and another which adopts a compromising position that while the organisations may fundamentally be different, there are huge similarities which cannot be ignored. These are outlined in the Table 1 below:

Table 1: The two main schools of thought on public-private differences

#	Proponents of Similarities Between Private and Public Organisations	Proponents of Differences Between Private and Public Organisations
1	Keltgen (2009) remarks: ‘On a more abstract level the social aspect of both is still the circulatory system that links them, as both serve people and exist only because their missions are to meet human needs’.	McKinsey and Company (2021) looked at private-public differences from the perspective of ex-US corporate executives who transition from the boardroom to the government service highlighting that the difference in service “are immense” ranging from size of customer base, range of stakeholders, rules and laws, language, increased oversight and accountability.
2	In private companies, managers run organisations on behalf of shareholders. Conversely, in the public sector, public officials the organisations on behalf of taxpayers and in serving the best interest of the public. Emerging stakeholder theory now demands that companies manage the interests of diverse stakeholders (as opposed to just shareholders traditionally). The public sector has always managed different stakeholders but with the ultimate aim of serving the public interest and provide services to the citizens on behalf of the government and concurrently providing relevant market failure solutions (Uhrig, 2003; Armstrong, Jia & Totikidis 2005).	Knies, Borst, Leisink, & Farndale (2022) explored public sector distinctiveness from perspective of human resource management (HRM) models adopted by public and private organisations, questioning contemporary relevance of traditional distinction between them. They study validated the existence of the differences concluding that while there is some degree of cross-sector convergence “persistent differences indicate that time-honoured public sector values are less susceptible to change”.

3	Both public and private organisations are more effective when processes are streamlined (Barzilai –Nahon & Scholl, 2010). According to Morgerson & Mithas (2009) most government IS systems are developed and maintained by private sector contractors, thereby underlining the interconnectivity between the two domains (Cauter, 2014).	Jackobsen (2021) studied the motivational differences between managers in private, public, and hybrid organizations in light of continued “corporatization” of the public sector and concluded that managers in these organizations still differ on “extrinsic, intrinsic and prosocial motivation”
4	Both sectors face similar constraints and challenges, management in all types of organisations should be viewed as a generic process (Keltgen, 2009).	Mares (2013) a US private and public sector guru tendered 25 reasons why government management and business management are not the same.
5	Kankanhalli & Kohli (2009) reckon that PSOs may also be subject to competition just like private sector companies do.	The objectives of PSOs are very dissimilar to those of commercial entities, which tend to make performance management more complicated (Ryan, 2018).
6	e-Government business models approximate e-commerce and e-business models in their development life cycles Janssen, Kuk, & Wagenaar, (2008)	Public administration differs from private administration, in three important ways, i.e., the political character, accountability and scope of their activities (Surbhi, 2016).
7		Cauter (2014) reckons broad set of researchers appear to converge that public and private organisations exhibit different objectives.
8		Public and private organisations face challenges that are unique to each sector (Mares, 2014).
9		Performance is perceived to be poorer in PSOs than in the private sector, both in terms of service quality and efficiency (Ryan, 2018).
10		Public entities have multiple stakeholders and are subject to much greater scrutiny. Independence is a fundamental difference. All PSO are subject to government control and accountability; must meet performance targets and are subject to restraints imposed by political reality. Public enterprises are shielded form market failure consequences unlike private companies through government rescue, and absorbance of losses, unlike private companies and owners who tend lose their investment and absorb losses when the enterprise is wound down (Armstrong et al., 2005).
11		Public and private organisations differ fundamentally with respect to their dominant goals. PSOs usually focus on the “public interest”, policy-related goals and accomplishing public welfare. They may follow financial and efficiency-related targets, but “effectiveness” with equivalency of achieving policy outcomes is ordinarily paramount. Conversely, profitable product or service delivery is core for the private sector (Reichard & van Helden, 2015).
12		PSOs pursue ambiguous, usually nonquantifiable or qualitative (of difficult to quantify), multiple goals / objectives, meaning that it is difficult to measure outcomes or provide legitimation . They therefore concentrate on efficient service provision while private companies have a clear goal (profit) and measure (money) (Lane, 1998)

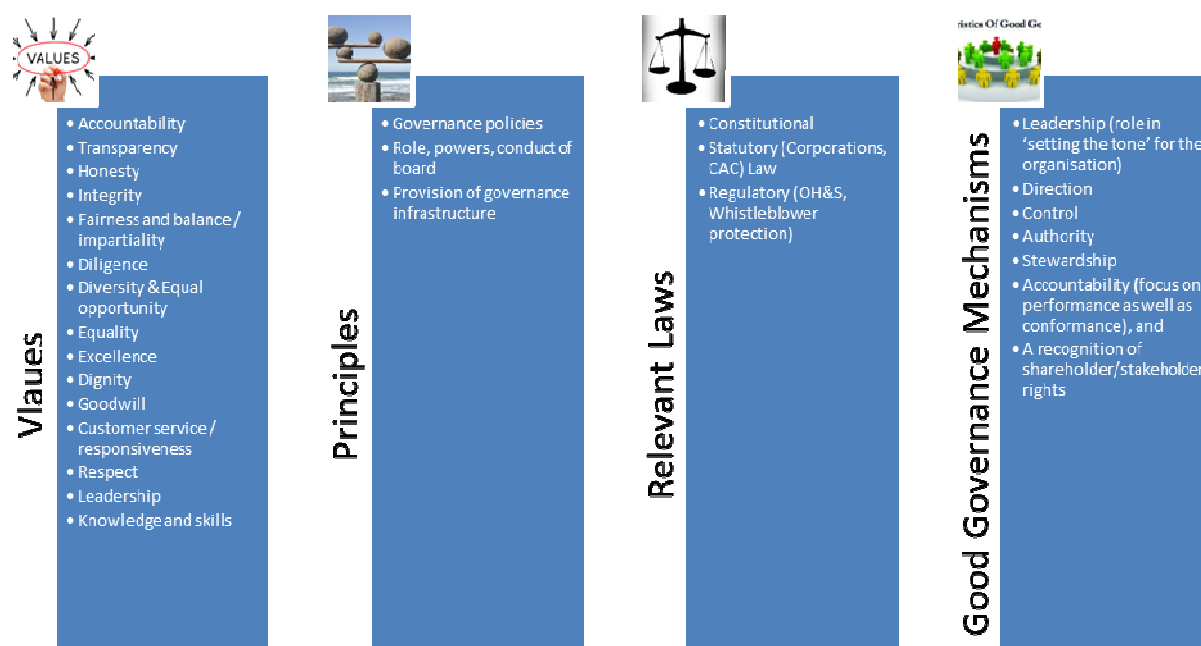
4.2 Commonalities between the public and private sectors

There are lots of commonalities between the private and public sectors especially from a corporate governance

perspective which are extensively covered in literature ((c.f. Alford & Greve, 2017; Armstrong et al., 2005; Edwards & Clough, 2005; Cauter et al., 2014; Victoria University, 2018.; Keltgen, 2014; Sudnickas, 2016; Khan & Khandaker, 2016; Flemming, 2016). Both sectors operate under severe revenue constraints due to the cyclical economic and financial crisis. Budget limits can encourage innovation in both sectors. There appears to be incentive to implement process alignment and integration efforts in times of economic challenges and pressures (Halvorsen et al, 2005). Apparently both sectors seem not kin to publicise lost or gained resources (Nutt, 2000; Cautier et al., 2014).

Most features of good governance (KPIs) from the literature are unequivocally relevant to both the sectors and are not covered in detail in this paper. These commonalities are based on “governance structure of organisations”, “the underlying principles”, “values and ethics of an organisation”, “the relevant law” and “good governance mechanisms” underpinned by various theories (Armstrong et al., 2005).

Figure 1: Commonalities between public and private sectors



Source: Adapted from to Edwards & Clough (2005) and Armstrong et al., (2005)

4.3 Divergences between the public and private sectors

The distinctive nature of the two sectors implies that even the common principles will be embodied or applied within different contexts hence we need to understand them in the context of the public sector (Edwards & Clough, 2005) something which Armstrong et al. (2005) refer to as “similarities that are markedly different in context” (p1). Armstrong et al. (2005) further reminisce that even though most people might not consider it, governance in these two sectors has been converging but there is a hard-core perception that governance in the “public sector is long standing and that many of the criteria applied in the private sector are unsuitable for the public sector” (citing Wettenhall, 2004).

Why do the similarities and differences between the public and private sectors matter, if we may ask? Or more directly what difference does it make whether public administration and business administration are linked in any way? Realistically, the debate between public administration and business administration has been a long running one and has fundamentally been based on these two dimensions. In fact, one can say it is the differences that humanise public administration and business administration. The differences have been used to legitimise the field of public administration and erase any connection with business administration, while similarities have been used to reinforce the connection and became the basis of most administrative reforms undertaken in most countries. Different analogies have been used such as siblings (Keltgen, 2009), cousins or twins? If they are twins, are they identical twins, fraternal twins or Siamese twins? Keltgen (2009) analogised the two disciplines as “Siamese management twins separated at the heart”.

In 1953, a notable Wallace Sayre made an utterance which became the premise of a heated debate around similarities and differences between private sector and public sector managers:

“Public and private management are fundamentally alike in all unimportant respects” (Cauter et al., 2014;

Keltgen, 2009; van Dooren, 2003).

This notion was advanced by Allison (1979) who declared that:

“Public and private management are at least as different as they are similar, and that differences are more important than the similarities” (Keltgen, 2009).

Allison (1979) further claimed that:

“The notion that there is any significant body of private management practices and skills that can be transferred directly to public management tasks in a way that produces significant improvements, is wrong”. (Cauter et al., 2014, p.6)

Bretschneider (1994) reckons public administration ‘differs from all other administrative work to a degree not even faintly realized outside’ (Keltgen, 2009). Wilson adds: “... business management focusses on the “bottom line” (i.e., profits), government, management focusses on the “top line” (i.e., constraints)” (Van Dooren, 2003).

Sudnickas (2016) asserted that private and public sector organisations have lots of commonalities, but they also have some “genetic” differences. Cauter et al., (2014) explored similarities and differences between the private and public sector by conducting a Delphi study and a survey on the applicability of the Delone & Mclean model in the public sector. Caemmerer and Dewar (2013) explored the public-private differences between from customer service quality perspective and concluded that the study results contradicted the oft-held notion that the quality of private sector services is superior to those of the public sector (Parker & Bradley, 2000).

Given these predominantly sharp divergencies in thought, is comparing both sectors in vain? We appear to be seized with a situation where some authors support Sayre’s and Allison’s position (so called Wallace’s Law) in saying the differences matter while others outrightly contradict this and say no they don’t (Keltgen, 2014; Boyne, 2002). The former group is associated with advocates of NPM who hold that the similarities between the private sector and public sector mean that public managers can learn useful lessons from private managers (Keltgen, 2014; Boyne, 2002) cross-learning and use the existing knowledge and experience (Kankanhalli & Kohli, 2009) hence that should be enough to justify importation of managerial practices from the former to the later even if it should be done with a great deal of caution.

Sudnickas (2016) added another interesting dimension to the debate which was that the difference of performance measurement in the public and private sectors is influenced by both the dissimilar makeup of the sectors as well as “different historical traditions”. According to Khan and Khandaker (2016), a glut of literature has attempted to compare and contrast public and private sectors for decades, yet it remains one of the most contentious organisational theory debates of all time. They conclude thus:

“No conclusive understanding regarding the similarities and differences has been availed, and the scholarly discussions between these two types of organizations predominantly ended up finding out differences rather than similarities (Khan & Khandaker, 2016).

In concluding this section, we saw that there is a hard core of those advocating that private and public organisations are fundamentally different and that it is “wrong” to try and transfer private sector techniques and skills to the public sector with a view to realising performance improvements. We call this the “Sayre view” which was based on Sayre’s proposition supported by researchers such as Allison (1979) and Bretschneider (1994). On the other side, we have those who disputed the Sayre view whom we christen “The Reformers” and include researchers such as Boyne (2002) and Kankanhalli & Kohli (2009). The Reformers are moderate in that they accept that sectoral differences do indeed exist but encourage the creation of a cross-learning culture that utilises “existing knowledge and experience” in order to narrow the gap between the two which is what has been happening over the years. Instead of classifying public and private organisations as either mainly similar or fundamentally different, “considering a critical, cautious, incremental but mutual transfer might be more fruitful” (Weerakkody et al, 2011; Melin & Axelsson, 2010; Kankanhalli & Kohli, 2009; Keltgen, 2009; Boyne, 2002; Rochelau & Wu, 2002). It is proposed to carefully analyse the sectoral differences as a pre-requisite to efficaciously cross transplanting the practices. This would lend us insights into the complex dependencies of technological, organisational, and social factors and processes involved in the two sectors and explore relevant cross-fertilisation and eliminate unnecessary duplication (Scholl et al, 2009; Scholl, 2006). Cauter et al., 2014 which is what this paper ultimately hopes to achieve.

