

Measuring Performance: Case of Lithuanian Municipalities

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Public sector plays a significant role in the economy as well as in the market. Effectiveness and efficiency of management of public servants require clear principles, results based approach and control system. Performance measurement concept leads to transparent, results based management. It has been widely applied in private companies for decades and could be a solution for public sector as well. However, the implementation of the principles of performance measurement for public sector has its peculiarities and limitations.

This study aims to define the main obstacles of effective performance measurement applicability in municipalities considering the institutional framework and regulation as the significant factors which shape the contexts and the content of performance measurement.

Theoretical findings let us claim that the key success factors of performance measurement in the municipalities are political will and support, methodological assistance and expertise, clear performance measurement application strategy, high control of selectable parameters and equivalent allocation of funding. Results of qualitative research lead to the conclusion that issues related to clear understanding about what performance measurement and its purpose is, what benefits it can provide to municipal activities as well as the motivation and interest from different municipality's administrative units are significant as well. Scientific literature analysis, logical analysis and case study methods were applied.

Keywords: *Performance Measurement, Municipality, Public Service.*

Introduction

Currently, more than fifteen million people are employed in the public sector throughout the world. It is obvious that such a large number of public servants requires highly structured management and effective control system. Performance measurement is considered to be one of the major new public management reform packages of measures for many years and it still remains as, which remained a significant “management fashion „for many years. Many academics and practitioners follows this trend in traditionally more developed countries of the English-speaking world and continental Western European countries. The post-communist Central European countries that have latest joined the European Union also follow this tendency and take over the “advanced” countries’ experience in various areas of public administration.

In Lithuania, the emergence of performance measurement was not accidental. When Lithuania became a member of the Europe Union, it has undertaken to implement a performance measurement system in the public sector. However, this led to a forced creation of a system whose benefits and applicability were little known (Kondratiene, 2008).

In literature, many authors highlight the relevance of performance measurement in public sector. They claim that performance measurement is an essential foundation that public sector institutions should have. Although private enterprises have successfully implemented and applied performance measurement in everyday activities, the published literature review provides little guidance in

measuring the performance of municipalities, separate measurement components and how these components interact. What is more, there are Complexity when measuring the performance in municipalities depends on the numbers of regulators which make the performance measurement in municipalities complex (Nisio, de Carolis & Losurdo, 2014).

The municipal authorities are considered to be exceptional for their delegated functions, closer, often direct contact with the public. One of the main goals of municipalities is public welfare, where all the residents of the municipality are ensured equal access to developed infrastructure and public services (Behn, 2003). Also, municipality, as a public legal entity whose activities are strictly regulated by various laws and regulations, must contribute to the rule of law, eradicate corruption and ensure fairness, financial transparency and democratization (Kloviene & Valanciene, 2013). By implementing the European Union's priority objectives municipality as well as other public institutions are obliged to seek the adoption of integrated smart growth, sustainable energy and inclusive growth in efficiency plans with clear objectives to involve citizens in their development and implementation and to adequately inform them about their plans content and progress in achieving objectives (European Commission, 2010).

Also it is important to incorporate citizens' expectations and requirements for quality of service, which is not decreasing, but increasing, resulting in higher standards, which are raised on the basis of the public and the media demands (Hartley and Skelcher 2008). Such exclusivity of

municipalities in public service provision underscores the importance of individual performance measurement system role in municipalities not only for internal issues and coordination, but also for the impact of external factors. It has also gained popularity because it has promised that more sophisticated measurement systems will undergird management processes, better inform resource allocation decisions, enhance legislative oversight, and increase accountability (Hoontis & Kim, 2012).

This article explores the performance measurement system creation considering the legal framework, the impact of the old theories as well as the New Public Management. Also, the article aims to investigate what external and internal factors and how they influence the performance measurement. In all, the *research question* could be formulated as: "*If institutional framework and legal environment is consistent with the performance measurement system requirements?*"

The aim of this study is to define the main obstacles of effective performance measurement applicability in municipalities considering the institutional framework and regulation as significant factors, which shape the contexts and the content of performance measurement.

