MEASUREMENT OF EFFECTIVENESS, EFFICIENCY AND QUALITY IN PUBLIC SECTOR SERVICES
- INTERVENTIONIST EMPIRICAL INVESTIGATIONS

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ABSTRACT
This study aims to catch the nature of the discourse of effectiveness, efficiency and quality in the wider context of prevailing ideas about the role of government in the promotion of welfare services and, the bases on which public service organisations can achieve effectiveness and efficiency in delivering services and outcomes of high quality. The study offered three descriptions of efforts for developing the measurement systems in the public sector organizations.

Keywords: public services, measurement, effectiveness, efficiency, quality

INTRODUCTION
The past two decades have witnessed intensified debate about the role, scope and performance of the institutions and organisations within the public sector. In addition, private provision is often claimed to be more cost-efficient than public provision, although these efficiency gains are accused of being at the expense of the effectiveness.

In connection with all the changes, management techniques adopted from the private sector, called New Public Management (see Hood, 1995), were introduced in many public-sector organizations. These techniques were mainly related to financial management, and were labelled New Public Financial Management by Olson et al. (1998). The main means of following public-sector finances during the 1990s was through budgetary control (e.g., Aidemark, 2001). However, the tension resulting from stronger financial control has led to demands for new forms of responsibility accounting.

The challenges facing public accountancy and financial management have been demonstrated across a broad international arena (e.g., Kurunmäki, 1999; Collier, 2001; Modell, 2001). Besides the challenges to develop the financial management in public organizations finding
the proper balance between public and private provision of services has been a dominant theme in public management since the 1980s. The argument of the proponents of New Public Management is that competition in the market induces prospective providers to streamline their organisation. Another argument, following public choice theory, is that by relying on market competition, government can drive out provider capture, often assumed to characterize the public sector, and especially affecting service provision in fields with a high degree of professionalism (Andersen & Blegvad, 2006). The counterargument is that by focusing on cost-efficiency, the proponents of competitive solutions overlook the risk that effectiveness in terms of goal attainment and service quality may suffer. They claim that public-sector solutions minimize the risk by neutralizing the profit motive thus increasing the weight of professional norms that emphasize the overriding priority of providing clients, given the present stage of knowledge, with services to match their needs (Andersen & Blegvad, 2006; see also, DiMaggio & Powell, 1983; Black et al, 2001). A trade-off might be involved, but overall, the first perspective thus focuses on cost-efficiency while the second emphasizes the importance of effectiveness (Boyne 2003).

At the same time, the emergence of the concept of quality in relation to public services can be interpreted in the context of this development of legitimatory discourses. As for instance Sanderson (1996; see also, e.g., Kirkpatrick et al., 2001) has argued for, on the other hand, the quality can be perceived in terms of specific attributes of services which are available and can be specified as customer charters. On the other hand, a broader, needs-based perspective which perceives quality in terms of the extent to which people’s needs are being met, addressing specifically the issue of adequacy of prevailing policies and resource allocations (Eccles, 1991).

For businesses, service quality has become important for a different reason – because of increasing national and global competition which has forced them to differentiate themselves from their competitors through competition at the margins by use of quality. The private sector has been forced to manage customer satisfaction with the ultimate goal of increasing customer loyalty and hence profits. Meanwhile, in addition to these push factors evident in both sectors, there is an important pull factor, i.e. increasing and changing consumer expectations. Customers and users expect services to be more readily available. Similarly, innovation is expected (e.g. in public sector, neighbourhood rather than centre-town offices) (Black et al., 2001; Atkinson, 1997; Rosen, 1993; Heinrich, 2002).
In the private sector, customer satisfaction is based on a complex series of factors which come together to satisfy contractual requirements (e.g., Jääskeläinen, 2010). If the service is for the general public, there may also be legal requirements. Generally, it is customer needs which lead to the standards offered (Black et al., 2001).

The research topic is municipal performance measurement, an area with large potential for improving the operations and efficiency of public organizations (see, e.g., Lapsley, 2008). The aim of this paper is to attempt to locate the interpretation of the nature of the discourse of quality in the wider context of prevailing ideas about the role of government in the promotion of welfare services and, the bases on which public service organisations can achieve effectiveness and efficiency in delivering services and outcomes of high quality. The paper investigates the development of measurement systems supporting effectiveness and efficiency, as well as, quality of public service organizations.