4.4 Underlying characteristics which differentiate the public and private sectors

As seen in the foregoing section, the key similarities and differences between private and public sectors are well articulated in the literature but often from a public administration perspective and rarely interrogated. Several taxonomies have been adopted to categorize the differentiating aspects between public and private entities (e.g. Allison, 1984; Bozeman, 1987; Perry & Rainey, 1988; Ring & Perry, 1985; Nutt, 2000). Rainey et al’s (1976) broadly recognized classification identified public-to-private differences in three areas supported by Allison (1984), Nutt & Backoff (1992, 1993) and Euske (2003) as reflected in Table 2 below:

Table 2: Differentiating characteristics of the public and private sectors

#	Characteristic	Explanation	Citations
1	<i>Environmental drivers and constraints</i>	Are those outward to the organisation encompassing: <ul style="list-style-type: none"> • legal/political/ economic constraints • revenues 	Scott, 2002; Melin & Axelsson, 2010; Rochelau & Wu, 2002; Scholl, 2006; Kankanhalli & Kohli, 2009; Keltgen, 2009; Janssen et al., 2008; Nutt, 2000; Halvorsen et al, 2005; Euske, 2003; Boyne, 2002; Ward, 2006
2	<i>Organizational mandates and scope</i>	Transactional factors comprise the multiple interactions of organisations relative to their external environment mainly distinguished between <ul style="list-style-type: none"> • scrutiny • customer vision • procurement 	Scott, 2002; Scholl et al, 2009; Rainey et al., 1976; Morgeson & Mithas, 2009; Halvorsen et al, 2005; Kankanhalli & Kohli, 2009; Keltgen, 2009; Sundgren, 2005; Rochelau & Wu, 2002; Boyne,2002
3	<i>Internal processes, complexities and incentives</i>	Processes are the organisation's internal procedures classified as follows: <ul style="list-style-type: none"> • goals • bureaucracy • performance • personnel • leadership and autonomy 	Jacobsen (2021); Knies et. al., (2022); McKinsey and Company (2021); Scholl, 2006; Scott, 2002; Morgeson & Mithas, 2009; Halvorsen et al, 2005; Euske, 2003; Rochelau & Wu, 2002; Barzilai-Nahon & Scholl, 2010; Scholl et al, 2009; Kankanhalli & Kohli, 2009; Boyne, 2002; Keltgen, 2009; Ward, 2006; Nutt, 2000; Keltgen, 2009; Euske, 2003; Nutt, 2000

Adapted from: Rainey et al's (1976)

Other previous empirical research by Scott (2002) also classified differences by other factors such as “motivation, environment, goals and objectives, structure, management processes, decision making and strategic management” (Cauter et al., 2014). The systematic review made a thorough identification of similarities and differences between private and public sectors, making this the most comprehensive such articulation of these two sectors to date to our knowledge. These are listed in the subsequent Table 3.

4.5 Implications of the public-private sector differences on public sector measures of performance

The first part of the research successfully and thoroughly identified the distinctive characteristics of the public sector. To respond to the second part of the research question, the systematic review went a step further to try and establish the implications of the public-private divergences from a performance measurement and management perspective especially as it relates to the derivation and application of public sector performance measures. Moriarty & Kennedy (2002) reckon that the imperative for performance measurement in the public sector is unquestioned but further argue that the inherent characteristics of the public sector and public services make it extremely hard to apply conventional performance measurement and management techniques, especially key performance indicators (KPIs). A thorough analytic examination of the differences between the public and private sectors will help identify areas in which the public sector is likely to benefit from private sector approaches to application and use of KPIs and minimise any pitfalls or those where benefits are likely to be minimal which the paper explores next. This will provide a springboard for recommending private sector approaches which are likely to be value adding to the public sector which is the final stop of this paper. Table 4 below examines the distinctive characteristics of the public sector and their implications on public sector measures of performance.

In drawing relevant lessons from the private to the public sector on the relationship between governance practices and performance, there is need to be wary of the distinctive nature of the public sector (Edwards & Clough, 2005) and the following are the key unique aspects of the public sector and areas of literature convergence which have a bearing on benchmarking private sector approaches. The fundamental differences between the private and public

Table 3: Differences between public and private sectors per systematic review

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Organisational and Functional Structure	<ul style="list-style-type: none"> • Complex system of organisations with various & sometimes conflicting activities. • Can be in the form of a department, statutory authority, state owned enterprise or private-public partnerships. •Tends to have bureaucratic top-down structures which are now shifting towards result-oriented structures •More rigid structures due to the process of decision making and implementation 	<ul style="list-style-type: none"> • More hierarchical organisations comprising firms or enterprises of different sizes (outsider/insider models), with room for new entrants. •Different organisational structures but commonly reflect top-down decision making & “bottom-up” participation •Are more flexible, easier to manage because the decision is taken by a single leader 	<p>Koch (2005); Armstrong et al. (2005)</p> <p>Ruzita et al. (2012):</p>
Organisation definition	<ul style="list-style-type: none"> • Often reconstructed from remnants of market failure, departments may house many dissimilar activities 	<ul style="list-style-type: none"> • Often defined by core or distinctive competencies 	Edwards & Clough (2005)
Principal(s)/ Stakeholders/ Ownership / Control	<ul style="list-style-type: none"> • Multiple/broader group of principals/ stakeholders/ several masters or multiple actors¹ & resultant numerous goals. •Different types of accountabilities (e.g., to Parliament). •Attracts attention of many interest groups & oversight agencies. •Government as owner, minister(s) as appointed ‘shareholder’(s), distributed ownership rights & ultimately deviating interests. •Usually simple, but complex relation to assets– most assets held in trust than outright ownership. •“A nearly limitless number of interested constituencies, participants, and incremental decision-makers.” (Bealbudgeting.com, 2019) •Control by multiple stakeholders at different layers, weak incentives. •Public managers get directives from political forces and multiple sources of authority. •Ministerial control, board members appointed by Minister 	<ul style="list-style-type: none"> • Primary concern to single principal or few stakeholders (shareholders) with secondary interest to employees, customers, lenders, government etc. •Organisations answer to stakeholders & customers. •Few or multiple owners with mainly financial interests. •Companies are answerable to their investors and board of directors. •Often complex with partially owned entities. •Few stakeholders and focused goals •Control by the market and by shareholders, strong incentives. •Private sector managers receive directives from stockholders and executive boards. •Legal independence of board and election and appointment of members 	<p>Singh (2023); McKinsey and Company (2021); Ryan (2018); Bealbudgeting.com, (2019); Reichard & van Helden (2015); Cauter et al., (2014); Dahl & Lindblom (1953); Brignall & Modell (2000); Murby & Gould (2005); Ruzita et al. (2012); Propper & Wilson (2003); Metawie (2005); Mihaiu, Opreana & Cristescu (2010); Lin & Yee (2011); Micheli & Kennerley (2005); Edwards & Clough (2005); Gadenne & Sharma (2009); Ertl et al., (2014); Mimba, Van Helden & Tillema, (2007); Nutt (1999); Boyne (2002) Nutt & Backoff (1992, 1993); Bozeman (1987); Bozeman & Kingsley (1998); Bozeman & Scott (1996); Kankanhalli & Kohli, (2009); Keltgen, 2009; Scott, (2002), Nutt, (2000); Armstrong et al., (2005); CIMA (2012); Robak (2015)</p>
Leadership / Managerial Autonomy / Independence	<ul style="list-style-type: none"> •Lower managerial autonomy and of a cross-departmental, central unit •Limitations by traditional roles •Little control over subsidiary units •Public managers have less control, independence, & adaptability. 	<ul style="list-style-type: none"> •Mostly, higher managerial autonomy and of a cross-departmental, central unit but others are constrained by shareholders, corporate governance, or financial stringency •Limitations by law or internal consensus •Greater control over subsidiary units. 	<p>Ertl et al., (2014); Nutt & Backoff (1992, 1993), Bozeman (1987); Farnham & Horton (1996); Dahl & Lindblom (1953), Rainey et al. (1976); Cauter et al., (2014); Scott, (2002); Halvorsen et al, (2005); Ward, (2006)</p>

¹ Includes bureaucrats, public service managers/officials, government, politicians, citizens/service users/taxpayers, funding bodies/payers of the service, professional organisations, other agencies

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Leadership / Managerial Autonomy / Independence (Cont'd)	<ul style="list-style-type: none"> •Public managers apparently have less autonomy & leeway in exercising leadership than their private sector counterparts. • Leadership is usually under close political scrutiny & constant external pressure. •Public managers face greater external influence in decision making to enhance transparency by mandate thereby creating more obstacles for them. •Public managers also have weaker power bases & less authority to make investments •Lack of or limited support to politicians by career or political staff which could slow down and /or derail the leader's actions 	<ul style="list-style-type: none"> •Private managers seem to come to smoother less bumpy decision-making processes. •Leadership not subject to undue political pressure and external pressure. •Private managers have more autonomy in decision-making. •Managers are not directly motivated to collaborate with public agencies as they are no threat to their existence, thus they prefer to stay independent. •Lack of support to the organisation's leader and/or loyalty to the organization is rare. 	Nutt, (2000). Rochelau & Wu, (2002); (Nandi & Nayak, (2008); Keltgen, (2009); Allison, (1984) and Weinberg, (1983); Janssen et al, (2008); Koch (2005); Mares (2013); Lin & Lee, (2011)
Mandate/ Goals / Objectives/ Tasks	<ul style="list-style-type: none"> •Lack of goal clarity / goal ambiguity / difficult to prioritize •Unclear/ ill-defined / soft / objectives to satisfy different actors. •Multiple objectives revealed or not revealed, vague/ poorly defined, may be contradictory, non-static / shifting, usually imposed or policy makers bureaucrats may simply not know them •Goals & objectives more complex & difficult to measure due to their vagueness •Often incongruent goals & sometimes discordant objectives which cannot be concurrently satisfied. •Serve the citizens / public which translates to "welfare maximisation", considering community interests, & trade-offs. •Works with "service motive", welfare oriented. •No 'bottom line' (profits), focuses on 'top line' (constraints). •Lack of profit maximisation focus. "Value for money"/ "more with less" as proxy for profitability. •The public interest. •Seek economic benefits, but some social benefits as well, with public welfare primary objectives. Rarely invests in social responsibility and R&D. •May acquire new objectives by accretion to satisfy emerging stakeholder groups' demands or new government due to changing or new priorities. •PSOs desire interoperation, intergovernmental relationships and access to services and information. •PSOs based on common ownership & aim to attain collective purposes. •New demands are perceived as a political challenge 	<ul style="list-style-type: none"> •Goal clarity •Clearer / well defined / well-understood objectives •Fewer/limited objectives, usually revealed, precise, well defined, non-contradictory, relatively static, agreed, and well-known to management. •Less complex and easier to measure •Goal congruence, harmonious objectives •Maximize shareholder wealth/investment's profit or "profit maximisation", considering corporate interests only. •Value maximisation & business growth as measurable goals. "Business intuition", profit oriented. •Fixation with bottom-line profitability (profits). Strive for customer value and revenues •Primarily seek to obtain economic benefits (even with little regard for social and environmental issues). •Shareholder interest. •May opt to balance social responsibility / accountability to public opinion or society with profit motive. •New objectives identified due to changes in market trends or operational environment •The propensity to transfer information would mean a counterintuitive practice in the private sector, due to the desire to maintain competitive advantage. •New demands are considered a market opportunity. 	Singh (2023); McKinsey and Company (2021); Mihaiu, et al. (2010); Edwards & Clough (2005); Martinez (2001); CIMA (2012); Robak (2015); Lee & Young, 2011; Ross (2011); Metawie (2005); Ruzita et al. (2012); Van Dooren (2003); Moriarty & Kennedy (2002); (Kouzmin, Loeffler, Klages, & Kakabadse, 1999); Micheli & Kennerley (2005); Sudnickas (2016); Cauter (2014); Morgeson & Mithas, (2009); Halvorsen et al, 2005; Euske, (2003); Boyne, (2002); Rochelau & Wu (2002); Scott (2002); Rainey (1983); Baldwin (1987); Barzilai- Nahon & Scholl (2010); Keltgen (2009); Nutt & Backoff (1992); Mahoney, McGahan & Pitelis. (2009); Jurisch, Ikas, Palka, Wolf, & Krcmar, (2012); Greger, Wolf & Krcmar (2013); Bozeman & Scott (1996); Lachman (1985); Bozeman (1987); Nutt (1999); Rainey & Bozeman (2000); Meier & O'Toole, (2011); Dahl & Lindblom (1953); Farnham & Horton (1996); Becker, Algermissen & Falk (2009); Obermeier, Wolf & Krcmar (2013); Arveson (2018); Mares (2013).