Theoretical part of the paper consists of the scientific literature analysis, logical analysis, modelling methods that involve the generalization of theoretical propositions. The practical part of the paper is based on case study analysis. The last section of the paper presents the conclusions on how the key success factors are active in Lithuanian municipalities.

Theoretical Background

Performance measurement concept

Performance measurement and its role in the general organizational management system have been interpreted in different ways for decades. Neely *et al.* (1995) define it as a set of metrics used to quantify both the efficiency and effectiveness of actions. Bititci *et al.* (2000) described it as information system which is at the heart of the performance management process and it is of critical importance to the effective and efficient functioning of the performance management system. Meanwhile, Markovic (2010) claims that information system means that it is a set of measures which objectively measure the processes and enable organization to fulfil its mission, goals and directly measurable objectives. Informational demand could be determined in terms of decision making, reporting and external communication purposes. Simons (2000) points out that performance measurement and control systems are formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities. In all, Charbonneau, Bromberg and Henderson (2015), point that performance in the public sector is complex. Governments serve a number of stakeholders and are held to account by a number of principles. Hence, conceptualizations of the performance of an organization may vary depending upon the perspective from which it is viewed. In this study performance measurement is conceptualized as an information system, which is effective when it matches informational demand of management and fits its environment. Information system means that it is a set

of measures, which objectively measures the processes and enables organization to fulfil its mission, goals and directly measurable objectives (Markovic, 2010). Significant factors describing performance measurement environment in public sector are political context, legislation and rules of regulation.

Various authors still discuss the concept of the performance measurement and it's dependent on many factors. While implementing performance measurement, the organizations should clearly define why they are going to measure their performance, what they are going to measure, where, how and in what contexts the information will be used (Propper & Wilson, 2003). The goals of the measurement could vary from reporting and communicating activities to decision making and performance improvement tasks. The variety of objects depends on the complexity of the governance, regulations and reporting system (rules defined by law, number of reporting levels *and etc.*) as well as the number of activities (policy, education, energy, culture and *etc.*) and the number of stakeholders (council; executives, community, employees *and etc.*) (Poister & Streib, 2005). The application of the measurement results could be focused on internal and/or external communication purposes as well as the type of management (goals oriented; results based *and etc.*). Theoretical and practical perspective on the measurement of the type (ex-ante, ex-post, mid-term, summative, formative) defines what kind of data is used, and the contexts (political, economic, organizational, *etc.*) shape the process of the measurement itself. Therefore, the measurement is very flexible, but also it is a vague term (Mooney, 2009).

The distinctive aspects of the organization should be taken into consideration to boost the efficiency and effectiveness of the performance measurement. It could be stated that considerations of performance measurement application for public sector should start from clearly defined purpose of measurement, possible complexities of organizational goals and contexts, demanded level of comparability and external communication as well as peculiarities of accountability and responsibility. Those factors are dependent on institutional framework which is shaped by a variety of regulations.

Institutional framework and regulations in municipalities

According to Pollanen (2005), performance of municipalities to a large extent depends on unique institutional, law governed and regulated operating characteristics. Among the great diversity of performance regulating aspects in municipalities, main regulators, determining the identity of performance in municipalities, can be distinguished. Lithuanian laws provide a detailed description of functions and liabilities of municipalities that provide local government entities with a plenty of responsibilities to implement the mandatory provisions of the laws. Therefore, the law, and municipal regulatory authorities is the first operational controller for the performance of municipalities. The environment of performance measurement also involves the institutions and stakeholders that may also have a direct or indirect impact on the municipalities and functions of each institution. So municipality's dependence on the central and

/ or regional authorities has a significant impact on its performance (Kloviene & Valanciene, 2013).

