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## Article

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Article

# Performance Driven Culture in the Public Sector: The Case of Nordic Countries

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**Abstract:** Public sector organizations face a lack of efficiency and ineffectiveness in providing their mandates due to fear of change among the public service workers. Public sector managers can instill a high performance-driven culture in employees of the public sector. For this reason, the study aims to define a set of key characteristics of organizational culture that contribute to effective performance measurement and management of public sector organizations. The qualitative research method is employed in this paper using case study comparative analysis. To get the objectives of the study, selected local governments from three different Nordic countries are analyzed. As discovered from the case study analysis, these local governments have successfully constructed and implemented performance measurement and management systems. Concurrently, they practice performance-driven culture key characteristics to achieve their organizational targets without any significant difficulties. Three key characteristics (strong performance-driven leadership, report and communicate performance, review and discuss performance) are used in all selected local governments, and one (the reward system) is missing. All four key characteristics are employed only in Helsinki, which is a benchmark for other local governments. This study's results can thus serve as an example of best practice for other public sector organizations within Europe.

**Keywords:** organizational culture; performance driven culture; local government; performance measurement; management system



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## 1. Introduction

Nowadays, many public sector organizations face inefficient and ineffective provision of public services, so they are willing to change their management style (Meričková Mikušová et al. 2020). In this context, organizational culture has become one of the critical issues of performance measurement and management (PMM). Organizational culture directly impacts the design and implementation of the performance measurement system as well as the success or failure of its usage (Bititci et al. 2006). The culture of every organization and its environment plays several roles, such as stimulating performance and “successfulness”. Therefore, to successfully manage performance, it is imperative to build a suitable organizational culture. Organizational culture is the characteristics and intangible individual norms and values inside every organization (Lee 2006). In an organization where organizational culture is entrenched, the performance of workers is also affected positively. Other scholars posit that quality of organizational culture stimulates collaboration and creates a sense of belongingness (Ricky 2007; Gunaraja 2014, Stejskal et al. 2016 or Prokop et al. 2018). Corporate governance is required to instill a culture of growth, success, and performance (Schein 2009). Additionally, Shahzad et al. (2013) contend that a great source of performance excellence and consistent achievement are embedded in a strong organizational culture.

In recent times, public sector organizations face efficiency and effectiveness issues in providing quality services to society, which is in the context of new public management

(Meričková Mikušová et al. 2020 and many other scholars). However, public sector organizations lack suitable organizational culture, which emphasizes and enhances performance. This research aims to verify whether there is an organizational culture in a selected sample of public sector organizations in the Nordic countries and what tools are used to complete it. The research study aims to find if a set of key characteristics of performance-driven culture can contribute to effective and sustainable performance measurement and management usage in selected public sector organizations.

In the paper, local governments of the Nordic countries, namely Sweden, Norway, and Finland, are analyzed. Governments allocate a larger percentage of the national budget for public sector management. Public sector organizations use performance management and measurement systems to improve efficiency and effectiveness in service delivery (Van Dooren et al. 2015). Within the public sector, some organizations, such as those in the health and education sectors, use performance measurement systems. However, local government organizations are notably known not to favor the usage of performance measurement systems, which research has found to improve organizations' efficiency, effectiveness, and outcome (Holzer et al. 2009). A number of studies (for example, Poister 2008; Ma 2017; Cardinal et al. 2017 and others) show that with low public control, prevailing bureaucratic arbitrariness, and also low electronization of public administration, the effort to present quantifiable performance results may prevail in managerial positions. Qualitative criteria are omitted because on closer examination, it would be clear that performance in the public interest is very low, which could pose a risk to the manager of the public sector organization. Furthermore, the selected Nordic countries combine high living standards and low-income inequality to catch the world's imagination. When the increasing difference between rich and poor in developed nations has become a hot button political issue, several scholars have cited the area known as Scandinavia as a role model for economic opportunity and prosperity.

The remainder of this paper is as follows: The literature review is described in the next chapter. The methodology and approach of the survey and research are provided in the third chapter. The case study analysis of performance-driven culture characteristics is discussed in the fourth chapter. The fifth chapter of the thesis is related to the case study analysis discussion. The conclusion is described in the last chapter of this article.