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Mandate/ Goals / Objectives/ Tasks Cont'd	<ul style="list-style-type: none"> •Mission effectiveness •PSOs are hard pressed legislative mandates, increasing pressing outside forces, and usually try to accommodate a lot of other organisations or interest groups often with contradictory goals. •PSO's goals can be driven /influenced by political interests and processes such as political parties in power and electoral cycles and attendant changes. 	<ul style="list-style-type: none"> •Competitiveness •Business entities set their own goals and allocate their resources to attain them. •Business goals include achieving profits and market share targets as part of company strategy. 	Ertl et al.; (2014); Demmke (2006); Drucker, (1978); Esteve & Ysa (2011); Cauter et al. (2014); Gadenne & Sharma (2009); Northcott & Taulapapa (2012); Ryan (2018); Nutt, (2006); Kankanhalli & Kohli (2009); Ward (2006); Rochelau & Wu (2002); Esteve & Ysa (2011); Lan & Rainey (1992); Surbhi (2016)
Principal/Agency Status	<ul style="list-style-type: none"> •Information asymmetry between citizens and government, former more suspicious of later. •Agents act on behalf of the public. 	<ul style="list-style-type: none"> •Investors / shareholders are usually well informed about company's activities and market evolution. •Agents act on behalf of shareholders 	Mihaiu et al. (2010) Armstrong et al., (2005)
Unit of analysis	<ul style="list-style-type: none"> •Mainly part of a broader "command and control" structure, with no distinct boundaries to the different parts of the system exacerbated by archaic legal frameworks 	<ul style="list-style-type: none"> •Well-structured top-down chain of command. Bureaucracy in some large private sector conglomerates or multinationals can parallel public institutions. 	Koch (2005)
Meaning of public administration vs. business administration	<ul style="list-style-type: none"> •Public administration (PA) is the systematic & well-planned management of resources to attain government objectives. •Administrative functions conducted by the government focusing on providing public services, safety and good life to the people. •It is a discipline that covers subjects such as budgeting, planning, organising, controlling, reporting, directing, staffing, etc. •It is also an activity that performs welfare services, social security services, management of government undertaking, and regulation of private enterprises among others. •PA is a non-political public bureaucracy that operates within a legal framework. •It deals with the objectives of the government, the public interest and laws. •It covers all the branches of the government, i.e., executive, legislative and judicial, and their relations to each other. •It works on the principles of uniformity, external financial control and service motive. 	<ul style="list-style-type: none"> •Private or business administration (BA) is the operation, management and organisation of the affairs of an enterprise to meet its business objectives. •Administrative function conducted by private individuals or a group for profit. •It is a nonpolitical business activity that involves an array of activities like planning, organising, controlling, coordinating and implementation of policies and programs, performed by the management of the organisation. •It works for the economic benefit of the organisation, taking into account the interest of employees and clients or partners as well of the concerned organisation. 	Surbhi (2016)
What is it?	•A political process	•A business activity	Surbhi (2016)
Operational setting	•In a governmental set up	•In a non-governmental set up	Surbhi (2016)
Approach	•Bureaucratic	•Egalitarian	Surbhi (2016)
Decision making	<ul style="list-style-type: none"> •Pluralistic •No clear-cut evidence of superior decision-making ability but reveal trends of success in use of hard data and application of a more structured decision making process. 	<ul style="list-style-type: none"> •Monopolistic •Primarily based on robust data and analysis to a much greater extent. 	Surbhi (2016) Robak (2015); Nutt (1999); Dillon, Buchanan & Corner (2010); Andersen, (2010); Nutt (2006)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Information for decision making	<ul style="list-style-type: none"> •Constrained due to limited financial resources. •However, governments tend to be more elaborate & transparent about their strategic technology plans than private sector firms. •Public sector information priorities somewhat lag behind those of private sector management. •Difficult to use public resources for collecting data on expensive or risky sophisticated technology. 	<ul style="list-style-type: none"> •Not inhibited by potential investment level. •Less elaborate and transparent •Heightened information priorities 	Robak (2015); Nutt (2006) Kankanhalli & Kohli (2009). Rochelau & Wu (2002) Nutt (2000); Cauter et al., (2014)
Regulation Organising principles	<ul style="list-style-type: none"> •Constitution, acts & statutory regulations governing government ministries, departments and state enterprises. •Regulator and regulated •Enactment of Public Policies. 	<ul style="list-style-type: none"> •Acts governing private companies or corporations •Regulated •Pursuit of profit, of stability or of revenue growth. 	McKinsey and Company (2021); Armstrong et al. (2005) Koch (2005)
Market status/force/ Environment	<ul style="list-style-type: none"> •PSOs are usually legislated monopolies. Unlike the commercial sector, they normally operate without market competition, serving whole of government. 	<ul style="list-style-type: none"> •Operating on competitive markets of their choice (market-driven competition) which may include governments. •Market defined by buying behaviours rather than oversight / collaborative bodies 	Mihaiu, et al., (2010); CIMA (2012); Moriarty & Kennedy (2002); Edwards & Clough (2005); Mares (2013); Ryan (2018); Van Dooren (2003); Robak (2015); Nutt (2006)
Revenue Funding	<ul style="list-style-type: none"> •Mainly from tax, also from some natural monopolies; fixed budget, scarce resources. •Limited income generation; bulk of income from State. •Revenue generation from taxes, fees, duties and penalties from general public. •Taxation based on political decisions •Sometimes poorly funded •Taxation or mix of taxation and private capital. •Public resources •Funding detached from service delivery (tax revenues) 	<ul style="list-style-type: none"> •From sales •Revenue generation activities •Profits from operating activities are the major source of revenue. •Prices paid by customers based on market performance •Can raise adequate funding within resource constraints. •Financed under productivity or if ROI is feasible •Private capital •Funding through the market (sales revenues) 	Edwards & Clough (2005); Martinez (2001); Kouzim et al., (1999); Micheli & Kennerley (2005); Boland & Fowler (2000); Surbhi (2016); Cauter et al., (2014); Mihaiu, Opreana & Cristescu (2010); Ertl et al., (2014); Melin & Axelsson, (2010); Boyne (2002); Reichard & van Helden (2015); Singh (2023).
Performance management force and perspective	<ul style="list-style-type: none"> •Market test for output typically lacking •Services/products in regulated market environment •Political forces •Focus on procedures, rules and outputs. •Focus on inputs 	<ul style="list-style-type: none"> •Market test for output present. •Market forces (Bozeman 1987; Boyne 2002) •Market pressure •Focus on key performance indicators •Focus on outputs 	Ertl et al., (2014); Nutt & Backoff (1992); Nutt (2000); Farnham & Horton (1996); Boyne (2002); Bozeman (1987); Budding (2004);
Performance Measurement and Management	<ul style="list-style-type: none"> •Performance measures greatly differ from private sector. •Assessing performance difficult due to diverse & conflicting objectives & is done mainly evaluated through social welfare. •Provide services that are not profit-seeking, hence their profitability cannot be easily ascertained. •Lack of competition in the supply of services might result in lack of incentives for performance improvement. •More challenging to measure staff performance. 	<ul style="list-style-type: none"> •Performance is mainly evaluated on financial metrics. •Monitoring and controlling has a monetary incentive as improved performance would result in increased results-based remuneration or the value of management shares in the company. •Market competition provides incentive for performance measurement as inefficiency is punished by market through loss of business and market share 	Kankanhalli & Kohli (2009); Keltgen (2009); Ward (2006); Nutt (2000); Pffifner in Halvorsen et al. (2005)Rochelau & Wu (2002) Tait & Pacheco (2001); Boyne (2002); Fountain in Morgeson & Mithas (2009) Cauter et al., (2104); Jacobsen (2021); Knies et al., (2022).
Performance Measurement and Management (cont'd)	<ul style="list-style-type: none"> •Efficiency gains and cost savings are 'rewarded' with budget cuts, staff reductions, loss of resources and consolidation of programs hence PSOs are less responsive to evaluation criteria of cost efficiency and timeliness. 	<ul style="list-style-type: none"> •Efficiency gains and cost savings in the economy are rewarded through profits hence more responsive to evaluation criteria of cost efficiency and timeliness. 	