According to the degree of decentralization, local autonomy makes the decisions, carry out the administrative functions and operate on the financial resources of the legislation of discretionary limits by themselves. Municipalities also perform a number of functions delegated by the state where the implementation of the funding comes from the state and / or regional budgets, and for which the municipality is accountable to the central or regional authorities (Jaaskelainen & Laihonon, 2014). Budget and appropriations are also attributable to the activities of municipalities regulating entities, since on the size and allocation of appropriations depends the quality of performance carried on various projects and activities (Kloviene & Valanciene, 2013). What is more, accountability between the subdivisions of municipality or accountability between the municipality and responsible governing bodies, also determines the performance of municipalities. This factor appears that all local entities and third institutions are strictly regulated, and a clear system of reporting and settlement of the work done is prepared (Hontis & Kim, 2012). Accountability involvement into the performance measurement system would clearly structure the division of such roles. Another important aspect of the regulation is the local community where the municipality operates (Kloviene & Valanciene, 2013). Only a positive assessment on the local community about the performance of municipalities can ensure proper and efficient local public services (Nisio, de Carolis & Losurdo, 2014). Meanwhile, the control authorities can be attributed to the activities of municipalities indirectly regulating side.

According to the law and legislative analysis, it appears that only the supreme authority - the municipal council, together with the head of the Council is directly accountable to the community. Meanwhile, the administration and the head of the administration, which are empowered to solve local community-level problems, are not directly accountable to local people.

According to municipal functions regulated by laws, each public service should be created and delivered through appropriate institutional arrangement, that is, certain public sector organizations and private companies. However, in order to determine the normative functions of ensuring state-established practice, clear, detailed and structured distribution of roles should be determined (Padovani, Yetano & Orelli 2009).

After the analysis of municipal legal sources it may be pointed out that the executive bodies, which are accountable to municipal council under the Constitution are not included in the right of municipal authority (Kondratiene, 2008). Argento, Grossi Tagesson, Colli (2010) also notes the risks derived from the transfer of municipal public services to third bodies. According to them, municipalities, guaranteeing the smooth functioning of public services must have appropriate planning mechanisms and good understanding of the principles of coordination. Municipalities are responsible for the proper implementation of public services, so they must have a clear vision and understanding of different public services role and tasks. Municipalities must provide public services future market position and keep them clear and realistic performance

targets. The authors add that each institution, which has authority to provide public services should know the expectations of municipalities, which means that there must be clear information about the expected results and impact assessment, accountability and crucial positions of reporting relationships. Therefore, effective municipal performance measurement system is necessary for municipalities to cause adequate disclosure agreement-based relations with public authorities' performance impact (Teddlie & Tashakkori, 2003).

After the municipal activity regulation, regulatory reporting and communication analysis implementation, four main regulators, which determine the uniqueness of local government activities can be distinguished. Lithuanian law provides comprehensive functions and commitments to municipalities that provide abundance of obligations to accomplish the mandatory statutory provisions (Kennedy & Dresser, 2001). Therefore, *laws and municipal regulatory bodies* is the first regulator of municipal activities.

Also, *the budget and appropriations* are also attributable to the activities of municipalities regulating entities (Tricker, 2012). Moreover, *the accountability* between municipal departments, or accountability between municipalities and executive bodies determines the performance of municipality. This aspect is demonstrated by the fact that all municipal entities and third bodies' relations should be strictly regulated and provides clear system of reporting and settlement for work done (Skelcher, 1998). Incorporation of accountability into performance measurement system would clearly structure such roles. Another important aspect of the regulation is *the local community* in which the municipality operates. Only positive assessment from the local population about the activities of municipalities can guarantee proper and efficient municipal public services (Thynne, 2011). Meanwhile, the control of the authorities can be attributed to the activities of municipalities indirectly regulating side.

Summarizing it could be stated that institutional framework and regulations shape the contexts and the content of performance measurement. Therefore, the concepts that are acceptable for private organizations should be considered for adoption in municipalities.