The main contribution of this research relates to the description of a whole-organization wide measurement approach supporting performance management in public sector organizations which are introducing the methods developed for private sector. A comparative analysis is provided on the productivity phenomenon in the context of public services. A new model for the comprehensive examination of factors affecting productivity is presented. The study contributes to the existing research by describing the process of developing a measurement system in an specific setting within the boundaries of public and private sectors.

The paper is structured as follows. Thus far, the framework and the purpose have been identified. The research methods are outlined in the second section, and the third section comprises the case analysis. The final two sections offer a discussion of the case and some conclusions.

**RESEARCH METHOD**

The starting point of this study was a consultation request from a Finnish local government. The researcher was asked to help clarify the drawing up, and use of, accountancy information within the inter-municipal organisation, and to propose suggestions for its development during an on-going consulting period starting in November 2004. The research attempts to
combine a participation in developmental work in practice with a contribution to the theoretical.

The study draws upon three in-depth and interventionist empirical investigations in applying an evolutionary and interdisciplinary conceptualisation of change in public sector management. The paper investigates the development of measurement systems supporting both effectiveness and efficiency and quality of public service organizations. The research questions are examined organizationally at the top (e.g. municipal department) and bottom (e.g. unit providing a specific service) levels. The main emphasis is in the operative level examination, which is carried out in the context of social services.

Overall, the study is methodologically action-oriented. The analysis aims at furthering the understanding and interpretation of the evolving accounting practices (see e.g., Ryan, 2002; Scapens, 2004). The findings are described initially on the basis of individual interviews conducted with different local-government participants, financial-data producers and users (a total of approximately 40 hours worth of material), and secondly on the basis of various workshops (16 altogether, attended by about 10-30 providers and users of financial data, each of which lasted for 2-4 hours) in which the problems of accountability and governance were discussed interactively between the researcher and the participants. The research methods, on the one hand, provide a way to discover the tacit knowledge possessed by each individual and, on the other, provide occasions on which to address the interfaces between the networked parties and to externalise and disseminate financial knowledge related to the emerging collaboration (see e.g., Nonaka & Takeuchi, 1995). In addition, the case organisation’s written accounting material was analysed, also direct observation was used during the periods of time spent with the case organisation.

If one takes a subjectivist approach, the concepts of effectiveness, efficiency and quality is likely to be concerned with socially constructed phenomena. Within the subjective approach there is a pluralistic view which suggests that the form and content of managerial work is shaped by political forces in the organization. (Wilmot, 1984).

**MEASUREMENT OF PERFORMANCE IN PUBLIC SECTOR SERVICE**

Efficiency and effectiveness are the central terms used in assessing and measuring the performance of organizations (Mouzas, 2006). In general, performance, in both profit and
non-profit organizations, can be defined as an appropriate combination of efficiency and effectiveness. Drucker (1977) distinguished efficiency and effectiveness by associating efficiency to “doing things right” and effectiveness to “doing the right things”. However, high efficiency does not stand for high effectiveness (Lapsley, 2008). A measure of effectiveness assesses the ability of an organization to attain its pre-determined goals and objectives.

Effectiveness is the extent to which the policy objectives of an organization are achieved (Achabal, 1984; Asmild et al., 2007). Effectiveness is the extent to which the manager achieves the output requirements of the job, by what he achieves rather than what he does (Redding, 1970). Effectiveness depends on judging observable actions or behaviours leading to the accomplishment of organizational goals (Morse & Wagner, 1978; Willcocks, 1992). There is no universal standard against which to judge managerial behaviour.

The quality standards for the public services are often less precise, leaving the operationalization of goal attainment somewhat ambiguous (Boyne, 2003; Kirkpatrick et al., 2001). The quality and goal attainment often rely on professionals setting and implementing their own standards, a procedure that seldom allows comparative evaluations (see, e.g., Black et al., 2001; Andersen & Blegvad, 2006). Quality is just an emerging phenomena and concept within the Finnish public sector. Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations (Lewis & Booms, 1983; Sasser, 1978).