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Performance Criteria/ Metrics	<ul style="list-style-type: none"> •Financial ratios are meaningless. Other performance indicators are used to counter this. •Success measured by relating inputs, outputs & outcomes. •No clear-cut profit measure and inputs are relatively easy to measure and are often used as a proxy for performance. •Outputs and outcomes difficult or impossible to measure. •Use of multiple performance indicators and targets. •Not sufficiently clear and defined. •Overall activity is usually assessed. 	<ul style="list-style-type: none"> •Standardised financial ratios •Success is measured by Return on Investment (ROI). •Has profit as a clear-cut measure. Inputs are easy to ascertain and not used as a proxy for performance. •Outputs and outcomes easy to measure. •Limited number of KPIs. •Sufficiently clear and well defined. •Each entity is analysed independently. 	Edwards & Clough (2005); CIMA (2012) Sudnickas (2016) Koch (2005) Mares (2013)
Performance Horizon	<ul style="list-style-type: none"> •Impacts tend to be delayed – achievement or progress towards many public-sector objectives, especially preventive ones, may not be achieved for many years. 	<ul style="list-style-type: none"> •Shorter term operational horizon based on (usually annual) reporting cycles. Results observable in the short-term. 	Ross (2011)
Permeability	<ul style="list-style-type: none"> •Direct political influence 	<ul style="list-style-type: none"> •Indirect political influence, influenced by stakeholders 	Ertl et al., (2014); Nutt & Backoff (1992); Boubakria et. al., (2008); Bozeman (1987)
External scrutiny	<ul style="list-style-type: none"> •Actions of PSOs and government face greater internal and external scrutiny than their private sector counterparts. •Collaboration and stakeholder involvement in processes are sacrosanct in government. •Public systems emphasise more on accountability, openness & privacy, equity, & consultative concerns that the private sector. •PSOs are more onerous due to accountability obligations towards multiple stakeholders. The so called ‘fishbowl effect’ and demands for accountability imply that PSOs are supposed to be more vigilant 	<ul style="list-style-type: none"> •Private sector decisions are less often scrutinised by both the press and public. •Customers and other stakeholders are hardly involved in the strategic decision-making process of corporations •Private organisations are expected to be more risk taking •Less onerous accountability and reporting obligations to shareholders 	McKinsey and Company (2021); Cauter et al. (2014); Barzilai- Nahon & Scholl, 2010; Melin & Axelsson, 2010; Rochelau & Wu, 2002; Rainey et al (1976)). Scholl et al. (2009); Janssen et al., (2008). Morgeson & Mithas, (2009); Nutt (2000); Blumenthal (1979); Bretschneider (1990); Bozeman et al (1992); Scott (2002); Keltgen, (2009).
External scrutiny <i>Cont'd</i>	<ul style="list-style-type: none"> and bureaucratic. •PSOs heightened scrutiny is due to taxpayer funding & holding them accountable for efficient & effective use of public resources including social equity & fairness. •Public sector “hounded” by the media? 	<ul style="list-style-type: none"> •Leadership not accustomed to high levels of scrutiny as they are primarily accountable to their board and shareholders. 	University of San Francisco (2018)
Bureaucracy	<ul style="list-style-type: none"> •The coercive nature of most government actions demands constitutional checks & balances & extensive control mechanisms. •Public managers only have the cost of hierarchy (red tape/rules) and no benefits (freedom and power to manage subordinates). •Bureaucracy can be crippling. 	<ul style="list-style-type: none"> •Envied for its robust dexterity and less onerous bureaucracy. •Private sector organisations are aware of bureaucracy but would rather conduct rational strategies due to their control on tightly structured hierarchical organisations. 	McKinsey and Company (2021); Cauter et al., (2014); Barzilai-Nahon & Scholl (2010); Scholl et al. (2009); Scholl (2006); Nutt (2000); Kankanhalli & Kohli (2009); Boyne (2002)
Economic vs. social goals / objectives	<ul style="list-style-type: none"> •Envisages employment •Serving the general public, looking after their interests, focused on addressing public concerns. •Provide both economic and political efficiencies and also serve a policy mission •Public good 	<ul style="list-style-type: none"> •High Productivity •Creating markets to enable earning profits •Management in the private sector is geared to increase economic efficiency and profitability. •Profit 	University of San Francisco (2018) Cauter (2014); Armstrong et al. (2005) Scholl (2006)
Inputs	<ul style="list-style-type: none"> •Inputs are difficult to quantify especially when it’s a mixed financing form 	<ul style="list-style-type: none"> •Inputs are easy to establish 	Edwards & Clough (2005); Mihaiu, Opreana & Cristescu (2010)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Outputs	<ul style="list-style-type: none"> Limited outputs or lack of measurability of outputs & limited insight in causal relations between output & effect. Outputs are difficult to quantify & compare at international level Often difficult to measure objectively e.g., how much work a police force has performed 	<ul style="list-style-type: none"> Outputs are easy to identify and quantify (monetary form) Outputs can be quantified objectively 	Van Dooren (2003); Bozeman (1987); Boyne (2002); Edwards & Clough (2005); Mihaiu, Opreana & Cristescu (2010) Ryan (2018)
Efficiency	<ul style="list-style-type: none"> Economic efficiency is often at cost of technical efficiency. Effectiveness often more important. Tends to waste public resources Indirect & long term economic & socio-environmental benefits. PSOs can survive their inefficient operations 	<ul style="list-style-type: none"> Technical efficiency is a basic requirement Concerned primarily with direct and immediate economic benefits (economic efficiency) Poorly run private firms can go bankrupt/go out of business Aims at cost reduction 	Edwards & Clough (2005); Mihaiu et al., (2010) University of San Francisco (2018)
Efficiency vs. Effectiveness	<ul style="list-style-type: none"> Apparent discordancy between efficiency & effectiveness controls. Effectiveness is main goal 	<ul style="list-style-type: none"> KPIs focus on total profit or profit margins per product Good measurability of performance 	Van Dooren (2003); Hedley (1998); Reichard & van Helden (2015)
Equity vs. Efficiency	<ul style="list-style-type: none"> Equity implies specific imperatives e.g., equality of access to services Government's concern with equity 	<ul style="list-style-type: none"> No concern for equity of access to products or services. User pays full price 	CIMA (2012)
General Financial Goals	<ul style="list-style-type: none"> Cost reduction, efficiency 	<ul style="list-style-type: none"> Profit, growth, market share 	Sudnickas (2016); Arveson, 2018
Values	<ul style="list-style-type: none"> Accountability to public, integrity, fairness 	<ul style="list-style-type: none"> Innovation, creativity, good will, recognition 	Sudnickas (2016); Arveson, 2018
Desired Outcomes	<ul style="list-style-type: none"> Public satisfaction 	<ul style="list-style-type: none"> Customer satisfaction 	Sudnickas (2016); Arveson, 2018
Stakeholders	<ul style="list-style-type: none"> Taxpayers, inspectors, legislators 	<ul style="list-style-type: none"> Stockholders, owners, market 	Sudnickas (2016); Arveson, 2018
Justification for secrecy	<ul style="list-style-type: none"> National security 	<ul style="list-style-type: none"> Protection of intellectual capital, proprietary knowledge 	Sudnickas (2016); Arveson, 2018
Key Success Factors	<ul style="list-style-type: none"> Best management practices, Sameness, economies of scale Standardised technology 	<ul style="list-style-type: none"> Growth rate, earnings, market share Uniqueness Advanced technology 	Sudnickas (2016); Arveson, 2018
Authority and Responsibility	<ul style="list-style-type: none"> Government / Minister / Department / Board Tends to be asymmetric. Vast responsibility with frequently limited authority. Authority may be vague & indistinct in some cases but very clear & tightly constrained through laws, regulations, policies & directives limiting individual discretion in others. Responsibility is diffused 	<ul style="list-style-type: none"> Board of Directors Are more clearly balanced. Vast responsibility and considerable authority Authority clear and distinct Legal responsibility of Board 	Armstrong et al., (2005); Mares (2013)
Means-ends relationships	<ul style="list-style-type: none"> High uncertainty and mostly not established 	<ul style="list-style-type: none"> More certain and established 	Brignall & Modell (2000)
Resource Role	<ul style="list-style-type: none"> Distribute, redistribute and regulate resources 	<ul style="list-style-type: none"> Produce (grow the cake) and distribute resources 	Mihaiu, Opreana & Cristescu (2010)
Creation of value added	<ul style="list-style-type: none"> Public managers are aware of what should be done and want to do it but face restrictions of laws, regulations, policies, usually of a legacy nature, that prevent prompt action (aka bureaucracy). 	<ul style="list-style-type: none"> Private sector managers worry about creating added value, i.e., a product or service that can be sold competitively to the market which requires agility. 	Mares (2013)
Costs	<ul style="list-style-type: none"> Community costs, including externalities, deadweight losses 	<ul style="list-style-type: none"> Firm's own costs used for decision-making 	Edwards & Clough (2005)
Prices	<ul style="list-style-type: none"> Depend on policy – from free provision for necessities through exorbitant for luxury goods. Allocation often on welfare grounds 	<ul style="list-style-type: none"> Generally constrained by market Allocation based on the ability to pay 	Edwards & Clough (2005)
Cost of service vs pricing	<ul style="list-style-type: none"> Little or no relationship between costs of service provision and amounts charged for the service. 	<ul style="list-style-type: none"> Can charge cost plus 	Ryan (2018)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Budgeting Priorities/ Resource allocation	<ul style="list-style-type: none"> •Governments work with 1-year budget cycles making multi-year strategies & long-range planning. • Quick win political constraints impose public strategic planning. •Different governmental funding model •Efficiency gains & cost savings are negatively rewarded and disincentivized (e.g. through budget cuts, staff reductions, loss of resources & programs consolidation. •Overspending is primarily not allowed in the public sector •Defined by leadership, legislators, planners 	<ul style="list-style-type: none"> •Corporates usually work with 1 and 5 to10 year plans supporting long-term strategic planning. •Stable strategic planning environment. •Straightforward (high risk high return) •Efficiency gains and cost savings are rewarded through profits •Overspending evaluated relative to profit and may be rewarded if it increases profits •Defined by customer demand 	Tait & Pacheco, (2001); Cauter et al., (2014) Ward, (2006); Fountain in Morgeson & Mithas, (2009), Rochelau & Wu, (2002). Morgeson & Mithas, (2009). Sudnickas (2016); Arveson, 2018
Public Sector vs. Private Sector Budgeting	<ul style="list-style-type: none"> •Because PSOs are purposed for public service delivery and not for profit they must ensure public funds are utilised most efficiently. •Have authority to minimise spend •To deal with a multiplicity of stakeholders, public budgets should accommodate greater degree of flexibility. • Public participation in public sector budgets implies that they are lot more transparent than private sector budgets. •This means that the PSO will need to justify its public expenditure on each line item so everyone will understand and agree that such an expenditure was necessary. •PS budget allocations are frequently based on historical allocations. •Contextually, public sector budgeting requires financial managers to be diplomatic, flexible in their thinking, and incredibly persistent. •The public financial manager will ordinarily possess a Master of Public Administration (MPA) as part of their educational qualification. 	<ul style="list-style-type: none"> •The general goal is to generate the highest profits possible hence their focus is always on the “bottom line,” or to achieve a minimum level of profitability. •Have authority to help them achieve best profitability. Costs and fees based on market mechanisms •Top-down decision making makes business operation fast and responsive, but also thrust a burden on the decision makers. •More able to target investments at those that bring greater returns: Fees are directly related to costs, and budgeting is based on future expected demand •Private sector budgeting requires the financial manager to be quick, responsive, and occasionally ruthless to make sure his company stays profitable. •Private sector managers would ordinarily possess Master of Business Administration (MBA) 	University of San Francisco (2018) Robak (2015); Nutt, (2006) Bealbudgeting.com
Risk Tolerance	<ul style="list-style-type: none"> •Bureaucracy, weak performance incentives, & high involvement of politicians make PSOs more risk averse. 	<ul style="list-style-type: none"> •More risk tolerant (provided the higher risk is adequately compensated). 	Bozeman & Kingsley (1998); Robak (2015)
Public Sector vs Private Sector accounting	<ul style="list-style-type: none"> •Public sector accounting is a process of identifying, classifying, recording, summarizing, analyzing, reporting and interpreting government financial and data in the aggregate and detailed in accordance with regulations, accepted principles, concept, convention and standards. •Also has responsibility of fiscal accountability as demonstration of compliance in the use of resources in a budgetary context. •PSOs are not required to apply Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRSs) for accounting purposes. IPSAS have been developed for use in public sectors and international organisations, albeit their adoption is still voluntary. 	<ul style="list-style-type: none"> •Private sector accounting is an accounting method adopted by private organizations in identifying, classifying, recording, summarizing, analyzing, and reporting financial data in accordance with regulations, accepted principles, concept, convention and standards to show their organization’s performance for external users like investors, creditors and customers. •Companies are obliged to follow GAAP and IFRSs. GAAP comprises a set of “best practices,” like using a double-entry method, that keeps financial records accurate and uniform. 	Azmi (2018) University of San Francisco (2018)
Investment criteria	<ul style="list-style-type: none"> •Community interests and unclear cost of capital •Different view on investments and savings as PSOs face more financial limitations 	<ul style="list-style-type: none"> •Based on firm’s interests and cost of capital •Private organisations tend to invest more resources in IT for competitive advantage. 	Edwards & Clough (2005); Tait & Pacheco, 2001); Cauter et al., (2014); Kankanhalli & Kohli (2009); Rochelau & Wu (2002)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Sovereign risk	<ul style="list-style-type: none"> •Internal •Government is much lower in action, little sense of urgency or time sensitiveness. 	<ul style="list-style-type: none"> •External •Fast decision making and action, high sense of urgency and time sensitiveness. 	Edwards & Clough (2005) Mares (2013)
Financial controls	<ul style="list-style-type: none"> •Revenue and expenses are separated hence most control is through cost centres. •Cash not an operating constraint, but government has macro role. 	<ul style="list-style-type: none"> •Operation and control often through profit centres. •Cash flow crucial to survival. 	Edwards & Clough (2005)
Products / Services, Choice, and Delivery Mechanisms / chain	<ul style="list-style-type: none"> •Mandated by government & may include “loss-making” business •Single/many service(s)/product(s). May include monetary transfers; complex, heterogeneous, intangible services. •More complex mechanisms for delivering services because of the relative complexity of service users’ demands, and a lack of commercial pressure and choice to influence the design of services or how they are delivered. •Public services like education, public health & transport generate both positive & negative externalities² particularly in urban areas. •Complicated delivery chains and multiple stakeholders which make it more difficult to manage activities. 	<ul style="list-style-type: none"> •Decided by corporation. •One or many (but limited) goods and services. •Increased variability of products or services. •Fairly clear and straightforward product and service delivery mechanisms primarily premised on customer demands 	Edwards & Clough (2005) Brignall & Modell (2000); Lee & Lee (2011) Bozeman & Kingsley 1998; Nutt 1999; Kuhlmann, Bogumil & Grohs 2008) Ertl et al., (2014); CIMA (2012); Ross (2011) Robak (2015); Prager, (1994)
Supply Chains Relations	<ul style="list-style-type: none"> •Ordinarily dependent on private sector for most supplies like equipment and is a very crucial market for many firms. 	<ul style="list-style-type: none"> •Most companies are part of one or more supply chains, with larger firms tending to dominate these chains. 	Koch (2005)
Products / Services, Choice, and Delivery Mechanisms / chain <i>Cont’d</i>	<ul style="list-style-type: none"> •Public sector bodies often outsource delivery of their services to more efficient entities (e.g., non-profits or even private firms). •Potentially higher costs of managing contracts/monitoring compliance for outsourced services based on incentive structure. 	<ul style="list-style-type: none"> •Straightforward delivery chains and fewer stakeholders makes it easier to manage the firm’s activities. •Can outsource non-core operations. 	Jensen & Stonecash, (2005)
Processes	<ul style="list-style-type: none"> •Usually, numerous formal and operationally essential processes. •Present more degrees of formalisation. •Red tape are the obligatory norms, regulations and procedures that do not serve the legitimate purposes they were created for. •Separation of authority into three main arms with the aim of providing adequate checks & balances & ensuring transparency. 	<ul style="list-style-type: none"> •Streamlined process. •Less formal •No or limited bureaucracy •Authority clearly defined between board, management, and staff. 	Esteve & Ysa (2011); Bozeman, (1993); Kurland & Egan, (1999).
Policy	<ul style="list-style-type: none"> •Core activity 	<ul style="list-style-type: none"> •Incidental activity (marketing, product changes) 	Edwards & Clough (2005)
Power	<ul style="list-style-type: none"> •Strong coercive power, can change own rules. 	<ul style="list-style-type: none"> •Related to economic strength, subject to regulatory control. 	Edwards & Clough (2005)
Stakeholders legally defined	<ul style="list-style-type: none"> •Voters, with limited capacity to opt in or out (migration) 	<ul style="list-style-type: none"> •Shareholders, free to own or dispose of shares, with power related to holding 	Edwards & Clough (2005); McKinsey and Company (2021)
Other stakeholders	<ul style="list-style-type: none"> •Same set of stakeholders but weighting of communities much heavier. 	<ul style="list-style-type: none"> •Employees, creditors, suppliers, communities 	Edwards & Clough (2005)
System boundaries	<ul style="list-style-type: none"> •Poorly defined - public policy reaching into all areas of life - complex systems 	<ul style="list-style-type: none"> •Well-defined - corporation and its operating environment 	Edwards & Clough (2005)
Continuity	<ul style="list-style-type: none"> •Regular hostile takeover bid, sometimes successful 	<ul style="list-style-type: none"> •Occasional takeovers, mergers 	Edwards & Clough (2005)

