

Proposed research title

An analysis of performance measurement issues in public sectors regarding UK hospitals.

The introduction and background

The need of appropriate performance measurement systems has been a heated topic in management accounting during the past 2 decades. A survey shows that around 50% organizations had different kinds of reforms in their performance measurement system in five years since 1995 (Hopper, Northcott & Scapens, 2007). Obviously, organizations are looking for better performance measurement solutions, because in order to survive in the rapid changing and competitive environment, organizations need to know how well they are doing and what need to be improved next. Performance measurement systems can provide such useful information and help organizations to assess their performance and also help to identify the reasons of the inefficiency.

There have been great changes in performance measurement system during the past two decades. The traditional way of profit based measurement system is no longer suitable for organizations that are operating in today's rapid changing markets. Therefore, the non-traditional performance measurement systems are introduced. The non-traditional performance measurement systems enable the use of non-financial measures together with the financial measures. It uses various performance indicators to assess the organization's performance based on the organization's unique activities and other characteristics, which can give more accurate assessment of organizations performance. But even a number of new performance measurement systems have been introduced, most of them are not designed for public sectors which have different characteristics from the private sectors (Micheli & Kennerly, 2005).

Different from the private sectors, the primary objective of public sectors is not generating profits, but delivery a service. Normally they obtain the financial supports from the governments and their operations are also constrained by the governments. Moreover, the public sectors are always facing a pressure from the society (Eskildsen, Kristensen, & Juhl, 2004). As we can see from above, it is obviously that public sectors need different performance measurement systems from the private sectors.

The reasons why it is important to establish such systems in public sectors are as follows: firstly, the demands of improving the public services; secondly, the demands of accountability (Radnor & McGuire, 2004). Take hospitals, the typical type of public sectors, as an example, from the patients' perspective, what are their 3 expectations about the services? Are they satisfied with the services? Are they well treated in the hospital? From the taxpayer's view, they require the information about how their money has been spent. The governments are interest in if good healthcare services have been delivered and if the resources have been used efficiently. All of these questions need to be answered by appropriate performance measurement systems.

The aim of the research

The aim of this research is to identify both of the merits and defects of the existing performance measurement methods in public sectors, find out the main factors which influence the performance, and then develop appropriate performance indicators based on finding of the research, in order to establish a better performance measurement system in public sectors regarding UK hospitals.

Literature review

As the topic of searching for proper performance measurement systems in public sectors become more and more popular among the academics and practitioners, a lot of reports

and articles appeared during the past few years which have introduced different kinds of performance measures for public sectors. 4

Value for money (VFM) is the most famous way of measuring performance in public sectors since 1980s. It contains economy, efficiency and effectiveness. It aims at measuring if the purchase of certain resources is at the lowest cost, if the resources have been used efficiently and if the objectives have been achieved effectively. The theory of VFM sounds reasonable, but some academics and practitioners argue that VFM is hard to practice in the organizations, because some of the criterion cannot be measured such as effectiveness. Some also point out that VFM ignores the long term performance of the organizations (Glendinning, 2007).

Another dimension of performance measurement which has been widely used in public sectors is called benchmarking. It means compare the performance with the benchmark organizations which are identified as best performance organizations, then improve the performance by close the performance gap. But how to find the benchmark organizations become a new tough issue, and also the problem about key performance indicators, in other words, what to compare (Kouzmin, Loëffler, Klages & Korac-Kakabadse, 1999).

There are also some other kinds of measurements like strategy based measures which focus on the implementation of organization's strategy, and the performance based contract. But the information they provide cannot meet all the interest parties' needs, a wider range of performance measures should be developed (Fitzgerald, 1988). 5

So far a number of different performance measurement methods have been developed and used in UK hospitals, except the benchmarking method which has been mentioned above, BSC is also wide used (Northcott & Llewlyn, 2009). In 1980s, the methods of performance measurement in UK hospital were activity and cost indicators, then more performance indicators such as waiting time were introduced in 1990. Balanced Score Card (BSC) started to be used in UK hospitals in 1997 and various kinds of high level performance indicators which focus on the accountability to public were introduced since this year (Smee, 2001). From the changing during the past 20 years we can see there is a trend of using comprehensive performance indicators. Hospitals started to pay more attentions on the accountability.

Most of the literatures are focus on criticizing the existing systems or searching for new methods, but this research will try to find a different way of methods searching by combining the merits of the existing systems, finding solutions for the limitations and developing more appropriate new performance indicators.