## 2. Literature Review

The performance measurement concept (sometimes also a system) was established for the purpose of control. Managers wanted to have a suitable tool for analyzing whether the organization is moving in the direction of organizational strategy and achieving the set goals (Nani et al. 1995). Subsequently, this concept was described by other scholars as essential for the future change of thinking about performance measurement and performance management, both in business and public management (Prokop et al. 2019). In the public sector, the development of this concept is associated with the demand for new services and the development of service quality (Brignall 1992). Bititci et al. (2000) defined that in order for performance measurement to fulfill its mission in any organization, it must have defined characteristics. These include, for example, sensitivity to changes in the internal and external environment, as well as the ability to prioritize set goals and implement dynamic changes, as well as the ability to identify appropriate means for goals that have recently appeared, etc. Performance measurement is gradually becoming an integral part of the management of any organization.

Performance measurement and management is important to enable organization strategy implementation (Bititci et al. 2006) and offer flexibility to the organization (Maestrini et al. 2017). Moreover, it also seeks to optimize resources' distribution and provide effective decisions for organization management (Berrah et al. 2004). Subsequently, this leads to high organization performance (Franco-Santos et al. 2012). Performance measurement is a very powerful tool to provide better outcomes in any organization at present. Performance measurement focuses on the effectiveness and results of business management and the

quality of goods and services as well as customer satisfaction. It is a tool to enhance organizational performance; however, the organization's success depends on its performance outcomes and its structure of the organization but not on performance measurement methods. Therefore, it does not help eliminate the organization's daily problems (Balaboniene and Večerskienė 2015).

Measuring performance is seen as a tool for enhancing public budgeting, encouraging a transparent reporting system, and modernizing public management, which has become one of the most critical issues from a managerial perspective (Kamble et al. 2020). Especially in recent years, there has been pressure from the state administration on the efficiency of public finances spent on organizations that produce public services. Thus, it is important to think about the performance monitoring system, link it with cost monitoring, and evaluate it ex ante. Greiling and Halachmi (2013) indicate that managing performance is a more promising approach to progress than applying performance measurement. The accountability process's learning feature is more important than providing many accountability mechanisms that consistently produce the same kind of information to create a responsibility that cannot be challenged. They further discuss that organizational learning is similar to providing long-term accountability, although performance measurement establishes short-term accountability. In other words, the decentralization of employees' empowerment and decision-making power centrally to managers helps them to better their organization. Several publications signify that decentralized decision making, employee empowerment, and active management are vital to constant performance enhancement (see, e.g., Lee 2006; Fernandez and Moldogaziev 2011 or Choi 2020). Choi (2020) further emphasizes that the cultural aspects of each organization are individual key elements for creating organizational performance in the pursuit of effective governance. These elements can enable individuals to learn, create knowledge spill-over effects, encourage creativity, and create innovation. In his study, he examines whether organizational leading culture is associated with organization performance through employee empowerment. It proves that empowerment is an important mediation mediator, which proves the positive relationship between learning culture and performance.

Performance measurement literature emphasizes that the performance management system has to fit the organization's culture and user priorities. Performance measurement represents an analysis process of evaluating how well organizations are managed and how well the value for customers and other stakeholders is delivered (He et al. 2017; Choi 2020). Performance measurement systems are designed to induce cooperation, possession of issues, risk-taking, creativity, and persistent change, as well as to foster performance discussion and examination with less emphasis on penalizing individual mistakes. Its focus is mainly on creating an organizational culture (Bourne et al. 2005). However, the authors did not sufficiently explain how they understand the relationship between performance measurement systems and organizational culture.

Moreover, the link between an organization's performance measurement system and culture is remarked as bilateral, which means they interact (Bititci et al. 2004, 2006). Assiri and Eid (2006) explained that a culture that promotes all employees' participation and involvement is central to a performance measurement system's successful implementation. Performance management and measurement become counterproductive without organizational culture because they are complementary; ignoring one will affect the other (Magee 2002).