There are several differences between the measurement circumstances in the public and private sector, for example stakeholder, accounting, legal and external reporting requirements. Regulatory regimes differ significantly (Black et al., 2001, Andersen & Blegvad, 2006). Forming expectations for the relative effectiveness and efficiency of different models for provision of welfare services therefore requires a thorough analysis of the regulatory framework (Andersen & Blegvad, 2006; Jääskeläinen, 2010).

**EMPIRICAL RESULTS**

Finnish municipalities are non-profit organizations serving their residents. The municipalities provide legislative and voluntary services, and they levy taxes to cover their expenditures, but
they also get other revenues such as state subsidies and service fees. The Finnish Ministries have endorsed the municipalities to enlarge the mutual co-operation within public services.

The city organization as a whole includes a huge variety of operations and could be described as a multi-branch concern with no equivalents in the private sector. The experiences reported in this study are related to firstly, the inter-municipal emergency services (the primary case organization); secondly, the inter-municipal accounting services; and thirdly, the technical services of municipality of Pori. The inter-municipal networks of the emergency services and the accounting services are also hosted by the municipality of Pori. Following from the selection of the case targets, the study examines one large organization consisting of several departments and services. In this large case organization three individual case services were examined. The same issues were investigated in various contexts of the same organization. In this way, multiple cases provide the perceptions with more depth and credibility.

Cases engaged in a development process

The Emergency Services of Satakunta

Despite the recommendations made by the government and the Finnish Ministry of the Interior, voluntary cooperation between the municipalities within the fire and emergency services did not materialize, and consequently the regional organizations were brought under the rule of law. Alongside the relevant laws, the case operation of the Emergency Services of Satakunta is based upon a cooperation agreement between the municipalities, which defines the inter-municipal organizational model, the division of costs and the governance structure. The objective of the regional emergency services is to coordinate, guide and control the inter-municipal provision of services, and to offer joint services that take into account the regional characteristics and needs.

The Emergency Services of Satakunta has introduced a balanced scorecard measurement system during the last four years. The balanced scorecard was introduced during the process of collaboration between the researcher and the officers, the top managers, and the municipal representatives, the aim of which was to change fundamental personal beliefs concerning goals, results and performance measures. The idea, supported by the researcher, was to eliminate information gaps, to facilitate general discussion in a common language, and to tighten the network of the different parties. The responsible municipality and some of the
others had some elements of BSC measures in their steering systems, although no evidence of a complete BSC system was found. Following quite a short presentation the parties involved in the case organization network began to appreciate the fundamental idea of the BSC measurement system.

Table 2. The balanced scorecard of the Emergency Services of Satakunta

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>Effectiveness and resources</th>
<th>Customer</th>
<th>Processes and management</th>
<th>Learning and growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic goals</strong></td>
<td>Provision of emergency services of high quality in an effective and efficient way</td>
<td>Actively attend to all our customers</td>
<td>Well organised and managed processes with effective information delivery</td>
<td>Goal-directed, cost efficient and readiness cooperation among the officials and the voluntary corps</td>
</tr>
<tr>
<td><strong>Success-factors</strong></td>
<td>Quick and effective help</td>
<td>Fulfillment of the legal requirements for the fire-prevention inspections, instructions and education</td>
<td>Clarification of the governance principles; even and efficient allocation of resources; better personnel management, promoting a sense of community, the flow of information and visibility</td>
<td>Competent, health and development-oriented personnel acting in a cost-efficient and productive way with the available resources</td>
</tr>
<tr>
<td><strong>Measurement (compared with target)</strong></td>
<td>Amount of take-off among the emergency corps; take-off time in seconds of the first corps; optimal number of service personnel per accident</td>
<td>Number of fire-prevention and other inspections; number of trained citizens</td>
<td>Good-governance index; attendance at work meetings; number of personnel-development discussions; number of information letters</td>
<td>Continuing education per person in hours; number of tests of working order; sick leave per person in hours; job-welfare index; voluntary corps support index; achieved economic targets</td>
</tr>
</tbody>
</table>

Table 2 summarizes the BSC system of the case organization, constructed during a process of interventionist dialogue that lasted for about two years. Currently, every district, fire station and individual is working on the assignment to make a balanced scorecard of its own,
complementing activity plans with goals, strategies, success factors and measurable key factors. Thus, the development process is still going on.