² Externalities are the existence of uncompensated benefits and costs which are pervasive in many public sector services (e.g. health, education and transport sectors) The existence of externalities in public sector sectors lies at the heart of the challenges in defining customers and in formulating coherent objectives. Externalities by their nature generate diverse stakeholders. (Moriarty & Kennedy, 2002)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Political influence / interference	<ul style="list-style-type: none"> •Political aspect is much more important and pronounced. •Formally controlled by elected politicians. 	<ul style="list-style-type: none"> •Policy decisions normally affect companies indirectly, through laws, regulations and financial support. 	Koch (2005)
Reporting	<ul style="list-style-type: none"> •Ministers, Parliament, Auditor general, Agency Heads, Treasury and Finance 	<ul style="list-style-type: none"> •Annual Report to shareholders 	Armstrong et al., (2005)
Accountability	<ul style="list-style-type: none"> •Wide, more open, fluid •Diffused. Public officials accountable to general public •Various or staggering forms of control. •Several different leadership groups to which agencies are responsible. •Attendant laws and policies (bureaucracy) results in confusion & potential delay on significant issues/decisions. •Heightened oversight by both governmental & non-governmental entities. •Whistle blowers” are more encouraged and offered protection hence are more active. 	<ul style="list-style-type: none"> •Defined by standards, generally for shareholders and creditors, otherwise closed to public •Targeted. Management is accountable to owners •Few or limited forms of control •No similar institutions / bureaucracy / offices or committees or their influence exist. •No to little bureaucracy •No heightened oversight by both governmental and non-governmental entities. • “Whistle blowers” receive less encouragement and protection hence are less active. 	McKinsey and Company (2021); Edwards & Clough (2005) Armstrong et al., (2005) Mares (2013) Ertl et. al, (2014) McKinsey and Company (2021)
Constraints / Primary constraints	<ul style="list-style-type: none"> •Political system •Limited by legislative, regulatory & ‘obligational’ constraints 	<ul style="list-style-type: none"> •Economic system •Less legislative, regulatory & ‘obligational’ constraints 	Robak (2015); Carver (2006); Dahl & Lindblom 1953; Bozeman (1987); Nutt (2006)
Attitudes towards accountability and transparency.	<ul style="list-style-type: none"> •Many public sectors struggle with corruption, nepotism, poor governance or a lack of transparency. Even policy makers in countries without these problems may resist scrutiny of popular or politically motivated, rather than evidence-based decisions. 	<ul style="list-style-type: none"> •Culture that’s generally more amenable to accountability and transparency. 	Ross (2011)
Legislative oversight	<ul style="list-style-type: none"> •Pervasive in the public sector 	<ul style="list-style-type: none"> •Not as pervasive 	McKinsey and Company (2021)
Legal/ political/ economic/ strategic constraints	<ul style="list-style-type: none"> •Can change legislation •A more complex legal framework •PSOs face bigger legal constraints and political influence •PSOs are also heavily influenced by lobbyists more open to external influences •PSOs are often swayed by political vagaries and the need to pacify different constituencies. •Action in PSOs often based on power & political relations. • Increased demands for transparency and additional political influences make strategic planning more difficult. •The obligation for openness, means that most PSOs do not cannot keeping strategic decision-making secret •Regular policy changes due to change in governments render long-term formulation and execution of strategic plans difficult and goals tend to change frequently. • Little urgency to make decisions in PSOs during leadership transitions. • Constant pressure for quick wins that help with politicians’ short-term re-election. 	<ul style="list-style-type: none"> •Binding • Less complex legal framework • Less legal constraints and political influence •Less influenced by lobbyists and fairly insulated against external influences. •Firm’s political environment fairly stable except in hostile takeovers. •Action based on authority derived from the Board •Less obligation for public transparency •Stable policy environment •Stable decision making and leadership transition environment •Environment conducive for long term planning and investments. 	Edwards & Clough (2005) Cauter et al. (2014); Melin & Axelsson, (2010); Rochelau & Wu, (2002). Boyne, (2002); Ward, (2006); Halvorsen et al, (2005); Nutt, (2000). Keltgen, (2009)
Legacy	<ul style="list-style-type: none"> Job security, many PSOs overstaffed with low productivity 	<ul style="list-style-type: none"> Protection, highly regulated economy 	Edwards & Clough (2005)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Customer	<ul style="list-style-type: none"> Difficult to define 'customer' as the ultimate customer is usually different from the funding body or payer of services. Problem of customer definition and satisfaction. Homogeneous customers. Funding based on contracts and arrangements. Citizens as heterogeneous customer group. No choice regarding the consumption of services. 	<ul style="list-style-type: none"> Customer pays for and receive the service. Abstract customer definition and satisfaction. Homogeneous customers. Consumption voluntary, payment based on use. 	McKinsey and Company (2021); Murby & Gould (2005) Moriarty & Kennedy (2002); Ryan (2018) Ertl et al., (2014); Nutt & Backoff (1992, 1993)
Customer vision	<ul style="list-style-type: none"> More diverse group of 'clients' and interests Cannot withhold services from underprivileged groups Open systems to ensure services are responsive to public needs 	<ul style="list-style-type: none"> Answerable primarily to their customers May ignore most constituents 	Halvorsen et al, (2005). Kankanhalli & Kohli, (2009); Keltgen, (2009); Janssen et al, (2008); Rochelau & Wu, (2002), Boyne, (2002); Cauter et. al.; (2014)
Relations with end-users	<ul style="list-style-type: none"> End users are the general public, the citizens, though there is a recent shift to introduce market-type principles and consider them 	<ul style="list-style-type: none"> Markets may be individual (B2C) or industrial (B2B) consumers. 	Koch (2005)
Relations with end-users (Contd)	as customers / consumers	<ul style="list-style-type: none"> Companies differ in closeness to their products' end-users, but market reaction gives judgment on novelty. 	Koch (2005)
Changes in leadership and governments /	<ul style="list-style-type: none"> Unplanned and unstable, based on political election cycles and circumstances. May undergo structural or political re-organisations posing evolving priorities High turnover of senior/political leadership in PSOs/ government results in "starts and stops" in the course of departments or agencies, lack of continuity and distraction. Public managers have shorter life span There is little personal incentive for taking risks on policy or programs and being successful in achieving the goals more effectively. However, there is potential for substantial criticism and other personal loss if innovative attempt fails. Rarely "firm" or "permanent" decisions made as change in government can result in modification or reversal. Are driven directly or indirectly by politicians, which should reflect the interests of the citizens 	<ul style="list-style-type: none"> Much more planned and stable except in case of hostile takeovers. May under structural organisations in response to market or operational changes More stable leadership tenure except in the scenario of a hostile takeover. More continuity and limited or lack of distraction Private managers have longer life span. Private sector managers often benefit from analytical thinking, business savvy and creative marketing techniques, Firm can make more long-term decisions • Leaders of companies are responsible to shareholders, to the boards; they seek profit maximization 	Brignall & Modell (2000); Murby & Gould (2005); CIMA (2012); Ross (2011) Mares (2013) Dixit (2000) University of San Francisco (2018) Mihaiu et al., (2010)
Stability and time horizon	<ul style="list-style-type: none"> Long managerial perspective, but short-term decisions, changeable with elections and political appointments Pressure to achieve quick results, instable in decision-making due to political influence and elections. Shorter time horizon 	<ul style="list-style-type: none"> Strategic decisions fixed for long time periods, sustainable and long-term success. 	Ertl et al., (2014) Bryson (2011); Bozeman (1987); Dahl & Lindblom (1953); Nutt (1999)
Managerial perception / interpretation about conflict in strategic decisions	<ul style="list-style-type: none"> Managers view conflict in strategic decisions, as having positive component, that reflect different stakeholders' participation in the process to ensure that the final decision is representative of diverse stakeholder interests 	<ul style="list-style-type: none"> Directors of private organisations view conflicts as a negative signal indicating that some members of the organisation do not believe that the results of the action strategy followed positions. 	Esteve & Ysa (2011); Schwenk, (1990)
Managerial perception / interpretation of budgeting	<ul style="list-style-type: none"> Public sector managers value advisory practices more in making budget related decisions. 	<ul style="list-style-type: none"> In the private organisations managers analytical practices more in making decision related to budget. 	Esteve & Ysa (2011); Nutt, (2006)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Managers social mission	<ul style="list-style-type: none"> •The ultimate goal of public managers is to maximize the collective value 	<ul style="list-style-type: none"> •In contrast, the managers of private organisations, based on the theory of rational choice, aim to maximize the wealth of the organisation's shareholders 	Esteve & Ysa (2011), Mort, Weerawardena & Carnegie, (2003).
Economic theory of property rights	<ul style="list-style-type: none"> •Financial motivation •Less materialistic 	<ul style="list-style-type: none"> •Strong financial motivation 	Ertl et al., (2014); Boyne (2002)
Organisational commitment	<ul style="list-style-type: none"> •Medium, due to many interpretations of action taking •Low, due to lower job involvement & organizational commitment 	<ul style="list-style-type: none"> •High, due to strategic decision making and standard procedures 	Ertl et. al., (2014); Carver (2006), Buchanan (1975); Lachman (1985), Perry & Porter (1982)
Cause and effect relationships	<ul style="list-style-type: none"> •Unclear cause & effect relationships e.g., some public sector objectives may be shared across boundaries, may cut across 	<ul style="list-style-type: none"> •Often have simpler goals and more responsive control mechanisms implying that causal relationships are clearer, and 	Ross (2011); CIMA (2012)
Cause and effect relationships (Cont'd)	<ul style="list-style-type: none"> different programmes & entities & may sometimes be conflicting. 	<ul style="list-style-type: none"> The impact of actions more quickly apparent. 	Ross (2011); CIMA (2012)
Talent / Employees	<ul style="list-style-type: none"> •Professional talent shortage affects both the public & private sectors, but it may affect the public sector more than it does the private sector as the former generally doesn't have the resources to competitively sustain recruitment and retention of top talent. •Employees generally not redundant hence low need for labour. •Hiring employees involve a longer process as it can take several years for a new position to be created and several months for an existing position to be filled. 	<ul style="list-style-type: none"> •The private sector is much more well positioned to attract and retain top talent and often have clear workforce and succession planning •Managers can hire quickly depending on the business cycle and the need for more personnel. 	Ross (2011)
Talent / Employees	<ul style="list-style-type: none"> •Lower degree of autonomy prevalent in personnel issues such as hiring, firing, punitive actions & implementing reward structures •Public sector red tape requires extensive documentation making firing process more complex & cumbersome. •In event of dispute between public managers and employees, the later can appeal to external authorities •Employees join, not for high compensation, but for other non-pecuniary reasons such as providing for others &/or having more power/responsibility than in private sector. •Public sector employees are typically highly unionised. •Many professional workers organised through associations. •While usual concerns about status and salary are experienced, many workers enter public service with idealistic motivations. 	<ul style="list-style-type: none"> •Private sector managers can fire and offer severance packages to employees at any time. •Most individuals get employed with the expectation to get opportunity to earn large remuneration or to be trained so they can earn more in future. •Nature of workforce diverse, and management-employees relations range from fractious to harmonious. •Some firms make efforts to instill company loyalty and/or a customer-centric approach, but employee motivations are often mainly economic ones to secure a reasonable income. 	Mares (2013); Singh (2023) University of San Francisco (2018) Koch (2005)
Rewards & Reward mechanism	<ul style="list-style-type: none"> •In terms of management incentives, public managers are in general more likely to receive lower and less performance-based material benefits, which may influence their risk-taking behaviour. •Financial reward systems •Fewer incentives •Successful managers likely to receive lower material benefits than comparable private sector managers. 	<ul style="list-style-type: none"> •Managers are more risk-taking entrepreneurs, due to the expectations of rewards or penalties of entrepreneurial activity. •Financial reward systems •Successful managers liable to be rewarded with substantial material benefits and promotion. 	Koch (2005) Ertl et al. (2014); Nutt & Backoff (1992, 1993); Rainey & Bozeman (2000); Brewer & Brewer (2011)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Personnel motivation, job satisfaction, identification and commitment	<ul style="list-style-type: none"> Public managers lack ability of monetary or status incentives but are motivated by other rewards such as job security and stability. Public managers have a stronger desire to serve the public. Public sector employees feel less fulfilled by their occupation, less committed & less involved to the organisation. Public managers are less materialistic and are less likely to be motivated by financial rewards. 	<ul style="list-style-type: none"> Staff may be more motivated by personal economic prosperity. Private workers may also aim for broader social purposes than mere profitmaking 	Cauter et al., (2014); Halvorsen et al, (2005); Scott, (2002); Ward (2006); Boyne, (2002); Keltgen, (2009); Singh (2023); Knies et. al., (2022)
Personnel motivation, job satisfaction, identification, and commitment (Cont'd)	<ul style="list-style-type: none"> Organisational commitment is lower due to personnel procedures inflexibility & weak link between performance and rewards. Difficult for public managers to directly link their contributions to the success of the organisations due to size of most governments, and the lack of clear-cut performance indicators or norms. 		
Staff/employee performance and motivations	<ul style="list-style-type: none"> Primarily based on intrinsic motivation such as accomplishment, helpfulness and community service. Public sector employees may be more efficient than their private sector counterparts. Workers may be motivated by idealism, the joy of creating something new, an intense interest in the topic at hand, friendship and a sense of belonging, career ambitions, etc. 	<ul style="list-style-type: none"> Ordinarily based on extrinsic rewards such as performance pay Private sector employees assumed to be more motivated and efficient than public sector counterparts 	CIMA (2010) Brewer & Brewer (2011); Robak (2015) Koch (2005); Jacobsen (2021)
Motivation assumption	<ul style="list-style-type: none"> Public service Generally lower pay 	<ul style="list-style-type: none"> Instrumental, personal High remuneration including stock options 	Edwards & Clough (2005); Singh (2023); Jacobsen (2021);
Differences between workers	<ul style="list-style-type: none"> Workers tend to attach more value to carrying out tasks that are useful or beneficial to the individual and community or society. 	<ul style="list-style-type: none"> Workers attach higher value to attendant economic remuneration. 	Esteve & Ysa (2011); de Graaf & van der Wal (2008), Aldridge & Stoker (2002)
Sanction mechanism	<ul style="list-style-type: none"> Less sanctions in the case of underperforming Even if customers are not happy with the service they receive, they cannot switch to an alternative supplier. 	<ul style="list-style-type: none"> Monetary penalties for underperforming Bad performance results in loss of custom and, ultimately, loss of funding 	Ertl et al., (2014); Ryan (2018)
Personnel constraints	<ul style="list-style-type: none"> Rigidity in public sector 	<ul style="list-style-type: none"> More flexibility in the public sector 	
IT functions	<ul style="list-style-type: none"> Public sector IT functions are often outsourced 	<ul style="list-style-type: none"> Usually insured 	Cautier (2014); Kankanhalli & Kohli, (2009)
Procurement, Procurement Regulations & Process	<ul style="list-style-type: none"> Not within PSO's direct control since PSOs are government owned and taxpayer or public debt funded. Adequate funding must be sourced, procurement practices require layers and complex approval, and suppliers often undergo background checks and other investigations, which collectively and considerably slows down process. Requirements for open, fixed price tenders, tend to result in lower quality and higher prices for public sector procurement Strong purchase regulations Economic factors are less dominant in procurement decisions. 	<ul style="list-style-type: none"> Benefit from a faster procurement process. Funded from revenue generated from sales and investments to procure the things they need. Less encumbered by regulations dictating supplier relationships, allowing them to get better deals and renew existing contracts to speed up the process. Usually have clear internal procurement and procedures No purchase regulations Economic factors are dominant in procurement decisions. 	University of San Francisco (2018) (Ziomek, 2011) Robak (2015); Prager, (1994); Smith, (2011); Ertl et al., (2014); Ziomek (2011); Cautier (2014); Halverson et al, (2005); Rochelau & Wu, (2002). Ward, (2006)
Programmes	<ul style="list-style-type: none"> The size, dollar value, and complexity of many government programs exceed that in the private sector 		Mares (2013)

