

PERFORMANCE MEASUREMENT EVALUATION IN PUBLIC SECTOR - CASE OF CROATIAN FACULTIES

VREDNOVANJE REZULTATA MJERENJA U JAVNOM SEKTORU- PRIMJER HRVATSKIH FAKULTETA

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Abstract: *Implementation and appliance of performance indicators assures information which significantly contributes to the quality of public management decision making process. That information also improves public sector management supervision and transparency and by that directly has impact on provided services effectiveness and efficiency which have general community benefits. The choices between alternative programs without clear criteria and program efficiency evaluation methodology diminished decisions quality and performance. The research shows that program performance measurement in Croatia is undeveloped. Only small number of subjects applies exact indicators while others evaluate performance measurement based only on subjective attitudes and judgements.*

Key words: *cost accounting, performance measurement, Faculties*

Sažetak: *Provedba i primjena pokazatelja uspješnosti osigurava informacije koje znatno pridonose kvaliteti procesa odlučivanja u javnom poslovanju. Takva informacija također poboljšava kontrolu i transparentnost poslovanja javnog sektora što utječe na učinkovitost usluga i doprinosi koristi društva. Izbor među dostupnim programima bez jasnih kriterija i metodologije vrednovanja uspješnosti umanjuje kvalitetu i provođenje odluka. Istraživanje pokazuje da je mjerenje uspješnosti programa u Hrvatskoj nerazvijeno. Samo mali broj subjekata primjenjuje točne pokazatelje, dok ostali mjere uspješnost na osnovu subjektivnih stavova i procjena.*

Ključne riječi: *računovodstvo, mjerenje uspješnosti, fakulteti*



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1. Introduction

Efficient managing with governmental units demands from public management appliance of wide range on managerial techniques and methods. The improvement of financial management in public sector leans on skills of public management and his capacity for usage of accounting and non-accounting information, especially for the usage of managerial and cost accounting, and financial and non-financial indicators. In their jobs and assignments, governmental units should answer some questions: are the provided services aimed towards users, are the resources used in the best manner to give the best value for money and is the managing successful and headed towards stated the above. The answers for asked questions are a complex story about performance measurements in public sector. In a focus for evaluating performance measurements is how to define performance measurement indicators. Performance indicators should be well adapted to the structure and specifics of units in public sector. There are numerous assumptions to a successful appliance of performance indicators. The system of performance indicators has to have point of support in a various accounting, financial, informatics, legal and other solutions which are supporting establishing and determination of indicators. Modern trends in promoting performance of public sector are headed towards planning, managing and reporting which is based on effectiveness and creating results. Evolved reforms try to redirect the centre of processes from inputs (regarding managing and planning) towards results or outputs. That includes governmental units reporting about wishes and goals, indicators and measurement regarding achieved results and not only how was the service provided (Budimir, 2006). There are four main reasons for introducing planning and managing which are based on performance measurement and they are:

1. Increasing efficiency;
2. Improvement in decision making process about planning;
3. Increasing transparency and reliability; and
4. Savings achievement (Policy Brief – Public Sector Modernization: Governing for Performance, OECD Observer, 2004).

Preparation of program budget set improved standards in planning and following in realization of budget. Program budget has a goal to make possible institutionalisation of comprehensive information like assumptions for better decision making. Program budget should answer the question what is the goal, what do you want to achieve and how to achieve it? Goals of every single program should be measurable. It is important to determine program goals which are headed towards achievement of desired results and to acknowledge targeted users of that particular program. In regard to that it is important to define measurement performance indicators. Program planning like a method for preparation of budget, sorts' whole governmental unit activity into programs which are headed towards accomplishment of determined objectives, and within the program recognized activities and projects headed towards accomplishment of determined program objectives. Doing that, they should identify alternatives for goals accomplishment; make cost-benefit analysis for each alternative and to make selection of alternatives with maximum effect. Program budget deals

with excepted results of services and activities which are carrying out. Program budget shows costs primarily by determined programs and program services. Secondly it shows expenses by type. One program can have more activity carriers which are responsible for achievement of program objectives or realization of program purpose (providing services). Carriers of activity could be departments, persons or some other organizational forms which are responsible for carrying out program objectives through certain activities. One program can be carried out through more activity carriers and on that way it gives possibility to sum that program of governmental unit, local units, city or state level. The advantages of program budget preparation are multiple. Some advantages are direct and some are indirect. Transparency of program budget can be seen through increase of community understanding for purpose and nature of services which are provided by governmental unit. That information's are provided through program budget because it is possible to connect more directly budget investments with community objectives, users' demands, financial capabilities and other. With program budget the data base can be established which can improve qualitative process of decision making. In regards, avoidance of expensive mistakes in decision making process is possible because with program performance measurement there is an efficient appliance of restricted budgetary resources and it emphasizes the benefit through budgetary imbursements for citizens. Results of the program should be quantified and the accounting system should be organized in such manner that it can comprehend all financial information tide to programs. But also it should enable follow up and reporting about all nonfinancial information. Above all, program way of planning is headed towards successful performance with planning and measuring results. So, one of the program budget goals is performance measurement. The objective of program planning is establishment of results measurements for each and every program applying performance indicators. Performance indicators are usually in clusters whose purpose is to provide reliable and comprehensive information about result in achieving the main program objective but also about individually project and activities results which are in function of main objective. Performance indicators in implementing programs are usually grouped in three clusters:

- measuring output – shows quantity of services or products that where made by the program;
- measuring efficiency – shows costs by one unit of provided service or goods;
- measuring results – shows the level of program effectiveness in solving problems or achieving wanted results.