At the encouragement of the researcher, and with the strong support of the director of the Emergency Services, quality matters will be stressed as a matter of course through interpretative discussions in conjunction with monitoring the results and, increasingly, in later phases by constructing more appropriate activity measures. The BSC system was due to be connected with the organization’s quality system, which is also under construction, in December 2010.

In addition to the joined services in different regions in Finland, the regional Emergency Services has intensified its national-wide co-operation. In this respect, the Emergency Services of Satakunta is one of the most motivated organization of the emergency services in Finland. It has encouraged the other regional organizations to enhance their measurement activities and exemplified the measurement system to the other organizations.

Nationally, the regional Emergency Services are planning to introduce service fees for the voluntary services not imposed by the law. The collection of service fees seems to be an arising trend in the Finnish public sector, but it is still quite an unusual way of financing the public sector.

The case of the Accounting Services

The secondary case organisation, which had been under development and analysis for about one year, takes care of the financial services, especially bookkeeping and salary payments, for two municipalities and three inter-municipal (six owner-municipalities) federations of public-health services in the Satakunta region. The annual budget totals approximately €3m. The Services operate in one location with around 45 full-time personnel.

These accounting services are voluntarily arranged within the common organisation on the initiative of the participating municipalities. The organisation had been operating as a limited joint stock company for one-and-a-half years. With its current owners the company is in a monopoly position, but the aim is to enlarge the marketing area outside of the owner-municipalities, after which it will have to take a bigger part in the increasing competition with private-sector companies.
The first months of the research process revealed the deficiencies in the team organisation and in the data flowing among the teams, as well as the lack of a view of the totality of the previous municipality-focused services. In addition, conversation with the owners had its drawbacks because of the lack of external disclosure. In sum, in this case organisation it was a question of improving the accountancy of a public-sector accounting-services company with a view to fostering an entrepreneurial spirit and culture. The team managers who were accustomed to accounting matters and the managing director had the key roles in the organisation rather than the accounting personnel. The conversation between the different “professions” could be considered more balanced than in the primary case.

It was decided in this case organisation that the performance and consequences of the service production would be followed through measures to which the team-based remuneration system would also be connected. The information system was compiled and introduced by the top management of the organisation. The selected key measures were closely tied to profitability and the perspective of the intended customers: one third of the result of the joint organisation was directly allocated to the five teams producing different kinds of accounting services, one third according to the profitability of the team (profits minus costs), and one third according to the customer-satisfaction index.

However, despite the declared aims, as of the August 2010 there were only a few signs of practical implementation by the management. There seems to be neither external nor internal explicit pressure to introduce the suggested performance-management system. The groups of customers are still being defined (municipalities, municipal employees, private-sector organisations), and efforts are being made to improve financial-management practices. However, it can be argued that the organization is quite advanced in its customer satisfaction measurement activities compared with the other regional organizations providing inter-municipal accounting services.

The case of the Technical Services

The Technical Services is the newest case organisation, which takes care of the technical services (for instance, road and park construction) in municipality of Pori. It had been under development and analysis for about three months. Besides the first two cases this case
material offered secondary information which was used as a source of ideas and thoughts explored more thoroughly in the other cases.

Unlike the other cases, probably due to the single supervision of the municipality of Pori, the Technical Services has developed its measurement system to a large extent according to the guidelines offered by the hosting municipality. Pori is developing its budgeting according to the principles of accrual-based budgeting in order to increase the amount of informative accounting information to the municipal management and the elected local-government representatives.

The manager of the technical services is most keen to develop the measurement and management system of the organization. The newly hired developing manager has compiled a preliminary account for the budget along with the framework offered by the hosting municipality. However, it soon turned out that commitment and understanding at lower levels of the department was weak. The developing manager has constructed the account by dividing the total activity of the department into five types of services and allocated the costs to different services mainly on the basis of the financial accounts. The developing manager stressed that this was “a first training exercise” on the way to the future modelling of the budget.