Peculiarities of the performance measurement in municipalities

The municipalities greatly differ from private organizations in their composition and form of government (Per & Koen, 2010). In fact, the organizational structure of municipalities determines the complexity of performance measurement systems in municipalities (Alkin, 2004). Looking at the organizational characteristic of municipality, municipality is an organization made up of authorities (local councils), executives (mayors, commission, board) and hierarchically organized body of employees - administration. Municipalities are different from organizations such as, for example, departments, ministries and other budgetary institutions, which do not have special interest groups representing the institution. On the other hand, the municipality is different from social organizations and political parties, in which executive power-implementing employees housing is undeveloped (Kloviene & Valanciene, 2013). However, municipal organizational structure is

characterized by the fact that local governments establish and manage a variety of enterprises and institutions providing public services (Greiling & Spraul, 2010). These companies and institutions are not autonomous, municipalities provide them with financial and other resources for their activities and such institutions have to pay to municipalities. Radnor and McGuire (2004) point out public interest as a distinguishing feature of municipalities. Municipalities unlike all the public sector organizations are created to defend the collective interest and must serve the public interest. The key features are customer needs identification, customer satisfaction surveys and quality of service standards (Folz, 2004). Such level of the complexity indicates sophisticated distribution of roles and responsibilities as well as accountability and reporting systems.

Another very significant feature that distinguish municipalities from other organizations is a variety of goals (Kloviene & Valanciene, 2013). While private sector organizations diversify their own products, however, selected range of activities in these organizations is not as wide as in municipalities whose activities cover a broad range of functions, from the care of homeless animals and street cleaning to health care and education (Kosar, 2011). The diversity of activities in municipalities let us predict the issue of sophistication of the performance measurement.

The next fact, which appears as a complex in municipalities is competition. Most often this aspect occurs when several municipalities compete between each other to compare the performance by matching the information to decide about their own strengths and weaknesses (Kloviene & Valanciene, 2013). However, Palmer (1993) and Thiel, Leeuw (2002) state that one of the most important reasons is the standardized criteria lists based on which all the indicators are evaluated and have the advantage of making the performances more comparable. The purposes of external communication and comparability of different municipalities shapes the demand for particular level of standardization.

Peculiarities of performance measurement of the municipalities indicates a variety of obstacles for successful implementation process.

Framework of implementation of performance measurement

According to Kondrasuk (2011), the implementation of performance measurement in any institution should begin with the authorities and their understanding of the new system. Therefore, it is very important to find out the understanding and needs for performance measurement implementation of senior executives who are directly responsible for the proper installation.

Nevertheless, the project needs holistic approach and deep understanding of regulations and complex relations between different actors and stakeholders within and with municipalities. However, if performance measurement will not be defined as strategic project covering all areas of activities, meeting all interests of different stakeholders and used in all levels of municipality management, the performance measurement activities will be fragmentally focused on operational issues and will not serve as a tool for public service management.

People are the fundamental provision enforcing performance measurement to work. Engagement and involvement of personnel is essential. IDeA (2005) submits employee attitudes in local government based on a MORI survey. It is stated that staff in higher-performing municipalities have higher levels of commitment and motivation. They have a greater ownership of municipality performance priorities because they feel more involved. Their views on improvement, priorities and performance are not only sought but also acted on (Bovens, 2007).

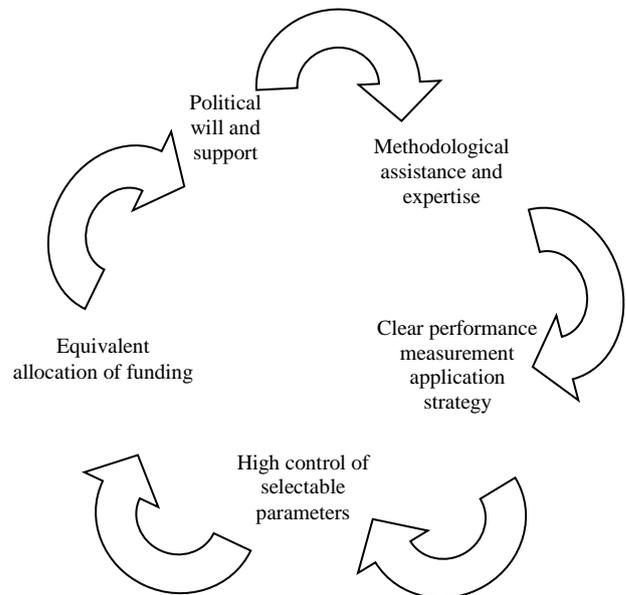


Figure 1. Key success factors of performance measurement in municipalities

It is arguable that obstacles caused by peculiarities of institutional framework of municipalities could be less significant for successful implementation of performance measurement if the initial stage, which concerns deep understanding of new initiative following with political will and support, sufficient methodological assistance, clear implementation strategy and milestones as well as funding are fulfilled.