A performance driven culture represents the effort of management and other components of the organization to create an internal culture (indoor atmosphere or climate) that has the potential to increase the motivation of the entire organization to achieve organizational goals. This approach emphasizes that achieving goals is not just about employees or human resources but also about the responsibility of the entire organization (de Waal 2004; Im et al. 2016; Prentice et al. 2019). The key tools, characteristics, or building blocks that will offer assistance in creating performance-driven culture are the following: (1) strong performance-driven leadership all over the entire organization, (2) a reward

and acknowledgment framework that permits us to celebrate and recognize outstanding performance, (3) suitable reporting and communication of performance information, and (4) compatible performance reviews, which let individuals participate in exchange for performances that lead to learning, decision making, and execution improvements (Marr 2009, pp. 212–13). Moreover, Nordiawan et al. (2017) develop five critical characteristics for performance-driven culture: (1) leadership that energizes performance, (2) acknowledgment and appreciation of the performance, (3) efficient execution reporting, (4) interactive execution review, and (5) performance mapping. In the case of the Nordic countries, it is necessary to recall another essential feature that stems from their pro-social orientation. Long-term pro-social focus has cultivated an important feature in the people there, which is trust in the public sector and its organizations (Lægneid et al. 2006). In practice, it manifests itself in the fact that citizens are willing to contribute with a high level of taxation and the state in return guarantees them a high quality of services and their availability. The high level of taxation creates a financial background enabling the production of high-quality services in all areas of the public sector. This has in history forced the use of (then) new elements of management, measurement, and leadership in public sector organizations (Pettersen and Nyland 2006—hospitals; Clark and Monk 2010—pensions; Czerniawski 2011—education; Bjørnå and Weigård 2020—public administration).

Generally, Maleka et al. (2015) state that culture can be the critical factor in competitive success, as it can facilitate motivation, commitment, and the development of people, whereas organizational cultural values and national cultural settings influence the behavior of individuals within organizations (Knein et al. 2020). Some of the organizational researchers have been involved in the role of organizational culture in organizational life (Hartnell et al. 2011). There is a positive relationship between the type of organizational culture and effective organizational performance recognized by managers (Lorsch and McTague 2016).

Leovaridis and Cismaru (2014) state that organizational culture is a frame of beliefs, opinions, and values that serve for the orientation of behavior for both the older members of an organization and the new members. Furthermore, organizational culture could also be seen as the distinctive pattern of shared assumptions, values, and norms that shape the socialization activities, symbols, rites, language, and ceremonies of a group of people (Hellriegel and Slocum 2004). These organizational culture definitions emphasize OC's essential aspects, such as shared assumptions, shared values, shared socialization and norms, and shared symbols, language, narratives, and practices. It also shows how organizational culture helps employees be introduced and socialized into the new organization while concurrently ensuring internal integration. In so doing, organizational culture reveals to employees how to think, understand, and feel when faced with new problems within a new organizational environment.

Moreover, organizational culture is recognized as one of the utmost significant requirements for achieving or disappointing total quality management implementation in enhancing performance (Eniola et al. 2019). Organizational culture moderates performance measurement and management by creating a work climate where employees build relationships and utilize resources. It also helps management mobilize resources and evaluate performance through cost-effective service delivery by adopting an ICT system (Chatman and O'Reilly 2016). The previous literature on this topic (e.g., Genc 2017) examined the impacts of organizational culture and characteristics to enhance performance using the Competing Values Framework. Kuhlmann (2010) explored the different approaches at reform, channels of implementation, and performance measurement impacts at the local level.

Local government organizations, which provide essential services to citizens, must live up to expectations by providing quality and efficient services to its users (Buccus et al. 2007). Stakeholders, civil society organizations, and citizens need transparency and liability from the local government organizations that are recipients of the taxpayers' money, emphasizing efficiency (Brusca and Montesinos 2016). "Value for money" in

local government organizations has necessitated the adoption and implementation of performance measurement systems. Well-developed performance measurement systems are sets of performance indicators that provide feedback on the organization's various performance components (Palmer 1993). The practice of performance measurement in the local government has three main objectives: First, to improve the performance of municipal programs and services. Second, to help determine and account for municipal expenses. Third, to provide transparency and accountability to the citizen (Bracegirdle 2004).

A study by Hatry (1977) contends that local government organizations are the first to adopt and implement performance measurement systems. Local governments (municipalities) in the United States in the 1970s adopted performance measurement systems, and these institutions are still obligated to use performance measurement systems (Poister and Streib 1999; Hatry 2014). Related to the above, the local governments within the public sector are considered to be pioneers and are known worldwide for the frequency with which they use performance measurement systems. Therefore, this study seeks to define a set of key characteristics of organizational culture that improve local government organizations' performance management.

