

Introducing Performance Management in National Health Systems: issues on policy and implementation

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Few publicly-funded national health systems in the world have introduced effective methods for enhancing the performance of their workforce. This is particularly the case in developing countries where the efficiency drive of health care reforms has done little to put people – both health staff and service users at the core of health care delivery. In the few cases where performance management has received some priority, attempts to introduce it have frequently foundered. This is often because most so-called Performance Management Systems (PMSs) are inspired in models from industrialised countries that do not fit the contextual realities of developing health systems.

Using preliminary research results from 15 case studies conducted the world over we examine the prerequisites for successful introduction of performance management systems which are appropriate for developing country situations. The key message and conclusion is that it is important to measure and value staff performance, but that this requires levels of organisational management and an external policy environment that are seldom in place in a developing context. Amongst the internal factors to consider are the sufficiency of the wage level to attract staff to work the hours in their contracts, the tools and supplies with which to carry out their work, the existence of a culture of local planning, and the ability of managers to manage. External factors are also important, particularly the extent of external pressure for the organisation to meet even basic levels of performance.

Introduction

Many countries around the world have embarked on financial and organisational reforms to their national health systems, but few have managed to adequately address the need to improve staff performance. This is particularly true in the public sector of many countries where the health workforce continue to work under vague job specifications and muddled lines of accountability, where individual and organisational performance are seldom measured, and where staff are paid (often low) salaries that do not relate to the quality of their work. In this scenario, the potential benefits of reforms of any type are greatly reduced.

Performance management (PM) is essentially about measuring, monitoring and enhancing the performance of staff, as a contributor to overall organisational performance. Performance management is a means to an end, and its concept and practice have been constantly changing. From its origins, when performance management systems were viewed as almost stand alone processes, performance management has become an approach to creating a shared vision of the purpose and aims of the organisation, helping each individual employee understand and share the workload to achieve those aims.

- Despite its importance, little has been researched or published on the introduction of performance management in health care organisations, and even less so in the context of developing country health systems. This article is based on original research funded by the European Commission (INCO-DC Programme) and sets out to assess the practice of performance management in a sample of health care organisations from around the world. Fifteen case studies were conducted in an equal number of health care

organisations. In each country an attempt was made to cover one public and one private health care organisation. In all cases the investigation was conducted by external researchers. A table summarising the organisations covered in the research can be found in Annex 1.

Was performance being measured?

Assessment of performance management practices in the research confirmed the following issues:

- ❑ Few health care organisations, particularly those in the public sector, use performance management approaches. There was not a common understanding (except in three organisations researched) of what was meant by performance, or how performance could be measured in practice.
- ❑ The main approach to performance management in the public sector was staff appraisal. However, on closer scrutiny, appraisal did not relate to performance but to behavioural issues, and it was not undertaken as part of ongoing service planning and service management processes
- ❑ Only three organisations were found to have fully developed, integrated performance management systems. Only in two of those did staff perceive that the system actually measured performance and led to appropriate actions being undertaken by both managers and service staff.

Do Health Care Organisations need Performance Management?

Performance management is a means to an end. It is based on the assumption that organisational performance is closely related to the performance of its individual staff. Our research has shown that only a handful of health systems from developing countries, public or private, use performance management systems. Even fewer (2 out of 15) used PM as the “interrelated set of policies and practices that, put together, enable the monitoring and enhancement of staff performance”. In most countries PM still is made up of a set of disconnected policies and practices, often not clearly related to performance. In some of these organisations the rating of staff took priority over efforts to help them work better. As a result, performance enhancement was more of an afterthought and, often, staff appraisal turned against the staff being appraised. As some authors have remarked, staff appraisal has often been used as a means to blame staff for what represents essentially a great deal of managerial incompetence.

It was the **focus on enhancing performance** that characterised the most successful or promising approaches to performance management in our research study. This is because focus on enhancement immediately changes the nature of performance management from the often quoted ‘to verify that staff are doing their jobs properly’ to the far more positive ‘to ensure that staff get the necessary help to do their jobs well’. While the first approach favours control and measurement, the latter emphasises positive supervision and staff development.