The comparison of the case organizations
The results show empirically that the differences in the efficacy of public spending can be largely explained by the quality of governance. A reasonable proposition can be made: managing public resources to promote development requires well-trained, skilful personnel, working in an institutional setting with an incentive system that promotes cost efficiency, effectiveness and quality (Rajkumar & Swaroop, 2008). In order to progress in the development work, motivated and unprompted actions have to be taken.

Most apparently, the network of co-operation was a kind of pushing factor for the systematic development work especially in the Emergency and, to some extent, in the Accounting services. The network is its own entity because it gradually defines its own objectives, proposing strategies that are larger than the sum of the participating firms (Granovetter, 1985).
The longer the relationship and the denser the network, the less likely it is that further arguments for necessary changes will emerge (Hansen et al., 2005; Kim et al., 2006): this was highlighted in the comparison of the case organisations. As Ruy (2006) suggests, for instance, network density and interdependence intensifies bilateral governance and mutual reliance on the norm of information sharing.

The focus in this study is on socio-economic collaborative networks rather than the economic entity, in particular on how they unfold and how the actors respond to each other (see e.g., DiMaggio & Powell, 1983; Granovetter, 1985; Phillips, 2000; Mouritsen & Thrane, 2006). The interaction of collaborators, the formation of coalitions, the production of information and the social construction of a shared problem all affect the status of a complex web of institutional and network rules, resources and boundaries. Interaction is connected to network cohesion, and concerns the extent to which an individual is connected to people who are, in turn, tied to many others, thereby constituting an interconnected or cohesive social network. Formal networks (e.g., the co-operation agreements in the case organisations) are thus complemented by informal channels, which are often stronger determinants of employees’ attitudes, perceptions and behaviours (see e.g., Phillips et al., 2000; Mouritsen & Thrane, 2006; Ruy, 2006).

Indeed, one of the primary arguments for encouraging inter-organisational collaboration is the potential for creative, innovative solutions to complex problems. A further potential outcome is the translation of rules and resources from one field to another (Phillips, 2000). This was implicit in the case organisations in the translation of cultural rules and resources across municipal boundaries, as the customs and concepts of the dominant organisations were assimilated into the economies of the smaller entities through the actions of organisations engaged in national-level collaborative ventures. Since transformation mobilises the network and not just individual organisations, it is not surprising that network partners find its operation positive and frightening at the same time (Mouritsen & Thrane, 2006). To some extent, this slowed down the inter-municipal development processes on both national and local levels. On the other hand, the law appeared as a coercive measure of isomorphism (Meyer & Rowan 1977; DiMaggio & Powell, 1983), although the emphasis was rather on national mimetic considerations while the municipalities seemingly strove for effectiveness and efficiency by fishing for the best municipal practices “called” a new innovative solution.
The importance of communication and co-operation between different professions of the service organizations was highly appreciated in all case organizations. The involvement and commitment of service professionals in management has facilitated the emergence of a philosophy which attempts to balance pragmatism with the dimensions of effectiveness, efficiency and quality. At the same time, the financial changes in the public sector have shifted the image of public accountancy from that of a mere “bean counter” to a service-oriented partner (e.g., Granlund & Lukka, 1998). Thus, the study also contributes to the growing body of literature on the enlarged organisational role of the accountancy profession as a part of information and knowledge management (e.g., Hopper, 1980; Granlund & Lukka, 1998; Velayutham & Rahman, 2000; Burns & Baldvinsdottir, 2005).

**DISCUSSION**

The measurement remains problematic in the public sector. Public-sector accountability is both complex and contestable. Public government and its accompanying multifaceted accountability dimensions and relationships are no exception - public servants are considered to be accountable not only to their immediate supervisors but also to a range of external institutions, members of the public, and even to their own professional consciences (Sinclair, 1995; Parker & Gould, 1999; Andersen & Blegvad, 2006). In public sector research an important task is to find ways of developing and understanding performance and its measurement while taking into account, and balancing if necessary, the effects of conflicting interests and legitimations around public organizations (e.g. Lapsley, 2008).