Previous scholars (for example, Marcoulides and Heck 1993; Estes and Wang 2008; Uddin et al. 2013; Spekle and Verbeeten 2014; Sunarsi 2020 and many others) analyzed the impacts of organizational culture, its characteristics, and some aspects of performance in the public sector organizations (local government). However, they did not look at the performance culture's crucial attributes to drive the organization's higher performance. Following these arguments, this article aims to test the key features (characteristics) of organizational culture in selected case studies. Revealed examples of good practice can serve as a benchmark or inspiration for other public sector organizations across European countries.

### 3. Materials and Methods

#### 3.1. Research Approach and Design

To fulfill the research aim and goals, the qualitative approach was adopted at all study levels. The qualitative method is concerned with understanding human activities from the viewpoint of the source. Moreover, it is considered appropriate when either the researcher or investigator explores new areas of study or endeavors to identify known issues (Yin 2003). There are many qualitative ways that allow for a comprehensive understanding of issues through textual interpretation (Jamshed 2014) and enable the researcher to evaluate a level of involvement in actual experiences (Creswell 1994; Creswell 2003). Qualitative research comprises a purposeful use of the data collected to identify, explain, and interpret. Leedy and Ormrod (2001) classified qualitative research as a less organized methodology, which continually leads to testing and formulating theories. A case study approach is implemented in this research to meet the research objectives. Based on the theoretical framework by Marr (2009) and the practical research from local government analyzed by Nordiawan et al. (2017), key characteristics were selected for analysis and evaluated the following objectives:

1. explore how strong performance-driven leadership is implemented in chosen local governments;
2. examine how the reward and recognize performance mechanism is used in selected organizations;
3. observe how report and communicate performance tools are applied in researched public sector organizations; and
4. investigate how review and discuss performance practices are employed in preferred municipalities.

When researchers sometimes use the case study approach, they concentrate on a unique case because it is possible to learn a lot about social relationships and social services while researching specific issues that diverge from standards. A researcher is also able to examine the rationality of social theory through their analysis in this way. In

another way, the researcher can develop new hypotheses using the grounded method of theory (Crossman 2019). In this research, six case studies will be exploited to discover the differences in those chosen cases, and case comparisons will be developed. A multiple case study helps the researcher to explore individual cases and the variations among those cases. Cases must be selected carefully when comparisons are made so that similar or conflicting results across cases can be predicted by the researcher based on a hypothesis (Yin 2003).

### 3.2. Data Collection and Choosing Sample

This research's secondary data are collected from related articles from government websites, annual reports, journals, textbooks, policy documents, and other relevant and verifiable research and planning strategies from organizations along with content analysis. The content analysis contains a systematic review of the text, including images and visual contents (Weber 1990; Krippendorf 2004; Belás 2020).

As a research sample (according to data availability), we chose, in total, three Swedish municipalities—Orebro municipality, Karlstad municipality, and Kristinehamn municipality; two Finnish municipalities—Helsinki municipality and Tampere municipality; and one Norway municipality—Larvik municipality. These municipalities have successfully implemented performance measurement and management systems. Their main objective is public welfare, where equal access to advanced infrastructure and public services is ensured to all the inhabitants (Behn 2003). The authors are aware that the research sample is not balanced in term of population size. On the other hand, the study below is a case study and can be seen as a preliminary study.

## 4. Results of Case Studies Analysis

Table 1 shows the results for the Swedish, Finnish, and Norwegian municipalities, respectively. As we can see, they have fully implemented performance measurement and management systems. Key performance indicators (KPIs) are used as a measurement tool in all three municipalities in Sweden. Helsinki applies a balanced scorecard, and Larvik municipality and Tampere municipality employ knowledge-based management.

Regarding the key characteristic strong performance-driven leadership, municipal councils and governments together set the precise visions and goals for their employees in Karlstad and Kristinehamn municipalities. In contrast, only the municipal assembly formulates goals in Orebro municipality. In Helsinki and Tampere, the city manager and city council develop the organization's goals. Whereas in Larvik, the formulation of goals and objectives is set by the CEO and manager.