Prerequisites for introducing performance management in health care organisations

Central to the findings of research is the notion that not all health care organisations are primarily performance oriented or value performance in the same manner. For example, achieving high levels of employment or job security may be pursued by some national health systems as a primary objective, over and above staff performance, even if this is implicitly rather than explicitly pursued. If available, staff appraisal systems in these organisations often focus on staff behaving according to norms and following acceptable behaviour. While this can contribute to staff performance it does not make performance the primary focus of the system and may often disguise it.

Similarly, efforts to focus on staff performance may be rendered fruitless or their effectiveness limited if these are not supported by appropriate organisational design and management systems. In this section we reflect upon a series of pre-requisites without which performance management will not work or will do so ineffectively or just for a limited period of time. We make a distinction **between organisational or internal prerequisites** – which relate mainly to the structure, culture and management systems of the organisation, and **environmental or external prerequisites** relating to the policy environment where the organisation operates.

Organisational (internal) prerequisites

Adequate pay levels

Pay levels in some of the organisations covered in the study were so low that they did not enable staff to make a living and forced many staff members to resume to ‘moonlighting’ to make ends meet. In these circumstances staff will have little incentive to perform better, as increased effort will not result in better work or pay conditions. This situation was found in the Mozambican public health care sector and, to a lesser extent, in the government health services of Ghana, Guatemala, Zambia and South Africa. It is not a coincidence that organisations showing the most effective approaches to performance management in our study were also those where staff were getting a ‘fair’ salary in terms of what the market offers or what equivalent staff earn in other sectors.

Staff have the equipment, tools and skills to do their job

As for salaries, this is an area that is often taken for granted in many developing countries. The case studies from Guatemala recorded that while workers in the private health care organisation had the essential means to do their work, the same could not be said for the public sector health services where staff were constantly faced with budget cuts and resource shortages of every kind. Skills and material ‘tools’ are closely interrelated as the former can hardly be developed in the absence of the latter. The point is that it is futile to expect staff to diagnose and treat diseases properly or to conduct staff supervision when diagnostic equipment, petrol, vehicles or public transport are not available. This is why well-resourced health care organisations are many steps ahead in the starting line of performance management when compared to others where resource shortages are a daily feature.

Achieving the right balance of incentives for staff to perform well

The distinction between reward and development oriented performance management has been a subject of discussion in the literature. Evidence suggests that while cash rewards can act as incentives for improved performance, they are not a central feature of performance management. We have also highlighted how the provision of cash rewards is

highly linked to the organisation's culture and context, and that staff do not necessarily appreciate cash rewards, particularly if they are unsure of getting them or if others get rewards for what is essentially a team effort.

But the need for staff to have the right incentives to do the work is undeniable **and the more performance oriented organisations in our study were also the ones where the right combination of incentives had been achieved.** This included both positive incentives to encourage higher performance as well as negative incentives to discourage certain practices or behaviour. The most frequently quoted **positive incentives included:** clear criteria for promotion; job stability and security in employment (not necessarily equivalent to permanent jobs for life!); a good working environment with humane staff relations; and the existence of attractive career ladders that accommodate staff aspirations. It is interesting to note from the UK case studies (NMCT and Dundee) that career ladders are not always equivalent to the earning of higher salaries. Thus, senior nurses taking up management posts might be paid less than if they had continued their work as nurses, but a career in management may offer better job opportunities in the long run than are possible as a practising nurse. In the Barcelona CAPVO case study, another positive incentive quoted by staff was the existence of a well designed induction period for new staff that was highly focused on ensuring staff were clear and felt comfortable with their new responsibilities.

As for **negative incentives**, three organisations (UK Dundee and NMCT and Barcelona CAPVO) had developed means to fight absenteeism from work. Interestingly, even these incentives took a positive form, and rewarded those workers that had not used the number of leave days - for illness or personal reasons - to which staff are entitled each year. In contrast, public sector health care organisations in Zambia, Ghana and Mozambique reported absenteeism as a major problem but did not seem to have the means to deal with it. In the case of Mozambique absenteeism was often related to moonlighting of staff because of low pay.