Methodology

Theoretical argumentation presented in the previous section allows us to formulate hypothesis as follows:

H1: Authority of municipality has enough information about performance measurement and is ready for the implementation of performance measurement system.

Constructivist epistemological approach was taken because of the complexity of relations and structures that are significant for effective performance measurement in municipalities. Interview method was used to clarify the municipality members' understanding of performance measurement in their activities. It is proposed to adjust the interview questions to various executives at different hierarchical levels: administrative director or his deputies, department heads, as well as elected politicians belonging to the municipal council, since they are directly related to municipal management and strategic operational guidelines and decisions, which execution is served by lower municipal units.

Semi-structured interview was used, so that the assessor can adjust the questions during the interview process, based on the answers provided by the respondent. Interview questionnaire form consists of three basic parts: general information about the respondents, performance measurement system evaluation and data collection of assessment area. In the first section of the questionnaire the general information about the respondents is collected and conducted interviews are filled with details. The second part presents the main questions in order to clarify whether the chosen municipality is prepared to implement the performance measurement in their activities by meeting five essential elements, presented in the theoretical part (see Figure 1.).

In total, the questionnaire consists of fourteen questions, which are brought to clarify the understanding about performance measurement, its mission, how the performance measurement should be implemented in municipality and other.

Results

Kaunas City Municipality is an administrative territorial unit in the central part of Lithuania. The municipal representative body - Kaunas City Council, the executive power - Kaunas City Municipality Administration. The respective structural units perform the functions of Municipality. Kaunas city council consists of 41 members.

The Council is chaired by the mayor. He has three deputies and secretaries. There are eight committees (budget and finance, culture and art, urban development, investment and tourism, the city economy, municipal and community development, social, health and family affairs, education and sports; control), consisting of 11 commissions. 13 people are involved, including the mayor and his deputies, in Kaunas City Council college activities. The municipality consists of 11 subdistricts. The municipality also directly controls 14 public and private limited liability companies.

By population and size one of the largest in Lithuania, Kaunas City Municipality activities cover a wide range of areas. In order to properly and effectively divide the functions implemented by the municipality, the administrative departments are divided into sections according to their performance of specific functions. Kaunas municipality operates the total of 36 divisions, having them assigned to individual areas of expertise. 8 divisions of these are directly accountable to the Director of Administration, while the remaining - to three deputy directors of the administration. Currently, Kaunas municipality provides 32 public service groups that make up the total of 211 local government units assigned to the public service. The largest public service unit consists of customer service in the public administration, social, spatial planning and building services groups.

The main documents regulating municipal activities are Lithuanian Constitution, Kaunas city council's activity regulations, Republic of Lithuania Law of Local Self-Government, and the Civil Servants ethics rules. Also, the municipality is to formalize the internal documents that define the internal procedures, document preparation, submission, control and other operational provisions: procedures of Kaunas City Municipality document preparation, management, accounting, storage, use, control;

Kaunas Municipality Rules of Procedure; procedure of Municipal legislative drafting, publishing and enforcement; Kaunas Municipality Information System data protection regulations, etc. Each municipal administration subordinate to the department, as well as the administration itself, in carrying out its activities in compliance with its individually negotiated and approved operating procedures, which must be followed.

Kaunas City Municipality has already implemented the Common Assessment Framework in its practice, thus it is already faced with the measurement of the performance and its specificity. Kaunas municipal education department was selected for this survey, since education is singled out as one of the weaknesses of the municipal social environment activities in Kaunas City Municipality 2005–2015 m. Strategic Plan for the Municipality SWOT analysis.

For data collection it was chosen to question 3 respondents who are responsible for supervising Kaunas municipality education department. In order to collect relevant data and verify the data provided, it was chosen to question the people from different levels of government: Kaunas City Municipality Administration Deputy Director, whose competence is attributed directly to compete in the field of education, Board Director of education, culture and tourism development, who is responsible for the education strategy priorities, for the implementation and control. The third respondent is the Head of education and training department, whose competence is the management of education department. In accordance with the second part interview questionnaire questions, the respondent's opinion survey on performance measurement was conducted.