Organisational Characteristic, Dimension or Concept	Public sector	Private sector	Citation
Complexity of decision-making	<ul style="list-style-type: none"> • Rigid hierarchies • Complex decision structures • Rigid hierarchies and high bureaucracy • Consensus between all stakeholders necessary 	<ul style="list-style-type: none"> • Lean decision structures • Process-oriented organization • Low bureaucracy 	Ertl et. al. (2014); Bozeman & Kingsley (1998); Lachman (1985); Nutt (2006); Boyne (2002); Williamson (1999); Brewer & Brewer (2011) Jurisch et al. (2012); Obermeier et al., (2013) Nutt & Backoff (1992, 1993)
Marketing and technology	<ul style="list-style-type: none"> •Lack of market pressure means that the public sector provides less information of interest to individuals, but greater disability access and consumer protection 		Robak (2015); West & Lu (2009)
Innovation	<ul style="list-style-type: none"> •Due to a ‘low-trust’, risk averse environment, the public sector is naturally less innovative •PSOs are typically the primary supplier of public services and do not compete to maximize profits. The lack of product competition is widely held to mean a lack of incentives to improvement hence the PS lacks innovation. •Lack of acceptance of innovation project ‘failure’ stifle innovation. •Pressure to short term economising public resources –not wasting public – is a critical disincentive to innovation. •PSOs tend to be risk-averse relative to market-oriented firms, considering the characteristics of the effective incentive system facing the two kinds of organisations •Innovation activities in public institutions are heavily influenced by decisions within the chain of command. 	<ul style="list-style-type: none"> •Reduced requirements for transparency •Market competition means that innovative private companies are more likely to accept “failure” than public institutions. •Private companies may consider “failures” an integrated part of any risky enterprise. •Well developed culture of innovation which can be a source of competitive edge. 	Robak (2015); Smith & Starkey (2010); Nutt (2006) Koch (2005)
Sources of innovation knowledge	<ul style="list-style-type: none"> •Despite its large resources, parts of the public sector may be constrained from using private sources of knowledge. •Public sector sources of knowledge (e.g., Universities) may be highly oriented to other parts of the public sector. 	<ul style="list-style-type: none"> •Companies have considerable flexibility in sourcing innovation-related information from consultants, trade associations, and public sector researchers, but many smaller firms have limited resources to do so. 	Koch (2005)
Time horizon for innovations	<ul style="list-style-type: none"> •Short-term: policy-initiated innovations need to pay off within the election period. 	<ul style="list-style-type: none"> •Short-term in many sectors, though utilities and infrastructural services may have very long horizons 	Koch (2005)
Persuasion and Direction	<ul style="list-style-type: none"> •Public managers have to build consensus outside and inside 	<ul style="list-style-type: none"> •Private firms have no requirement for internal or external consensus building which remains a management prerogative 	

Table 4: Distinctive characteristics of the public sector and implications on public sector performance measures

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
Convergence between the vertical and horizontal	There is now strong convergence between the vertical and horizontal within the public sector resulting in most governments shifting from ‘silo’ to ‘whole-of-government’ approach and increased partnering with third sector organisations (TSOs) and the private sector. (Edwards & Clough, 2005). The ongoing global governments’ acceptance of the rise of amoeba or multi-faceted organisational structures to replace simple linear organisations, the higher inter-dependence between organisations’ members and continuously challenging and dramatically changing environment in the public sector means that SPMM now needs methodologies that are premised on multiple assessments and feedbacks for PSOs to improve their efficiency and effectiveness (Edwards & Clough, 2005; Lin & Lee, 2011).	According to literature, this implies that PSOs need KPIs that are concurrently inward-facing and outward-looking, and alert to the new authenticities and dynamic changes in the external environment to maintain relevance and promote organisational performance improvement.

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
Absence of commercial competition	In the public sector implies that most PSOs are <i>de facto</i> monopolies resulting in customers having limited or no choice of alternatives unlike in the commercial sector where bad performance is automatically punished through loss of customers and ultimately leading to loss of funding (Ryan, 2018). The lack of market competition led to performance measurement increasingly becoming the default “proxy” for market pressure (Moriarty & Kennedy, 2002). Hypothetically, lack of commercial rivalry in the public sector should imply ready and free experiential and knowledge sharing for PSOs to exploit cross-organisational experiences. However, the systematic review revealed that this is not the case in reality (Mihaiu et al., 2010; CIMA, 2012; Moriarty & Kennedy, 2002; Edwards & Clough, 2005; Keltgen, 2009; Nutt & Backoff 1992; Boyne, 2002).	The resultant shortage of comparative organisations in the public sector demands that public managers “think outside the box” to find benchmarking targets (KPIs).
Serious conceptual challenges to measuring public sector performance	Serious conceptual challenges such as lack of consensus on common definitions of key SPMM terms and concepts implies that performance measurement challenges in public sector are predominantly “conceptual” and not “technical”. This is because successful performance measurement is premised on consensus on common definitions of what constitutes government (or the public sector), good government performance, its objectives, and how the performance is measured and assessed. Failure that, the measuring effort may be technically correct but at best be a meaningless exercise especially when comparing the performance of national public sectors or delicate concepts such as the “3Es”, “customer” and “customer satisfaction” (Ruzita, et al., 2012; Mihaiu et al., 2010; Van de Walle, 2008; Salem, 2003; Moriarty & Kennedy, 2002). Thus, despite having clear and straightforward conceptual meanings in the private sector, there is no consensus as to what some terms entail in the various public services and accordingly, they have been defined differently from one public sector to the next.	The “definitional” and “conceptual and political-philosophical issues” may sound trivial but cause rampant challenges in the SPMM field and must be addressed since they are fundamental to the development of appropriate public sector KPIs. Given that measuring public sector performance implies considering the distinction between the many concepts and their inter-dependencies, these conceptual blind spots need to be addressed since their identification is fundamental to performance measurements and by extension affect selection and use of KPIs. Different conceptual definitions by different governments pose challenges in international public sectors comparisons meaning that we might not be comparing like with like and as van de Walle (2008) puts it, “...different governments might be simply good at different things...”
The public sector’s pathological difficulty in articulating its mission and associated strategies	PSOs apparent “lack of strategic orientation” (Gadenne & Sharma, 2009) attributable to the challenge of enunciating their mission, defining multiple objectives and attendant strategies (Kaplan & Norton, 2001b) could hinder the effectiveness of modern SPMM models. This is further complicated by the fact that most public sector organisational structures do not reflect organisational strategy. This is critical because traditional management accounting based SPMM systems have oriented themselves around the organisational administrative structure. Admittedly, public sector organisations require different strategies from the private sectors given divergent objectives (Ross, 2011; Gadenne & Sharma, 2009).	This perceived lack of strategic orientation linked to the public sector’s failure to define its objectives due to their multiple nature, periodic acquisition of new objectives by accretion and negative externalities of moss public services projects. This is problematic and may hinder implementation of modern SPMM models such as BSC whose effectiveness is premised on the assumption of a strategy driven organisation. The failure to define a coherent set of objectives by extension leads to inability to develop a meaningful set of performance measures.
Lack of profit maximisation objective	Profit maximisation is considered the core difference between public and private sectors by many scholars (Metawie, 2005; Boland & Fowler, 2000). The public sector lacks the financial perspective to focus its organisational efforts on (CIMA, 2012; Gadenne & Sharma, 2009; Klages & Korac-Kakabadse, 1999; Micheli & Kennerley, 2005) or the “bottom line” to ultimately measure its performance against (Micheli & Kennerley, 2005; Metawie, 2005). PSOs’ have “public interest” or “welfare maximisation” as primary motive as opposed to private sector’s profitability motive. Conversely, the private sector can fairly easily determine investment and/or resource allocation opportunities that maximise overall returns. The lack of a predominant profit motive further gives rise to challenge of defining strategies for achieving the objectives. (Kaplan & Norton, 1996; Mihaiu et al.,2010; Edwards & Clough, 2005; Martinez, 2001; CIMA, 2012; Lee & Young, 2011; Ross, 2011; Metawie, 2005; Ruzita et al., 2012; Lin & Lee, 2011; Moriarty & Kennedy, 2002; Klages & Korac-Kaabadse, 1999; Micheli & Kennerley, 2005; Brignall & Modell, 2000; Murby & Gould, 2005; Northcott & Taulapapa, 2012).	To address the glaring weaknesses of lack of financial perspective and the differing objectives the government sector transpose “customers” to the top of their strategy maps as opposed to financials as recommended in literature. But the modified SPMM system failed to clearly outline the causal relationship with the other perspectives. Literature further states that the private sector's infatuation with profit maximisation makes it a <i>de facto</i> 'laboratory' to 'experiment' best-in-class performance management practices which can be benchmarked into the public sector.

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
Lack of conventional “customer” and definition of “customer satisfaction	This challenge is directly linked to the lack of profit maximisation objective and further complicated by the public sector’s myriad of “customers” to be addressed below. In the private sector, the customer normally pays for and receives the goods or service (Kaplan & Norton 2001) while in the public sector, the customer or citizen does not necessarily pay for the service they receive. Translating this construct becomes more complex when it involves the public sector and its multiple principals (Kaplan & Norton, 1996; Ruzita et al. 2012; Brignall & Modell, 2000; Murby & Gould, 2005; Northcott & Taulapapa, 2012; Moriarty & Kennedy, 2002; Ryan, 2018). According to Moriarty & Kennedy (2002) defining public sector customers and their preferences is paramount since assessment of customer satisfaction is a vital part of traditional performance measurement and a common feature of new generation multidimensional SPMM frameworks.	Automatically translates to challenges with derivation of appropriate KPIs as widely documented in literature which may be obstinate but not intractable. Customer perspective transposition attempts to satisfy the critical Balanced scorecard causal relationships, but the problem of quantifying KPIs for qualitative aspects such as customer satisfaction and service quality perseveres. Several scholars suggest treatment of the sector’s several stakeholders as part of the ‘customer’ perspective, thereby replacing the “financial” perspective as the bottom-line objective for public sector organisations. Thus, to satisfy the important BSC causal relationship requirement, all relationships are translated into customer satisfaction but not necessarily into financial success.
Presence of multiple stakeholders and multiple (strategic) objectives	Given that customer satisfaction is a key performance imperative for PSOs this leaves them with a more onerous task of trying to fulfill their diverse requirements. This inevitably results in multiple objectives being set up, increased interactions with different stakeholders and numerous trade-offs struck to meet the diverse requirements for increasingly heterogenous populations. The problem of multiple strategic objectives poses challenges for public sector performance measurement in that the fewer the set objectives the better especially as it relates to design of SPMM and performance measures (Brignall & Modell, 2000; Murby & Gould, 2005; Propper & Wilson, 2003; Micheli & Kennerley, 2005; Moriarty & Kennedy, 2002; Ryan, 2018). From agency perspective, the “multiple principals and multiple tasks” characteristic may cause goal divergence such as increased efficiency and equity in the delivery of public services (Propper & Wilson, 2003; Dixit, 2002). Having deliberately conflicting and/or ambiguous objectives as an essential feature of governing, meant to satisfy diverse stakeholders reduces attempting to measure government performance to largely a political exercise. (Van de Walle, 2008; Ruzita et al., 2012; Edwards & Clough, 2005; Metawie, 2005; Moriarty & Kennedy, 2002; Demmke, 2006).	The multiple principals and multiple tasks characteristic of the public sectors mean that the incentives provided in the public sector should be less high powered than those for the private sector. Balancing various stakeholders’ needs requires KPIs that address their desired outcomes making it complex. Conflicting goals may translate into conflicting KPIs and challenges in designing SPMM and attendant KPIs thereby making public-sector performance evaluation difficult and complex. This leads some scholars to believe that it is not possible to devise an unambiguous set of performance measures which is complicated by the delicate numerous trade-offs involved. Literature further reckons that the “multiple principals and multiple tasks” characteristic mean that the public sector’s goals may conflict implying that performance measures for evaluating complex public-sector performance may also be conflicting. The multiple and sometimes ambiguous goals of the public sector make measuring performance towards them difficult. The multiple objectives further render PSOs inflexible in the development of performance standards that are an underlying imperative for effective incentive systems.
The public sector’s agency dilemma	As articulated under the theoretical framework, the standard agency theory underlies NPM implementation of SPMM to measure and improve public sector performance in which KPIs were utilised to express the relationship between government (principal) and the implementation	The introduction of performance indicators between government and agencies and other NPM enabled politicians to measure and evaluate the performance of public and private policy-implementing organisations but in so doing also increased the