Relating to the reward system, it is different depending on the organization. In Kristinehamn, they write the policy for rewards: individual salary negotiation is a possible prize together with praise, recognition, and promotion. Nevertheless, there are also individual wage allocations in Orebro municipality, but it is up to the personal manager's decision whether the employees should be rewarded. There is no reward system in Karlstad, Tampere, and Larvik. The significant thing is Helsinki implemented balanced scorecard (BSCs) measurements with payment based on results. Therefore, they have a payment method to reward employees for achieving their target and the extent of work accomplished.

In the reporting system of Kristinehamn municipality, apart from the annual report, they issued every three- or six-month report related to their financial and all other activities (Halásková et al. 2020). The other municipalities employ only annual reports. However, Larvik municipality has adopted monthly or tertiary reports as their performance reporting system.

Regarding the performance review, monthly meetings have been adopted as review performance meetings in the three municipalities from Sweden. On the other hand, there are two performance meetings a month in Helsinki, and daily dialogue is employed as review performance in Tampere. Moreover, two peer review meetings are held in a year concerning the review of performance in Larvik. One meeting is a one-to-one review

meeting between manager and CEO to discuss overall performance. The other includes the manager and CEO representative reviewing customer and staff survey results.

**Table 1.** Results of case study analysis.

Name	PMM Tool	Performance Driven Leadership	Reward and Recognize Performance	Report and Communicate Performance	Review and Discuss Performance
Orebro municipality	Budgeting tool, KPIs	Municipal assembly set the visions and goals	Depending on managers	Annual reporting	Monthly meeting
Karlstad municipality	KPIs	Municipal council and government set the goals and objectives	No reward system	Annual reporting	Monthly meeting
Kristinehamn municipality	n/a	Municipal council set goals and objectives	Yes, only in policy document	Annual report and three or six-month reports	Monthly meeting
Helsinki municipality	BSC with payment by result	City manager and city council set goals	Yes, there is reward system along with performance measurement	Annual reporting	Two times in a month
Tampere municipality	Knowledge-Based Management	Manager and city council set the goals	No reward system	Annual reporting	Daily review meeting
Larvik municipality	BSC	CEO and managers set the goals and objectives	No reward system.	Monthly or tertiary performance reporting	Two peer review meeting in a year

All analyzed local governments successfully implemented performance measurement and management systems. Half of the local government uses key performance indicators; one is using knowledge-based management, and the rest are deploying balanced scorecards. Three municipalities, Helsinki, Tampere, and Larvik, adopted management by objectives (MBO) in early 1990.

## 5. Discussion

The findings confirm that BSC is very well known and recognized as perfectly acceptable performance measurement and management system (Atkinson 2012) that has been effectively employed in many public sector organizations. Moullin (2017) complements and creates the Public Sector Scorecard—a logical performance management framework that includes strategy mapping, service improvement, and measurement and evaluation. It therefore supports the conclusions from the research that it is necessary to focus on public sector organizations and take over from business what is usable, adapt them, or innovate those parts that are specific to the public sector organizations.

The case study analysis indicated that top management levels formulate clear goals and objectives for their organizations and provide their members extra scope and choices in their daily work and performance indicators. The results support the statement of Lægneid et al. (2006). They add the need to focus on the innovation management-by-objectives approach and reformulate it into management-by-objectives-and-results. It is therefore an innovative approach for public organizations, which these scholars implemented in Norway. They emphasize the need for self-regulation inside government and the use of various approaches to performance management and other forms of performance control, such as auditing the work of public sector organizations.



They are different in establishing targets as well as in performance measurement methods. Knowing the objectives and having enough resources is one of the significant success reasons to attain the target. It is considered to understand the goals and objectives and enough sources in the organization. This conclusion is in line with [Talbot \(2010\)](#) recommendations. [Hon \(1998\)](#) adds an interesting view, where business managers change their priorities and goals to reflect the nature of their organizations. In the public sector, it is possible to meet other relationships between senior managers' goals and goals of the organization. Moreover, evaluation procedures are operated by the senior managers in the organization as a whole. In all these municipalities, leaders lead the performance management function very well all over their organization.