Local autonomy and decision making

Performance management requires **a close relationship between management and staff, and the ability on the part of managers to act on the results of appraisal.** This implies a degree of local decision making powers that was often absent from public sector health systems covered in the research. Health systems decentralisation is therefore an essential prerequisite for performance management, as is the need to avoid unnecessary bureaucracy when dealing with the results of performance appraisal. Managers conducting appraisal must work closely and interact frequently enough with the staff they appraise, and act swiftly on the outcomes of appraisal. The latter requires the ability to allocate resources, particularly (but not only) training resources, according to need.

The need for local autonomy also suggests that performance management should not be attempted across large organisations until such global effort can be matched with a bottom up approach to implementation. National health systems should therefore avoid the rapid establishment of performance management systems that do not take stock or build on local decision making powers and capabilities.

Familiarity with planning methods

Performance management **needs objectives and targets to steer individual performance.** This will also enable the linking of individual targets to broader service and organisational objectives. Therefore, unless staff and managers are familiar with the process of setting and monitoring targets they may not be able to undertake performance management effectively. The culture of planning at local level was absent in many health care organisations from the developing world covered in our study. This may result in the

setting of targets that are unrealistic, or whose achievement is hard to assess or quantify, both problems affecting in turn the effectiveness of performance management.

Effective communications

All authors highlight the importance of good organisational communications for PM, to the point that some of them consider PM nothing more than a dimension of internal organisational communications. Many organisations, particularly in the public sector disregard the importance of open and clear communications. Means and channels of communication need to be tailored to the prevailing organisational culture and structure. In small, flat organisations formal and informal communications may not be a problem, but there is still a need to ensure that informal communication channels are matched with more formal and structured ones. In larger organisations with many management tiers it is the distance between staff and people with decision making powers that really counts

Communications with legal representatives of staff such as trade unions are essential for the success of PM, as trade union leaders may (wrongly or rightly) consider that PM affects workers' rights. Consultation can turn initial resistance to the introduction of performance management into support.

Leadership and effective management systems

An important ingredient to bring about change and improvement in systems is effective leadership. This involves having a vision of what is needed, sharing the vision with fellow managers and staff, and steering the process of realising that vision. Evidence that an organisation can respond to leadership is another good sign of the readiness to accept new systems such as performance management, as is the degree of sophistication and effectiveness of information, personnel, reporting or communications systems. In many developing country health systems information flows slowly, late and may not be used; personnel records may not provide the information needed, or may not be updated; communications may be formal and bureaucratic, with feed back never occurring; et cetera. While we are not suggesting that performance management relies on highly sophisticated management systems, it is important to consider that its introduction may just add to the burden of service staff without attaining the desired focus on performance. On the other hand and by the same token, performance management may contribute to the improvement of management systems design in the organisation by identifying which aspects relating to performance are not being adequately addressed.

A culture of accountability and openness

As important as management systems and leadership is the prevailing culture in the organisation where performance management will be attempted, and the 'societal culture' where organisations operate. In civil service (or former civil service) organisations the main obstacles to performance management may originate in public service attitudes and in the hierarchical nature of power and decision making. It is indeed a paradox that many civil service organisations may end up being so much staff-centred and so little service oriented that staff easily develop a 'culture of entitlement' and dependency that become the main obstacle for performance management. The public sector health care organisations researched in Ghana, Zambia and Mozambique reflected some of the issues mentioned above: civil service attitudes and use of closed appraisal systems, where staff were not aware of the results of appraisal interviews.

Gender issues

References to gender are hardly found in the performance management literature, but the gender dimension of health care implies that certain approaches to performance management can reinforce gender inequalities either way. For instance, in health systems where managerial positions are overwhelmingly held by men, or where (mostly male) doctors still make most service level decisions, the introduction of performance management is likely to mirror and reinforce the existing gender bias.

External pressures and triggers facilitating performance management

The findings of our research suggest that health care organisations do not always have the means to develop greater performance orientation on their own. They need the synergistic support of external, environmental factors which, at times, act as triggers facilitating the establishment of performance management. Some of these external factors are reviewed now.