Deputy Director of the municipal administration in general does not know anything about the performance measurement system, he does not encounter it and is not involved in what is done in the municipality on this issue. Also, the respondent added that he cares more about current issues, so performance measurement is not his area of responsibility. For this reason, the respondent could not respond to the following questionnaire questions relating to the measurement system in the municipality. Respondent claims that performance measurement is carried out by the board of education, culture and tourism development, so it is not his area, and it is not relevant for him. When asked about the responsibility to education departments of the respondent's position, the answer was that there is no accountability to deputy, although he is directly related to curate the field of education, but he does not report to anyone for the education. According to the respondent, board of education, culture and tourism development is directly accountable to the municipal council for education plans and priorities.

Board Director of Education, Culture and Tourism Development says that performance measurement can be applied in different ways in the municipality. In his opinion, the most important activities of the measurement process should define what the main objectives of the measurement are, what is aimed and what the direct benefit to the municipality is. The respondent argues that specifically to this field of education the overall valuation model is applied and it is not the most effective tool, he argues that they are planning to apply the measurement according to education

monitoring indicators, which are harmonized with the association of municipalities.

The main disadvantages of performance measurement according to the respondent is that directors are changing too often and the management is too much without going into the performance assessment findings. Therefore, the information obtained is not fully exploited in the municipality to improve performance. Moreover, in the respondent's view, the general assessment model would be more appropriate adaptation for the public administration institutions and not for municipalities. Furthermore, the respondent revealed that one of the biggest drawbacks of performance measurement systems in municipality is its practical implementation. He said that any performance measurement model will be ineffective in the municipality because the employees are not aware of it and are not trained about the measurement of the activity.

Respondent perceives the effectiveness of performance measurement as a municipal attempt to analyse their activities as self-evaluation and it is necessary at all levels of government. In respondent's view, the mere attempt to analyse its activity leads to changes in the municipality. Therefore, any performance measurement implementation is considered beneficial. Overall, the respondent understands the implementation of performance measurement as an application of measurement methodology in the presence of consultant of adaptable model. Meanwhile accountability in measurement process is not very important. The respondent argues that the accountability to the Board is the key accountability in the municipality.

Head of Education and Training Department assesses performance measurement and its application to the municipality positively on the sole ground that it was the basis for the ISO standards implementation. The respondent states that there were no possibilities to look into the measurement process, since most measurement was carried out by municipal working groups and external consultants who have studied the individual municipal areas, and chose different performance indicators. The respondent could not distinguish performance measurement shortcomings, but it was also difficult to define advantages. During the measurement process all key assessment areas and aspects were covered, which has been linked to the municipal strategic initiatives. According to the respondents, it would be appropriate to carry out performance measurement and assess the progress made every 3–4 years.

The respondent describes the effectiveness of performance measurement as the fruitful achievement of organizational goals, evaluating the organization and the progress of each individual and his social value. Assessment is required in order to check whether current activities meet planned ones, linking it with the control functions. The respondent also points out that the measurement should be carried out both internal and external. He describes performance measurement as comparison to what the priorities and goals are to what are the results achieved. Meanwhile accountability is understood as an internal audit.