Except for Helsinki, nearly all selected organizations do not practice a performance reward system. Organizations might face a challenge, which means decreased motivation for employees to get positive results ([Wolf 2013](#)). The organizations think that the reward system should not exist in such public services because some criticism can occur elsewhere. Rewarding good performance can include a salary increase and promotion as well. Reward stimulates employees' motivation to reach specific targets in that municipality. A reward system, which leads to greater gratitude among workers and owners, should be provided in other organizations. [Brewer and Walker \(2013\)](#) talk about the impact of rewards and punishments on organizational performance. These scholars conducted empirical research to test the impact of reward and punishment on the performance of British public sector organizations. They summarize that it is difficult for the public sector to get rid of bad managers and that their actions reduce the efficiency of public sector organization. In addition, they add surprisingly that good public sector managers pay poorly, but that this does not have a significant impact on the organization's good results. It is possible to note that these managers are often motivated to good management of the organization by something other than their remuneration (prestige, striving to provide good services for citizens, pride, etc.).

Annual reports and quarterly reports are employed as a reporting system in investigated local governments. Although most municipalities are utilizing annual reporting performance, monthly and tertiary reports are considered for the manager to report budget plans. Other outcomes report what they have done in Larvik. The remaining municipalities practice annual reports. Moreover, the analyzed municipalities use the ICT system to report performance results, which helps gather performance information better. In this way, the annual reports and ongoing reports measure performance achievement in all municipalities.

As was discovered from case analysis, three Swedish municipalities hold performance review meetings every month about improving performance, allocating budgets, discussing projects, and running actions in the organization. In Helsinki's case, dialogue takes place two times in a month within the top management level; they hold a public meeting, and all information is sent to the city website. This kind of transparency can strengthen citizens' trust in the government by making its activities and efforts more accountable ([Striteska and Sackey 2018](#)). Larvik practices performance improvement meetings along with a peer group review system. There are two meetings within a year. Finally, Tampere holds performance dialogue as an everyday routine for personal performance improvement meetings. In that meeting, the manager and employee discuss operational plans and explain short-term issues. The review process is reported from bottom to top-level, from manager to the mayor and city council, in all the organizations. This finding supports the [Kontoghiorghes \(2016\)](#) results that an organization's organizational culture helps create employee commitment, high motivation, and talent retention.

## 6. Conclusions

This paper aimed to define the set of key characteristics of organizational culture that contribute to better performance management of public sector organizations in Nordic states, namely Sweden, Finland, and Norway. As discovered from case study analysis,

all investigated local governments successfully implemented performance measurement and management systems and applied new performance management plans. They used budgeting as a widespread tool for management.

Moreover, chosen local governments had a clearly defined vision and mission that describes their desired future state and development. Only one municipality has developed an employee reward system for reaching set goals and objectives. Simultaneously, pay for performance is used in only one municipality. Organizations need empowered workers to maintain a productive workforce ready to achieve strategic organizational goals.

Performance reporting and communication systems are employed in all local governments in the research study. Mostly, the annual report is a kind of performance assessment for the employees in the organization. Depending on their organization, they report annually, monthly, and quarterly, etc. By adopting this reporting performance system, all the organizations in the study have improved in accountability, reputation, legitimacy, and performance assessment. Moreover, transparency, effectiveness, and efficiency are also enhanced, so there is more mutual trust in customers', stakeholders', and employees' relationships. Ultimately, the performance review meeting is proceeding in all municipalities successfully. It also improves organizational learning and provides a better decision-making process in these organizations (Moynihan 2005).

Furthermore, it delivers great improvements to the entire organization's performance and productivity. Apart from this, there is the further benefit of improving employee engagement and driving employee satisfaction. All analyzed organizations have adopted three key characteristics except for the reward system. Helsinki is the only municipality that implemented all key characteristics together. It leads to success and the achievement of goals with high performance in their organizations. The recommendation for other organizations is to develop a reward system to motivate employees. The Helsinki case can be used as a benchmark for the rest of the municipalities.

This study also has some limitations. The key characteristics of performance-driven culture are analyzed only by using case study analysis with the qualitative approach. In this paper, only secondary data collection is applied to the chosen local governments. In the future, the research can be more developed with interviews or survey questionnaire methods. One of the fascinating issues is the analysis of performance-driven culture implementation impact in the public sector organization. It may significantly affect performance-driven culture's characteristics and how performance management systems work regarding their operating activities.

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