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
The public sector's agency dilemma (Cont'd)	agency (agent) which substituted input management with a results-based orientation. (van Thiel & Leeuw (2002). As this systematic review has confirmed, this attendant NPM-induced changes may have been incorrectly premised on a rather simplistic notion of the measurability of public sector performance. According to Propper & Wilson (2003) the public sector's dual special features of multiple principals and multiple goals have some profound implications on standard agency theory since the body and public managers must ordinarily achieve numerous and sometimes conflicting ends in delivering public services (Dixit, 2002). This means that public sector incentivization should pale in comparison to that within the private sector. Propper & Wilson (2003) further expound that even assuming just one principal, there may be divergence from the predictions of standard agency theory in the public-sector context. Dixit (2002) posits that, the standard agency problem assumes a risk neutral principal but a famous group of public sector principals – elected politicians – cannot 'diversify' the effects of bad outcomes which may make them very risk averse. A second diversion from standard theory concerns the issue of moral hazard on the principal's side. For example, staff who maybe committed to a public-sector career and make requisite career specific investments and later discover that the attendant benefits are worse than expected implying that, ex post, their participation constraint may not be met (Propper & Wilson, 2003; Dixit, 2002).	opportunities for performance accountability which was a crucial goal for most administrative reforms. The sector's dual special features of multiple principals and multiple goals profoundly impacts principal-agent theory on key aspects such as public sector 'incentivisation' and potential divergence from the predictions of standard agency theory. These deviations add to complexity of implementing SPMM in the sector such as incorporating incentivisation in KPIs to discourage dysfunctional behaviour as recommended in standard agency theory.
Existence of public sector unique services, a diverse and complex environment and service delivery mechanisms	Government is obliged to provide a suite of public benefits, social needs or certain essential societal services, which the private sector does not ordinarily offer because there is no economic benefit, but which society cannot exist without, and government cannot risk leaving to the whims of private sector capitalism (Mihaiu et al., 2010). Additionally, the public sector is sometimes characterised by huge complex programs and projects not commonplace in the private sector but ironically usually mostly delivered by private sector firms (Metawie, 2005). The US Office of Management and Budget (US-OMB, 2003) identified six common performance management issues related to this complexity through practitioner involvement and attempted to provide practitioner driven solutions for these public sector programmatic performance measurement challenges. The diversity and complexity of the public sector's operational environment commands peculiar SPMM challenges such as more intricate service delivery ad supply chain mechanisms, complex monolithic programmes, projects and activities . This is due to comparatively complex service users' requirements, coupled with lack of commercial pressure and choice to influence the design of services or how they are delivered (CIMA, 2012; Ross, 2011).	Most of these services such as concern for human life and quality of life fall among the category in which KPIs derivation is most difficult if not impossible although some "macro" indicators can be utilised. According to literature, this complexity constitutes fundamental difficulties with public sector performance measurements. The complexity of the public- sector's operational environment implies that performance measures must be flexible, and both inward and external facing. The complex supply chains and participation of numerous partners means the SPMM system necessitates flexible internal accountability mechanisms and regulation and linkages between performance issues across institutional boundaries.
Perceived lack of performance culture and innovation	Implies that the public sector must comprehend the need to institutionalise performance ethos and genuinely hold individuals accountable and make them understand the consequences for lousy performance. Nevertheless, the public sector can reap rewards from its simple operation features of operating domestically or make a positive contribution to performance (Ross, 2011).	The public sector should enforce serious consequences for poor performance as targets alone are not the panacea to achieving organisational improvement.
Poorer quality management information than private sector	The sector's decision makers supposedly suffer from SPMM information deficiency or inferior quality management information compared to the private sector, even though in reality, they often have plethora of data. Public sector managers, unlike the private sector, are inundated with massive volumes of data, which is usually both unreliable and late. Often there are too many KPIs or targets, focused on inputs rather than outcomes or impact. This results in poor decision support and difficulty in supporting a culture of evidence-based decision making (Ross, 2011).	Public sector executives cannot excuse their failure to employ existing SPMM tools and techniques to support "evidence-based decision making" which can ultimately lead to improved performance and aptly designed performance measures. Ross (2011) sums it up thus: "It is irresponsible to current and future generations for those in the public sector not to use all the tools at their disposal to make affordable and equitable decisions to improve the lives of those to whom they have a duty of care" (p5).

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
Regular changes in government leadership	Causes challenges with resource allocation between short-term priorities and long-term investment. Politics impacts most aspects such as the public sector's nature to governance structures, and reform philosophy regularity (Brignall & Modell, 2000; Murby & Gould, 2005; CIMA, 2012; Ross, 2011; Dixit, 2000).	Unplanned and unstable leadership changes due to elections may result in shifting priorities. This means the existing KPIs can easily become obsolete and will need to be replaced with new and relevant ones.
Shortage of skilled and motivated talent and increased	The public sector may need external influence to convince it of the value of good management information and evidence-based decision making. Many governments traditionally suffer from deficiency of strategic support functions and qualified talent to focus on value adding activities that drive organisational effectiveness and performance	Government should employ skilled and motivated talent that matches private sector standards, which should complement today's disruptive technologies to ensure a public sector that's appropriately tooled to provide performance information demanded by modern public-sector managers to drive their
accountability and scrutiny	improvement under professional leadership which are characteristic of today's high-performance organisations (Ross, 2011; Gadenne & Sharma, 2009). On talent motivation, based on agency theory, public-sector employees are assumed to be more risk averse and are motivated more by non-financial rewards and other job considerations and individuals are destined to perform fewer but much more better-defined tasks than their private sector counterparts (Ross, 2011; Propper & Wilson (2003). According to Mares (2013), the nature of government compensation rules makes it almost impossible to inspire excellent performance and discourage poor performance in the public sector.	organisations forward. Our considered view is that the advent of disruptive technologies such as the internet of things (IOT), automation and AI (robotics) presents a need for a wholesale skillset and valueset retooling exercise to help achieve this. The multiplicity of goals and principals in the public sector implies that use of high-powered incentives are not appropriate for motivation as they are unlikely to be as effective as in the private sector. There is therefore a need to design KPIs that reflect higher levels of intrinsic motivation such as non-pecuniary incentives for good performance.
Technological constraints, lack of innovation & trusting in business solutions	The public sector suffers from technological constraints, lack of experience in developing innovative measures, a culture of not trusting business solutions, and a failure to link the scorecards to compensation (Gadenne & Sharma, 2009).	
Difficulty in measuring/quantifying outputs and outcomes/impacts	Multiple contemporary literature has confirmed the inherent flaw of input measures as a common measure of performance in the public sector recommending the use of outputs, outcomes, or the impact of the policy objectives instead. Moriarty and Kennedy (2002), citing Jones (2001) state that efficiency measures how <i>well</i> organisations apply their resources (inputs) to deliver their services (outputs) This makes the difference between inputs and outputs paramount in performance measurement. But there are challenges related to measuring outputs and outcomes. The identification and measurement of public sector inputs and outputs is generally challenging because the efficiency indicator is based on the relationship between effects, or outputs and efforts or inputs and in most public sector circumstances, the inputs or investment is easily identifiable but the direct and immediate economic benefits are often missing or not easily identifiable even if social benefits can accrue later (c.f. Moriarty & Kennedy, 2002; Ross, 2011; Gadenne & Sharma, 2009; Niven, 2002; Ryan, 2018; Mihaiu et al., 2010; Edwards & Clough, 2005; CIMA, 2012).	The difficulty of quantifying effects makes the calculation of the effectiveness indicator difficult if not impossible in the public sector. This is because some conceptual notions such as efficiency are not too clear when translated from the private sector to public sector. Moreover, there is failure to distinguish sufficiently between outputs and outcomes to inform policy. The sector must therefore measure performance through various 'macro' indicators (e.g. such as corruption, size of the informal economy; rule of law; population health and life expectancy; population educational achievement) to gauge the effectiveness of its performance and public sector reforms. The problems associated with measuring public sector outputs and outcomes make the calculation of effectiveness equally challenging. Additionally, as predominantly a service provider, the public sector is faced with the problem of quantifying key performance measures such as customer satisfaction, and quality of service.
Little / limited potential for revenue generation / resource	Considered as one of the most important differences between PSOs and their private sector counterparts, the former have limited scope for income generation and tend to rely on State subsidies or budgetary allocations. These resource constraints directly lead PSOs to concentrate on reducing public expenditure and to focus on realising efficiency gains (Edwards & Clough 2005; Martinez, 2001; Klages & Korac-Kabadse, 1999; Micheli & Kennerley, 2005). The	Resource scarcity challenge implies that some unresponsiveness to consumer demands should be tolerable to protect interests of vulnerable consumers. This means customer satisfaction and related KPIs cannot be the dominant consideration in public sector SPMM.
constraints in the public sector	suggested market solution to the problem of constrained resources in the public sector is to apply the "user pays principle" for selected public services implying users actually pay for the service. But the welfare state imperative impedes even theoretical consideration of the market option (Klages & Korac-Kabadse, 1999).	

Challenge/Theme	Explanation	Implication for public sector performance measures/KPIs
Emergence of knowledge workers	Manning of most public sectors by knowledge workers e.g., ‘case workers’ presents an ‘unconventional’ work where, for example, knowledge work is less visible than labour in traditional manufacturing thereby creating a setting where measuring productivity/ effectiveness of a support professional is challenging.	Knowledge workers are considered innately more motivated than ‘physical’ or conventional workers. This implies that the targets set should not include those that are strictly quantitative or that attempt to standardise approaches as they dispense with essential characteristics that underlie specific role effectiveness.
Public sector performance measures, culture and behavior, and dysfunctional effects	Distorted measures and dysfunctional behaviour can detract from creating a progressive performance management culture. Unintended consequences of performance assessment have been observed since the first public sector reforms which focused on producing performance information at the expense of the side effects of performance measures dubbed the “audit explosion”. Agency theory has been used to explain how these diverse forms of behavior arise (Propper & Wilson, 2003; van Thiel and Leeuw (2002)). Public-sector examples from across the world (UK and US) abound in the literature such as the following. <ul style="list-style-type: none"> • “Performance pay” is said to have consequential concealed costs that may far outweigh the unknown performance benefits. • Past practices and/or reforms may leave public sector staff with an insalubrious obsession with targets and indicators as opposed to attainment of the fundamental objectives. • Most PSOs have huge amounts of targets which may result in dysfunctional behaviours which can make creating a progressive performance management culture a major challenge. • Bouckaert and Balk (1991) write about 13 diseases of public productivity measurement. • Smith’s (1995) listed unintended consequences of public sector performance measures. van Thiel and Leeuw (2002) suggests that explanatory social and behavioral theories can help us to understand and explain why some institutional conditions result in more obstinate unintended consequences or effects than others and in our view, this remains an open area for future research	The literature concluded that no matter how noble the intentions of KPIs they invariably lead to some unintended consequences. . In short, measures can be and, are actually gamed and this gaming takes many forms. This implies that any SPMM system must consider potential dysfunctional responses to targets in setting up indicators which should be adequately responsive to detecting and addressing such.
Uncertainty about the choice of a manageable number of suitable KPIs	The uncertainty on the choice of an optimum number of desired KPIs has been attributed as one of the key factors of unsuccessful implementations of SPMM in the public sectors considering the range and complexity of organisational activities (Northcott & Taulapapa, 2012). The literature on KPIs has been clear that less is more! Unfortunately, there is no literary consensus as to the optimum number of KPIs, with some literature suggesting xxxx. However, the logic appears to have been to avoid data dump or information overload.	Our view is that with increased use of automation, data analytics and AI/machine learning the relative importance of this issue will diminish as the technologies allow easier, more accurate and faster KPI production and also facilitate advanced exceptional reporting and with focus likely to shift towards KPI quality and drawing of insights from the data.
Causality in public sector SPMM models may be poorly understood and under-developed	Assumed causal links between the various dimensions of contemporary SPMM models (e.g., BSC) are considered critical for their success following literary stipulation that performance measures should be derived from assumed cause-and-effect relationships (Kaplan & Norton, 1996; Northcott & Taulapapa, 2012; Micheli & Kennerley, 2005). The assumptions on which the causal relationships are premised have been characterised as weak and repeatedly queried in the Public Sector.	The transposition of the Balance scorecard-type SPMMs customer perspective in the public sector as the surrogate to the private sector’s “financial perspective” requires clarification of new causal relationships with other perspectives, yet this remains largely unclear. Despite many calls for further empirical research in literature, still decades on, our view is that nothing seems to have moved on this front.

sectors imply that performance measurement and management practices in the sectors will of necessity exhibit some degree of difference between the two sectors. The limited cross-sector research on strategic performance measurement and management (SPMM) practices, promoted by rather solid barriers between public and private sector management research. The habitual research circles punctuated by themes, theories and methods plus publication outlets, render the findings not transparent and not easily transferrable to the other sector. This research attempts to bridge the gap between the disparate domains of public and private sector performance management research. Having explored the fundamental commonalities and differences in the public and private sector, we further explored how these divergences impact SPMM-practices in the two sectors both from theoretical and practical perspectives. Theoretically, we have established that certain unique features of both sectors require some types of performance measures/KPIs and other types of SPPM utilisation (cf. Brignall & Modell, 2000). Practically, the review pointed to issues of mutual experiential learning in both sectors. The later aspect will be pursued in a separate paper, which is a sequel to this, on benchmarking private sector

SPMM practices into the public sector. This subject has already been widely deliberated upon under New Public Management (NPM), and while SPMM practices can be said to have converged to some degree under NPM, the ultimate differences between the two sectors cannot realistically vanish (Reichard & van Helden, 2015). In the next section we expound on the implications of public-private difference on public sector strategic performance measurement and management.