Research questions and objectives

As stated above, the aim of this research contains two parts. The first part is based on the existing performance measurement methods, aiming at identify the limitations and also the merits which could be kept in the new system. The second part is looking for the factors which affect the performance of UK hospitals, in associate with the 6 findings on the first part, develop new performance indicators and new performance measurement methods for UK hospitals. So the research questions are also divided in two groups. The first group focuses on how the target hospitals' performance is measured currently, what are the contributions, what are the drawbacks or limitations and is there any way to solve the problems in current performance measurement systems? The second one contains questions about the nature of the activities in hospital. What are the performance drivers in hospital? What are the key performance indicators in hospitals? Should we establish a new measurement framework or should we just find solutions to the problems of existing systems based on the research findings?

Research methods

As we know, the purpose of public sectors is to deliver a service, this makes the performance of hospitals normally cannot be quantified. The main focus of the performance measurement in public sectors is the quality of the service, and also the aim of this research is to understand the current performance measurement systems in UK hospitals and collect relevant information in order to construct new frameworks, so the research will mainly use the qualitative research methods, but some quantitative research methods will be also used to select sample for the research. The choice and justification of the set of research methods will be give below together with the research design. 7

Research design

The research will be divided into two parts which are internal research and external research. The internal research is conducted within the hospitals and the external research gathers information outside the hospitals.

Part One: the internal research

Step 1, select 50 hospitals across UK and email a survey to 5 senior managers in each hospital. The survey contains both open and closed questions about the type of performance measurement system which is using in their hospital, their opinion of the current system and the performance drivers of their own work. One of the purposes of this survey is to provide a sample base for the case studies. The other is to gain information about the performance drivers of managers which can be used in the final data analysis stage. Choosing survey as the research method is because it is unrealistic to interview all the managers, due to the distance, time and cost.

The 50 hospitals will be selected by using cluster sampling across UK hospitals in order to make the samples more representative. To choose a sample size of 50 is because the consideration of both possible response rate and time limit of processing data, and also because the research will mainly use the qualitative methods in the case 8 study, a relative big population of samples is not necessary.

Step 2, from the responses of the surveys, find out two kinds of performance measurement systems which are most common used in the sample hospitals. Build 2 groups of hospitals for each method, for example, one for BSC and one for benchmarking, and then select one hospital from each group using convenience sampling method together with a consideration of the hospital's size to make sure the case studies can be carried out smoothly.

Step 3, using the selected 2 hospitals to do case study. There are two reasons of select the 2 hospitals and use case study as the research method. First, the data are more reliable and can provide direct viewing of the system. Secondly, the selection of 2 hospitals with 2 different systems can provide not only the general information about opinions from different stakeholders, but also can give comparable information about the existing systems. In the 2 case studies, 5 managers will be selected randomly from different departments for each hospital for the interviews. The managers will be interviewed separately and the interviews will be semi-structured, in order to get rich, detailed answers about their opinion of the topic.

Surveys will also be conducted among the stuffs who work in the hospitals, for 9 example, doctors and nurses. The surveys will contain both open and closed questions which aiming at understand the stuffs' thoughts about their works, for example, are they satisfied with the working conditions, what can influence their performance, and their opinions on the current performance measurement systems.

Another survey will be also conducted which is designed for patients. This survey will be consisted mainly by open questions about their satisfaction level and thoughts about the services, and few closed questions about their age, gender and other general information. The purpose of this survey is to find the key performance indicators from the patients'

perspective. Due to the accessibility of the staffs and patients in hospitals, both of the surveys are not limited on the size of the target population, in other words, get as much responses as possible.

4 hours of observation every day in the target hospitals for one week will also be used in the research to get the information of how they actually work in the hospitals, for example, the patients' waiting time and the behaviors of the staffs. Although the information gained from observations is limited due to the poor accessibility, the data will be useful in the comparing with the findings from other research methods.

Part 2: the external research

The external research contains 2 parts. One is literature review. The books and journal 10 articles in this area are all useful resources for qualitative research. It can help researchers to understand the current systems and relevant theories, build the solid foundation of the research.

One is looking for 100 random people on the streets in central London to complete a survey which is designed for taxpayers, in order to gain the information about the key performance indicators from taxpayer's perspective. The survey will be consisted mainly by closed questions which are easy to complete, in order to get more responses on street.

Timescale

1st week: Review the literatures and produce the survey for the selected 50 hospitals.

2nd-3rd week: Waiting time for the responses.

Review the literatures.

Conduct the survey for taxpayers.

4th week: Select the hospitals for case study.

Preparation of the case study and schedule the interviews.

5th-7th week: finish the case study

The next 5 weeks: process the collected data and produce the dissertation. 11

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