The interplay of the institutional pressures related to performance management in municipal organizations has an effect on the issue. Performance management adoption, use and change are interrelated processes shaped by legitimations and emergent institutional and other pressures, but measurement tools also shape the perceived pressures and the behaviour of organizational actors and accounting practices. In this study, regulation come the fore. The regulation may take many forms (e.g., Lapsley, 2008; Rautiainen, 2010), for instance government directives, negotiated collective agreements and professional norms. These all emerged among the empirical results, the negotiated agreements especially in the networked Emergency and Accounting Services.

At the level of organizations, effectiveness, efficiency and quality are regarded as an essential component of organizational performance indicating the need for attention in daily
management. In the context of public services, evaluation and measurement have often focused on performance aspects other than productivity. Evaluation of the projects aiming to achieve better measurement in provision of public services may conclude that such efforts have not been successful in dealing with public problems. While problems in tackling service quality measurement vary by organisation and sector, in this study three, on the basis that they are important, were identified because they appear to be particularly widespread across “the case organisations”.

One possible reason for deficient measures is that complexity of productivity phenomenon in the context of public services is not well understood. The challenge was to overcome technical difficulties while defining agreed outcome measures. Another problem may be that productivity measures are not integrated into the operative management of public organizations indicating poor linkage to the general knowledge on performance measurement and management. In addition, to be effective, performance measures should be strongly correlated with program goals in order to provide the right marginal incentives to program management and stuff (Heinrich, 2002).

The highly specialized services are performed by professionals who possess an occupational monopoly, combined with rigorous professional standards. The asymmetric information makes difficult for outsiders to improve cost-efficiency and effectiveness, and competition between providers is limited. Purchasers (the municipalities) are, due to their incomplete knowledge and lack of information about the services produce, unable to monitor the quality of the services they are purchasing. The purchasers (the municipalities) are, due to their incomplete knowledge and lack of information about the services produce, unable to monitor the quality of the services they are purchasing (Boyne, 2003; Andersen & Blegvad, 2006). This tension between the professions stresses the need for mutual co-operation and integration of the involved professions (Hookana, 2009).

The poor understanding can lead to conceptual mis-development. Concepts of measurement often remain producer-driven. An important blind spot is that those standards may have little or no reference to the needs or concepts of quality of the final service user. Efficiency measures, such as the time taken to complete an action, are much more widespread than those for the effectiveness (e.g., in combating fires) (e.g. Black et al., 2001). It could be argued that the case organisations should pay more attention to their income generating capabilities (i.e.
effectiveness) relative to their ability to produce traditional outputs such as advances and investments (i.e. efficiency) (Kumar & Gulati, 2010). Private provision is often claimed to be more cost-efficient than public provision, but these efficiency gains are accused of being at the expense of effectiveness (e.g. Andersen & Blegvad, 2006). In the cases there is a tendency to measure what is readily measurable and treating this as a proxy for what should be measured. However, if quality is the focus of interest, the failure to distinguish between measures to control and measures to improve quality is quite critical.

In addition, the study shed valuable light on the principal issue concerning the nature and size of the trade-offs involved, as well as the effects of ownership on the delivery of professional services. A requirement to reconcile potentially conflicting objectives seemed to be the key factor to success in the development process. Compared with the other case organizations the more market-oriented Accounting Services had stronger financial goals, but at the same time, also highly developed measures for the service quality. The public- and private-oriented modes of thinking were more balanced than the other organisations. It could be concluded that properly constructed public-owned network organization with the clear customer-oriented goals can offer a productive base for the service provision compared with the pure public-oriented. This was reflected also in the Emergency Services organization where additional profits by the collection of service fees were under consideration and supported by the law. A kind of business plan, including key success factors, for instance, financial, professional and organizational issues corroborated the balancing behaviour.

Kaplan and Norton (2001) stated that one of the main reasons for the failure of performance measurement system development projects is the sole emphasis on the top level of an organization. In addition, performance measurement systems are often designed by individuals other than their actual users (see also, e.g. Jääskeläinen, 2010). This was clearly reflected in the case studies.