Political pressure and health care reforms

Political pressure may take many forms and can be a trigger for greater emphasis on performance management. In the United Kingdom, the reforms introduced during the Thatcher years to the National Health Service (NHS) forced service managers and senior executives to focus on performance and productivity targets. In Zambia, the pressure for reforms in the early 90s was initially strong, but soon became diluted as difficulties emerged and the trade unions brought changes in human resource management and the plans to introduce PM to a halt. Although often reported to go together health care reforms are not necessarily an effective trigger for performance management as reforms implementation is often rushed through the system without due consideration of its impact on staff morale and attitudes.

Financial pressures

Budget cuts and the efficiency drive affecting national health systems throughout the world have brought about greater interest in performance management. Such interest, however, has seldom led to the establishment of effective performance management as illustrated in our case studies. For instance, budget cuts have often led to staff cuts that have negatively affected service delivery, particularly when staff cuts are made across the board without due consideration of the need to maintain adequate complements of staff and skills mixes in key management and service areas. Staff and budget cuts also affect negatively the attitudes and motivation of staff, particularly if pay levels remain low, by creating an antagonistic environment to the establishment of performance management.

Introduction of purchaser/provider split and service agreements

These may or may not be part of financial pressures but separating funding from provision clearly provides opportunities and pressure for improved performance management. It is no coincidence that the most performance oriented organisations in our research study had separated funding from provision. In some cases, such separation has paved the way for competition to emerge within service providers. In the NMCT (UK), CAPVO (Spain) and CARE (Guatemala) case studies competition with other providers forced managers to provide attractive pay and reward packages in order not to lose good staff to other provider

units. Thus, higher pay and rewards led to the development of performance management as a means to ensure value for money.

When the funding and provision functions are not separated and remain part of a single organisation it is still possible to drive attention to performance through the development of service agreements. The term agreement suggests a different type of binding between the provider and funding sides of the organisation and it is essentially an internal contract. Service agreements are too new for their effectiveness to be assessed. In theory, they should work as well as contracts between purchasers and providers. In practice, however, many service agreements are too vague and remain poorly monitored, and staff do not relate to them, partly because increased delivery of services does not lead to increased availability of funds or improved working conditions.

Decentralisation

Health systems decentralisation is a *sine qua non* condition for effective management of staff performance. The most effective performance management approaches in our study all took place within decentralised health systems. However, it is whether decentralisation has successfully achieved leadership, planning, flexible resource allocation practices and well functioning management systems **at the local level** that determines the feasibility of introducing performance management. Because few 'decentralised' health care organisations in the public sector of developing countries have achieved such strengths at the local level is probably why few have been successful in managing performance.

Pressure from service users and quality assurance

- Public pressure, enabled by adequate legislation and formal complaints procedures have increased the focus on quality, benchmarking and performance management in the British NHS. In our NMCT case study, for instance, every patient's complaint was replied to personally by the Chief Executive of the Trust. Quality assurance is not - strictly speaking - a performance management 'tool' but a common and possibly essential complement of PM that provides a bridge between the focus on staff and the equally important focus on patients and service users. Many developing countries are beginning to adopt quality assurance approaches whose existence will undoubtedly facilitate the introduction of performance management.

Conclusion

Performance management is or should be an eminently practical process closely aligned with other aspects of general management, and does not sit easily as an isolated subject for academic scrutiny. For example, much of the literature from the 80s and early 90s makes a separation between quality - a service outcome - and performance - a human resource outcome. In practice though such separation does not seem to make sense, as both performance management and quality enhancement rely ultimately on human resource interventions, and both pursue the identical goal of delivering better services.

Performance management systems can help staff get more job satisfaction and feel more committed to the attainment of organisational objectives. For this to happen, managers must first ensure that staff needs - salary, equipment, skills (training!) and work procedures - are being met to a sufficient level, which varies from one country to another.

Performance management does not rely on a single tool, such as the individual performance appraisal; it uses a number of complementary instruments that altogether provide both reward and development opportunities. Maintaining obsolete appraisal systems just because

managers are expected 'to fill in the forms' represents an unacceptable waste of people's time and energy. Staff appraisal has an important role to play to enhance performance as demonstrated by the fact that the best functioning PM systems in our study all used appraisal as one of their tools. On the other hand, the potential to transform existing appraisal systems into more sophisticated performance management systems should not be taken for granted since moving from a 'civil service' culture to a 'performance-oriented' culture can be complex and will take time.