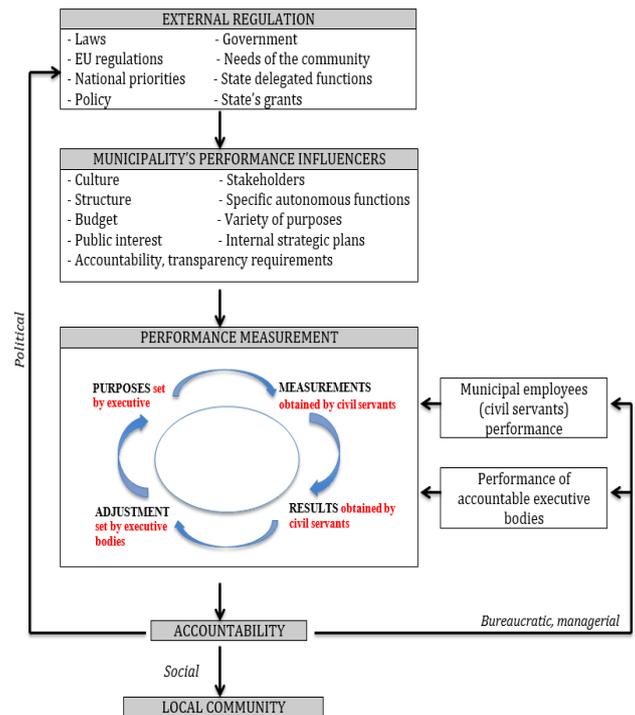


Figure 2. Complexity of performance measurement in Kaunas municipality

Based on the common performance measurement model implemented by the municipality, in respondent's opinion, many municipal employees generally misunderstood implemented performance measurement system and its significance to the municipality and each employee individually. He also stressed that the after the implementation of performance measurement and ISO quality standards, the quality for municipal activities has not improved much. The benefits received were simply moral satisfaction. Also, the respondent agreed with the statement that performance measurement has been carried out for more bureaucracy, rather than for empowerment decisions. In general, respondent hesitates regarding the desirability of carrying out performance measurement in the municipality; in his opinion it is just "paper spoilage".

Based on the information obtained during the interview, it can be concluded that Kaunas city municipality is not prepared to implement the performance measurement in its activities (see Figure 2).

In particular, the municipal executives lack information about what performance measurement is, what its purpose is, and what benefits it can provide to municipal activities. There is also a lack of motivation and interest from different municipality's administrative units. The implementation itself is carried out solely on the grounds to show the latest innovations, but not fundamental performance measurement functions - delivering performance improvement, accountability strengthening and cost adjustment. Another notable aspect is the inefficient cooperation between different levels of government and also poor dissemination because not all respondents have sufficient information on the implementation of the general performance measurement model in the municipality, although it is included in all

municipal activities, so the management should have been aware of the activities for adaptation and the results obtained. Thus, the circle of performance measurement cannot be effectively implemented.

It is obvious that there cannot exist one appropriate performance measurement system, which could be suitable for all municipalities in all circumstances. According to this, it could be stated that performance measurement is a subjective process, which depends on civil servants and the environment of the organization, and the analyses will be made according to constructivist epistemological approach.

On the other hand, it is obvious that performance measurement cannot solve all the problems of the public sector organizations, but the homogeneous communication problems faced by public sector organizations are immeasurable, it is impossible to find simple solutions to these problems, and effective dissemination of information is a prerequisite for performance measurement in the municipality. Moreover, in public sector organizations decisions are generally taken in especially politicized contexts, which is characterized by competing interests, active personality and principle refusal for purposes of compromises. Thus, although the performance measurement system is to influence decisions in order to improve operations, decisions are not always dependent solely on the results of performance measurement. Performance measurement system only provides an objective, results-oriented information for decision-making processes, but that information may be disregarded even at the lowest levels of government.

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Conclusions

Theoretical performance measurement system instruments allow creating unique, municipalities customized performance measurement system, ensuring the implementation of system functions and processes, including all possible complexity elements of municipalities. Thus the institutional framework and legal environment is consistent with the performance measurement requirements. However, the specific peculiarities of municipalities should be incorporated to enhance the efficiency and effectiveness of the performance measurement system.

Municipality has very complex reporting and communication distribution features. It is therefore not only important to involve the key success aspects (political will and support, methodological assistance and expertise, a clear performance measurement application strategy, high control of selectable parameters, equivalent allocation of funding) into performance measurement, but also there is a necessity for their overall assessment.

However, the practical results revealed non preparation of municipalities, low motivation and low excellence when implementing the performance measurement system. It also revealed the dissemination of information between the different levels of municipality, lack of understanding of the potential use of the results of performance measurement and its application. Thus, it can be said, that the examined municipality did not meet the key success elements proposed by the theoretical implications. Without homogeneous communication and effective dissemination of information effective performance measurement in Kaunas municipality is not possible.

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