Many studies have identified an essential problem of measurement systems in the public sector: they try to measure everything for everybody (Jääskeläinen, 2010; Atkinson et al., 1997; Rosen, 1993). For instance, the network of national Emergency Services has sought for commonly agreed measures for years. Many viewpoints of different kind of stakeholders were tried to take into consideration (the Ministry, the service organisations, the municipal owners). Through the intense interactive development work taking for years the key measures has been
reduced into the top 20. This observation stresses the need to construct the measures strongly correlated with program goals (e.g. Heinrich, 2002).

The limitations of the traditional measurement systems have led to a performance measurement revolution in the use of quality measures in performance measurement (Eccles, 1991). E.g., identifying the value-adding steps is critical yet difficult. If developed and used appropriately, service quality performance indicators have the potential to improve organisational performance. Used inappropriately, they can be destructive, for example in relation to the performance of groups or individuals within the organisation (Black et al., 2001). This came into fore, especially, in the Accounting Services organization where only a few signs of practical implementation by the management were identified.

Opposite to the above mentioned reasons for the deficient measures two key factors affecting the success of the development process are identified: the mutual commitment of the operative and top-management levels and the suitability of the measurement system for the requirements and goals of the organization.

Relating to the quality issues, the service providers in the public sector seem to have progressed in many dimensions, but the essential concept of quality is still largely uninternalized. Overall, the departmental measures were often inadequate. The measures did not properly capture aspects of service quality (Jääskeläinen, 2010). The Technical Services have not pondered upon the dimension of quality, probably due to the preliminary stages in the development work. On the other hand, the more market- and customer oriented Accounting Services has quite a unique approach to the quality issues. The aim to enlarge the market area outside the hosting municipalities has been accompanied with the pressure to take into account the party expecting the services. This was clearly implicated also in the selected key performance measures by the management although it was not yet reflected in the practice.

**CONCLUSION**

This study aimed to catch the nature of the discourse of quality in the wider context of prevailing ideas about the role of government in the promotion of welfare services and, the bases on which public service organisations can achieve effectiveness and efficiency in delivering services and outcomes of high quality. The study offered three descriptions of
efforts for developing the measurement systems in the public sector organizations. The mutual commitment of the operative and top-management levels and the suitability of the measurement system for the requirements and goals of the organization were perceived as key bases on which to success. The networked organization has special pressures and motivations to aim the measurement target. There are hierarchical accountability for inputs (administrative rules guiding routine tasks and budgetary allocations) and legal accountability for processes (see e.g. Heinrich, 2002). The importance of the legal instructions and the system based on professional accountability were highlighted.

The suitability of tools applied in the private sector performance management to the public sector has been questioned (e.g. Olson et al., 1998). The municipal culture is still quite far removed from the business-oriented culture, and the processes are more functional- than process- based (see e.g., Clarke & Lapsley, 2004; Catasus & Grönlund, 2005). On the other hand, there seem to be many similarities related to the cultural basis of financial management (connected, for instance, to inter-professional cooperation and changing professional roles). The basic way of acting and thinking appears, to a large extent, to be quite similar in both sectors (see also, e.g., Bozec & Breton, 2003). The differences are assumed to be more evident with regard to accounting methods and techniques (e.g., BSC and remuneration system).

The study provides new knowledge on the phenomenon of efficiency and effectiveness in the context of public services. One of the challenges in the discussion of productivity in general is the ambiguous interpretations of it. Further, there is a lack of studies specifically describing productivity phenomenon in the public services organisation. The study contributes to the existing research by describing the process of developing measurement systems in a specific setting. Voluntary and statutorily-required reporting by service providers of performance information have been continued, and augmented by new policies. This approach to service quality is part of a wider, two decades long view that public services should be managed rather than administered, sometimes known as the “new public management”.

The study has also practical meaning. Requirements for outcomes-based performance management are increasing performance-evaluation activities at all government levels. Service providing organisations are arguably more than ever interested in and motivated to giving priority to service quality improvement and the study offers some guidelines for the
development processes. Besides, its academic contribution, the findings of the present study would help the regulators to develop appropriate policies and guide managers in making strategic actions for improving the performance.

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