Finally, the best PM systems are developed locally, they are people-oriented and they are grounded on the objectives and targets that local services are expected to achieve. The policy implication of this finding is that PM systems require local planning and management skills – including good personnel managers where possible - and should not be developed on a wide, national scale until and unless they have been tested and implemented locally. On the other hand, pressure from the top is important, at least to convey the message that performance does matter and that all service units will be expected to pay attention to it. Top management and national authorities should also ensure that simple, flexible tools for PM are disseminated through the system so that local managers become familiar with a set of tools and procedures that they can subsequently adapt to their own working situations.

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Key references and further reading

All case studies mentioned in the paper as well as the literature reviews can be found at <http://www.liv.ac.uk/lstm/hsrpn10.html>

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Biographies

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Annex 1

Table 1: Typology of organisations covered in the EU-funded Research Project. What approach to PM was being used?	
Location and type *	Unit covered in the research study
	<input type="checkbox"/> Approach to PM found
Ghana MOH PUBLIC	A District Health Management Team & service delivery personnel at district and sub-district level. <input type="checkbox"/> Annual closed appraisal system used: irregularly implemented, deemed irrelevant by managers and staff.
Ghana Parastatal PRIVATE	A parastatal Hospital. All top managers, most mid-managers and a sample of service personnel in main hospital units were covered. <input type="checkbox"/> Annual closed appraisal system: not performance related, unlike Daily Task Schedules, used to ensure performance of daily chores.
Guatemala MOH PUBLIC	A District health system of the Ministry of Health. <input type="checkbox"/> No formal PM was found. Ineffective supervision.
Guatemala CARE PRIVATE	Large International NGO operating in the Water, Health and development field in Guatemala, mostly with its own staff. <input type="checkbox"/> Formal, structured PM system in place.
Mozambique MOH Hospital PUBLIC	Large Public Sector Hospital was selected. <input type="checkbox"/> Closed appraisal system. In disuse, being abandoned.
Mozambique Cruz Azul clinic PRIVATE	Private Hospital based in area where other public hospitals also operate. <input type="checkbox"/> No formal PM system in use. Productivity indicators lead to bonuses.
Portugal DOH PUBLIC	Facilities within a district health system were researched. <input type="checkbox"/> No formal PM system in place.
South Africa ODI district PUBLIC	Facilities from a district health System in Cape Province. <input type="checkbox"/> No PM system in place. Sporadic critical incident sessions held.
South Africa. Pholosong HC PRIVATE	Private, large health centre in Cape province. Operates under a managed care philosophy. <input type="checkbox"/> No PM system found.
Spain. Barcelona CAPVO PUBLIC	Large Health Centre based in Barcelona: covers Vila Olimpica district. <input type="checkbox"/> Fully structured, integrated PM system. Cash incentives for staff and teams based on achievement of targets.
Spain (Bilbao) UTE CAV PRIVATE	Emergency service organisation coordinating and managing transport for all emergencies in the Basque autonomous region. <input type="checkbox"/> No PMS in place. Response time monitored for tel. Operators.
UK (Liverpool) NMCT, NHS PUBLIC	Large community trust in Liverpool, belonging to NHS. Very autonomous. <input type="checkbox"/> Fully structured, integrated PM system. No cash incentives.
UK (Dundee), NHS PUBLIC	A set of NHS hospitals in the Dundee area <input type="checkbox"/> No PM system, but one being developed. Service targets monitored.
Thailand: GP Doctors PUBLIC	General Practitioners operating in the Public Health System in Thailand. <input type="checkbox"/> No PMS in place.

Zambia Chainama PUBLIC	District health system. <input type="checkbox"/> Closed appraisal system, followed but not used by managers.
Zambia ZESCO PRIVATE	Autonomous Electricity Company, previously public. <input type="checkbox"/> Open appraisal system followed. Individual targets set.

* The names of some locations have not been provided whenever confidentiality of results was requested by the organisation being researched.

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