5. Discussion

Distinctive nature of public sector performance measurement practices

The thorough discussion of the differences between the public and private sectors led us to identify various themes or challenges, discuss them and identify the implications for public sector SPMM and specifically as it relates to KPIs. This will later inform transplanting of private sector SPMM practices into the public sector as alluded to previously. In this section, we illuminate the implications of the public-private differences identified in the previous section on public sector performance measurement and management.

5.1 Implications of dimensions of public-private differences on strategic performance measurement practices

The seemingly unending academic debate on the public-private distinctions provides some diverse yet interesting worldviews across disciplines such as organisation theory, economics through political sciences. As our comprehensive survey of the literature revealed the result is that the public-private differences converge on four key theoretical *dimensions*, namely *ownership*, *goals*, *funding* and *control*. These dimensions constitute the delineating features of public and private organisations oft referred to as the 'dimensions of publicness'. This postulates that instead of a clear "either"-“or” separation of the two organisation types, there is variable degree of differences. While the earlier dimension-based approach of preferring differences between public and private sector organisations as advanced by some scholars such as Bozeman & Bretschneider (1994) was credible, Perry and Rainey’s private-public distinction is, however, not unquestionable. Figure 2 below is our summary of the expected implications of the four dimensions of public-private differences for performance management design and use issues based on Reichard and van Helden (2015).

Figure 2: Implications of the dimensions of public-private differences for SPMM

		SPMM Element		
Dimension	Sector	SPMM Design	Linkage between strategy & SPMM	SPMM Use
Ownership	Public	Complex design to serving multiplicity of stakeholders	Diffuse and weak link between strategy and SPMM design	Non-intensive use, mainly for accountability; partly symbolic
	Private	Focused design with emphasis on financial aspects	Clear and strong link between strategy and SPMM design	Intensive use, mainly for steering and controlling; mostly functional
		SPMM Element		
Dimension	Sector	Key Performance Indicators Focus	Performance Measurability	Performance-based pay
Goals	Public	KPIs focused on "welfare maximisation"	Poor measurability of performance	Performance-based pay systems are more challenging to implement due to low measurability of outcomes.
	Private	KPIs focused on "profit maximisation"	Good measurability of performance	Performance-based pay systems are more developed because outcomes are easier to measure
		SPMM Element		
Dimension	Sector	Pressure on operations	Performance-based reward systems	SPMM Use
Funding	Public	Low pressure on operations	Targeting and Performance- based reward systems weakly developed	Less intensive and mainly symbolic use
	Private	High pressure on operations	Targeting and Performance-based reward systems strongly developed	Intensive and mainly functional use
		SPMM Element		
Dimension	Sector	SPMM Design	Performance-based reward systems	SPMM Use
Control	Public	Complex design to serve diverging stakeholder interests.	Targeting and Performance- based reward systems weakly developed	Non-intensive use, mainly for accountability; partly symbolic
	Private	Simple design to serve shareholder interests	Targeting and Performance- based reward systems strongly developed	Intensive use through tight control; use mainly functional

SPMM = Strategic performance measurement and management

Source: Adapted from Reichard and van Helden (2015)

5.2 Lessons for public sector performance measures from the private sector

Like the private sector the public sector must be cognisant of the criticality of key performance indicators that

support the organisation's objectives. The systematic review revealed that the public sector has potential to learn much from private sector practices and gain lots from what the literature reveals about what governance factors (particularly KPIs) are proven critical for organisational performance. Specifically, the public sector has the following lessons learned from the extensive literature on organisational SPMM systems:

- 5.2.1 There is a need to surmount obstacles that have hampered SPMMs and learn from the lessons demonstrated through KPI implementation and utilisation to date considering that most studies of SPMM adoption and adaptation in the public sector reported challenges around KPIs such as linkages between measures, recommended number of metrics, time consuming, challenges with use and presentation, lack of effectiveness and efficiency, weak measures, lack of validation of BSC causality, "lagging" indicators of performance in place of financial outcomes, and the practical challenges in measuring or quantifying intangible public-sector outcomes.
- 5.2.2 KPIs at all levels of the public sector clearly demonstrate that demand and enthusiasm for performance improvement will not diminish any time soon.
- 5.2.3. "Less is more": Monitoring fewer but targeted measures results in more managerial focus and attention to the things that matter most and a better holistic understanding of the organisation as focusing on a limited number of key measures puts more weight on the entity's performance.

Most studies of public sector SPMM implementation reported challenges around KPIs but none reported dismal failure. The theory on contemporary SPMM is positive in that prior studies have validated positive outcomes from BSC-type SPMMs implementation and use in the public sector. But there seems to be a sense of trepidation and despondency among scholars who may be feeling that while some of the originally encountered challenges have been resolved, there are still some critical identified issues which have remained largely unresolved for decades and that no end in sight from both practitioner and academic perspectives.

Overall, the study confirms that derivation, implementation and use of KPIs in public sector SPMM systems with many diverse and complex programs and divisions:

- i) Cannot be done through a "one size fits all" approach,
- ii) Is not a destination but rather a journey in which challenges are encountered which require development and implementation of further mitigatory management innovations and mitigations.
- iii) Is not an end in itself but must direct attention towards organisational objectives and influence future performance as opposed to being a tool for measuring past activities.
- iv) Formulation of KPIs and the attendant measurement will not result in improved organisational effectiveness in themselves.
- v) By linking performance measurement to rewards through KPIs, the organisation can ultimately improve future performance.

5.3 Challenge of objective setting in the Public Sector

This tallies with Kaplan (2001) who intimated that the strategies of public organisations range from being poorly constructed to non-existent and this has proved the fundamental constraint to SPMM implementation in the public sector which is also backed by numerous studies. However, it is instructional to note that Kaplan did not attribute this to the distinctive nature of the public sector, but to the apparent inherent leadership deficiency within the public sector, which is debatable.

The literature revealed that the public-sector are likely to face more challenges in objectives setting in the future than now since, in addition to its distinctive nature, it has also evolved:

- i. The break-down of the post-war era welfare consensus of the 1950s and 1960s which made it easier to formulate policy objectives. On the contrary, today western countries have much more heterogeneous populations with diverse lifestyles and cultures. Pressure groups e.g. environment and minorities now have legal backing to influence government policy.
- ii) The mounting severity of environmental and resource challenges means most government sectors with resource/environmental problems are relevant are likely to encounter this challenge. These and other problems could fundamentally change the way that public sector service provision planning is conceptualised and the attendant performance measurement and management.

5.4 Key insights from the Systematic Review

There following are the key insights emanating from this systematic review.

- i. Existence of externalities in the Public Sector

According to the reviewed literature most challenges related to setting of primary objectives and defining customer satisfaction in public sector services, which as we saw is crucial in developing performance measures, are due of the existence of externalities

¹. Performance measurement matrices need relative weight to be assigned to each performance target and this is

straightforward for private business organisations, since they have limited objectives, but almost impossible in the public sector.

ii. Public sector's extent of adopting private sector performance measurement practices

The literature posits that the public sector can only successfully adopt performance measurement to the extent that it mimics the private sector in similarity of objectives as proved by some public sector case studies. We raise a couple of issues with this supposition: It ignores public sector resource constraints and relegates this and other principal public sector challenges into oblivion /obscurity. Serious issues like trade-offs will still have to be made, and unforeseen circumstances will be there for reckoning, but, as the literature revealed, developing non-financial measures is hugely challenging but not impossible. We conclude that the public-sector success story of Centrelink in Australia which adapted the BSC to improve its performance through development and deployment of systematic reporting on KPIs supports a claim by certain sections of literature that the implementation of private sector-style performance management is only possible "to the extent that the public sector mimics the private sector!"

The literature also suggests that some services like tertiary education, have their support functions organised to allow meaningful performance measurement and management. We concur with this noble suggestion, but we question if it is advocating for partial or selective implementation of SPMM in the public sector because if that is the case then what happens to SPMM in the rest of the public sector.

iii. Lessons from implementing SPMM in the Public Sector

As seen, most Western governments made greater use of targets in PSOs under NPM since the early 1980s to make them more accountable. Clearly, some achievements have been scored in terms of increased overall economy, efficiency and effectiveness, improved accountability and transparency and enhanced responsiveness of public sector organisations to the public needs. The NPM reforms witnessed increased use of performance measures and targets in all aspects of organisational performance evaluation. This highly rational approach to performance management is well rooted in management and organisational literature complemented by agency theory.

The systematic review highlighted that use of targets in the public sector has not been without problems, and the following summarises the difficulties encountered to date:

- a) The larger number of stakeholders makes it difficult to decide the metrics to be used.
- b) There may be less of a direct link between effort and outcomes in the public sector. Indicators may depend on many factors outside of the organisation's control implying that individual targets may not be a fair measure of performance for the assessed in such situations, but this can be mitigated against by using a range of targets.
- c) It may be difficult to identify quantifiable outputs e.g. output of local fire brigade or police force.
- d) If systems are not adapted to incorporate local issues, or unique organisational contexts being measured, this may lead to dysfunctional effects.
- e) Most critics of public sector targets argue that their use has not resulted in lower costs or better quality of service claiming more resources have been channeled towards more overhead of setting the targets and measuring the performance than has been spent on frontline services, although this criticism does not appear to be confirmed by facts on the ground.

Our view is that KPIs or measurement systems were never intended to be hundred percent perfect. What is important is to be aware of their unintended consequences and this should spur further exploration and interrogation to find ways to effectively mitigate against them!

The impact of the use of targets in the public sector seems to be perfectly clear when one compares the trajectory of the public services over the last four decades. One can argue that it is extremely difficult to do so, in the absence of ability to assess the counter-factual i.e. what would have occurred (or not occurred) should they not have been introduced. Those who support this notion claim that it's like conducting a scientific experiment without a control experiment and admittedly no such control experiment exists in public sector SPMM. Some governments have introduced pilots which provides some form of comparison, but these are far from precise. Our position is that we cannot argue on the basis of evidence which is not there as it would defeat the entire rationale for scientific research. Meanwhile, in this matter until a black swan is found, we prefer to stick to the hypothesis that all swans are white!

Clearly the literature review tries to answer the questions as to whether the public sector differs from the private sector, if so, in what way they differ and even more crucially, what is the ultimate goal in contrasting them? This was done through reviewing the literature on public-private differences with the primary objective lying in facilitating the benchmarking of management practices for the private to the public sector to which study is a forerunner.

¹ Externalities are the existence of uncompensated benefits and costs which are pervasive in many public sector services and their existence lies at the heart of the challenges in defining customers and in formulating coherent objectives (Moriarty & Kennedy, 2002).

6 Managerial Implications, Conclusion and Future Research

6.1 Managerial implications and recommendations

The following are the managerial implications of this research:

- a) Despite the proliferation of the public-private academic debate, differences between private and public sector organisations do exist in reality and were validated in this study. The practitioners, especially the public managers who find themselves more on the receiving end are not interested in a superficial debate on these differences.
- b) This study has been very practical in that it provides public sector managers with a rare and comprehensive piece in their management toolbox which enables them to review the similarities and differences that are most relevant to their respective PSO and derive the implications of these convergences and divergences on implementing hitherto private sector measures such as SPMM systems.
- c) This research is the most comprehensive study which clearly articulates public-private differences, which provides a rare, detailed analysis of implications of private public differences on strategic performance measurement and management in the public sector.

6.2 Limitations and Future Research

6.2.1 Limitations

The research suffered from the following limitations:

The main challenge with carrying out such comprehensive research, relates to the broad range of literature covered, the cumbersome and time-consuming analysis and lots of judgement calls which may impact bias and replicability.

6.2.2 Directions for future research

A lot of prospective areas for the future SPMM research have already been covered, but the following are additional specific ones arising from this research:

This paper was a spinoff of a thoroughly conducted doctoral research and was a prelude to identifying private sector approaches which can be transplanted to the public sector which will be the subject of a follow up paper. Studying the differences between the public and private sector and how they impact the choice of KPIs in the public sector was important and allowed us to establish how such commonalities and divergencies may support or hinder attainment of this objective and in attempting to address the myriad of challenges and potential hindrances to future institutionalisation of contemporary public-sector SPMM.

This paper therefore presents a thoroughly researched and conceptually sound basis for future scholars and practitioners to conduct empirical studies on the implications of public-private differences on SPMM and/or KPI implementation in the public sector.

6.3 Conclusion

It was clear from this study that public and private sectors will remain with their similarities and differences. That is perfectly fine. If these were to change, then one or both will cease to be public and/or private sector. They were designed differently for a purpose. Public sector is concerned with the systematic formulation and execution of public policies and programmes and is focused on providing general public goods and services. Conversely, private sector organisations provide the public with goods and services but with the primary objective of earning a profit. Both make a crucial and, perhaps, complimentary contribution to the progression of societies in their distinct manner. Performance assessment, progress and results monitoring, can be done using different but more suitable methods.

The literature identified the key differences between the private and public sectors and the challenges they pose for developing and implementing KPIs in the public sector. The study validated that while implementation of SPMM systems and KPIs may be straightforward in the private sector, it is much more challenging in the public sector due to highlighted sectoral differences. However, none of these challenges is unsurmountable because once they are identified and properly mitigated the public sector should benefit from performance improvements just like the private sector.

Even though certain physiognomies of the public sector can be counterproductive to developing and using performance indicators the literature offers credible solutions to deal with the unique challenges of performance assessment in the public sector and there is consensus that even with its myriad of problems, performance measurement can still add value to the public sector.

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