Contrary to private sector, which performance is measured by level of profit, performance of individual government units and the whole public sector may be measured by level of satisfaction of general and common needs of individuals and the public. Performance has to be measured by segments and results in each government units. Also, each program and project has to be measured according to goal fulfillment.

For long term sustainability of its activities and programs public sector has to decrease costs and improve quality of its services. Decreasing costs is mission

impossible without knowing the structure of each cost and different concepts of their valuation.

Taking into consideration international trends and the need for improvement budgetary processes, Republic Croatia has implemented program planning (Budget Law (NN 96/03), Article 13).

Budgetary users shows programs determined by a long term development strategy, special laws and other legislation based on law in financial plan. Programs shows revenues and receipts, expenses and expenditures worked out in detail:

- by the type of revenues and receipts,
- by individual programs of budget users,
- by years in which program will burden the budget.

For every program the budget users have to state details as follows:

- the program name;
- program description (main and special program objectives);
- legal basis for implementing program;
- resources that are needed for program implementation;
- employees that are needed for program implementation;
- result assessment;
- assessment of unforeseen risks and expenses.

2. Empirical research

The questionnaire was send to 64 Croatian Institutions of higher education, to the management (Pro-deans for finance) and to the Head of accounting sector.

The purpose of that two – way research was to show management need for accounting information's and the accounting sector possibility in providing those information. To the questionnaire 26, 56% Pro-deans for finance and 39% Head of accounting sector responded.

Bigger, exclusive Faculties or Faculties with strong projects have larger freedom in their policies of conducting services because they are in smaller amount financed out of state budget.

Percentage	Frequency	Relative frequencies
< 30%	1	4,00
30% - 50%	6	24,00
50% - 70%	11	44,00
< 100%	7	28,00
Total	25	100,00

Figure 1. Percentage of financing out of state budget

Considering the structure above, it is obvious that Faculties don't have too much freedom in their policies. Percentage of financing out of state budget could be considered as significant limitation. The main argument of stated research is that for quality decisions making at Faculties it is necessary to have relevant information's about costs. Using different modern methods for managing costs, information about costs are significantly different. Based on that, the process of decision making in public sector and decision made on costs could vary. So, the first hypothesis was set up: Decision making about program choises depends on gathered information about costs. For testing were used nominal and ordinal logistic regressions and the accountants with their answers has rejected the hypothesis while the Pro-deans has confirmed it. Quality of gathered information about costs should influence on evaluations of programs, should some programs be continued or terminated or modified to achieve determined goals, objectives and results.

Depended variables	Independent variables	$\alpha = 0,10$ p- values
Internal reporting about cost	Performance measurement of provided services	0,062

Table 1. Pro – deans answers

Testing was conducted at significancy level of 10% and the assumption that internal reporting about costs influence performance measurement of provided services can be accepted by the Pro –deans answers. So, they consider that program choises depends about information of costs provided by accounting sector in internal reporting.

Dependent variables	Independent variables	$\alpha = 0,10$ p- values
Internal reporting about cost	Performance measurement of provided services	0,251

Table 2. Accountant answers

For the same regression at significancy level of 10%, accountants feel that internal reporting about costs doesn't influence performance measurement of provided services.

The second hypothesis was set up: Decision making about program choises depends on planning, settlements and cost control. Both accountants and Pro-deans answers confirmed the stated hypothesis.

Dependent variables	Independent variables	$\alpha = 0,10$ p- values
Performance measurement of provided services	Planning, settlements and cost control	0,082

Table 3. Pro-deans answers

Dependent variables	Independent variables	$\alpha = 0,10$ p- values
Performance measurement of provided services	Planning, settlements and cost control	0,067

Table 4. Accountant answers

In this regression, both accountants and Pro-deans feels that planning, settlements and cost control influence performance measurement of provided services. It seems that they can use different modified set of instruments of cost and managerial accounting with a purpose of gaining information needed for evaluation and assessment performance of individual programs. So, the accountants were asked how do they evaluate provided services. The research has shown that 56% of questioned subjects evaluate program performance measurement based on gained knowledge and experience while 26% doesn't evaluate program performance measurement at all. These results show very low level in usage of instruments for performance measurement.

Way of evaluation	Frequency	Percentage
Intuition	0	0
Gained knowledge and experience	15	56%
Quantitative methods	5	18%
No evaluation	7	26%
Total	27	100,00

Figure 2. Performance measurement of provided services – accountants answers

3. Conclusion

The financial indicators should establish the conceptual and regulated system in quality management which will assure the optimalization in provided service quality. Help for cost activity optimalization in intern processes, for their measurement and

evaluation, should be a balanced map of indicators which is using accountant and non – accountant information's for measurement and expressing the indicators of business success for governmental units. To establish balanced cluster of indicators which are assuring information for public management about actualization of defined goals, definitely will be a challenge.

Different trends, terms and assumptions which are appearing in Republic of Croatia are presumption for the usage and appliance of different tools which will enable competitiveness of public Faculties with private business schools. As competitive subjects they should provide the high quality of studies and highly educated students. Implementing the accrual principle and cost control into the all governmental units, the performance measurements and program efficiency evaluation will be made on actual relevant data and in accordance to that, the decision making process will be based on relevant data. In the last century a new financial surrounding is defined, mainly because of decreasing resources from state budget and that fact is encouraging commercial activities like researches financed out of some other source like private business subjects, foundations, international organizations and similar. Higher education costs are increasing with higher rate then the state can support and assure financial resources from budget and because of that Faculties should assure for themselves more different sources of financing. Faculties should be competent in governing strategically with their asset and finances, but also human resources especially because teachers are the key to maintain studies and programs of Faculties in future. All those information would gather easily and decision making process about program performance measurement would be easier on a level of Faculty management but also University if there will be development of usage of cost allocation.

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