

TOWARDS PERFORMANCE CULTURE VIA LEARNING CULTURE: LESSONS FROM POLAND



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URSZULA K. ZAWADZKA-PĄK
JUSTYNA E. KULIKOWSKA-KULESZA, EWA LOTKO

ABSTRACT

To enable the public administration the effective realisation of public tasks in dynamically changing, contemporary reality it was necessary to replace the traditional methods of administrating by the New Public Management and New Governance instruments. At the beginning of this century the Polish Ministry of Finance (MF) has begun to implement these tools, including performance budgeting (PB) aiming at increasing of the efficiency and effectiveness of public spending. MF improves their methods and strategies, thus it is a learning organization as evidenced by the numerous documents prepared by MF. To identify the learning disabilities in PB implementation process in Poland, we use the non-reactive research method based on the analyses of the content and the evolution of documents issued by Ministry of Finances covering the period 2005-2014 and we analyse the publications evaluating PB implementation in Poland, including the reports of the Polish Court of Auditors, as well. The research problem is the answer to the question: in which way learning disabilities in the performance budget implementation process make the effective implementation of the performance budgeting in the Polish government sector more difficult from the perspective of the Senge's theory of learning organization. The aim of the paper is to indicate the way to improve the performance budgeting implementation process. We conclude that even if the new concepts require the transformation of the public administration unit into more adaptive learning organizations, the appropriate learning methods and strategies were not sufficiently implemented in MF. Therefore, it was possible to achieved the main objective of PB only to a limited extent.

KEY WORDS

performance budgeting, learning disabilities, Ministry of Finances, Poland, Court of Auditors

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Corresponding authors:

Urszula K. Zawadzka-Pąk

University of Białystok
Faculty of Law

e-mail:
u.zawadzka@uwb.edu.pl

Justyna E. Kulikowska-Kulesza

University of Białystok
Faculty of Law

e-mail:
j.kulikowska@uwb.edu.pl

Ewa Lotko

University of Białystok
Faculty of Law

email:
e.lotko@uwb.edu.pl

INTRODUCTION

For several decades the old, traditional methods of bureaucratic administrating in the public sector are being replaced by the New Public Management that has initiated the „performance culture” or „performance orientedness” of public administration (van Dooren et al., 2010). These changes aim to fulfil public tasks more effectively and efficiently in the contemporary, dynamically changing reality. At the beginning of this century Polish authorities have initiated the implementation of these tools, including a performance budget (PB). However, all over the world this process faces difficulties having the

practical, political, managerial and psychological explanations (Behn, 2002). Also in Poland this process is subjected to the criticism of academics and the Polish Court of Auditors. Thus, the research problem is the answer to the question: in which way learning disabilities in performance budget implementation process make the effective implementation of the performance budgeting in the Polish government sector more difficult from the perspective of the Senge's theory of learning organization. The aim of the paper is to indicate ways to improve the performance budgeting implementation process.

1. LITERATURE REVIEW

Performance budgeting is an instrument of New Public Management aiming at reinforcing effectiveness, efficiency and transparency of public spending. This institution, originating from private sector, gradually replaces the traditional public spending budgetary classification and enables to obtain information not only about the amounts destined from public budget for specific organs or public policies but also about the results of public spending. According to the definition of OECD (2005), performance budgeting is defined as the management cycle under which programme performance objectives and targets are determined, managers have flexibility to achieve them, actual performance is measured and reported, and this information feeds into decisions about programme funding, design, operations and rewards or penalties. According to the wider definition proposed by Robinson and Last (2009) performance budgeting should be understood as all mechanisms and processes used in the public finance sector that aim at improving the efficiency and effectiveness of public expenditures by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information. Often, the implementation process encounters the difficulties. For instance, instead of using performance management to make evidence-based policy some public managers use it as policy-based evidence to justify a predetermined policy (Taylor, 2014). In other cases the performance information is ignored by decision-makers (Pollitt, 2006; Taylor, 2009).

One of the reasons is that the PB implementation process constitutes the element of learning process in public sector units. A learning organization is characterized by such features as: providing learning opportunities and using a learning process to reach goals, making it safe for people to share openly with each other and taking risks, linking individuals with the organizational performance, embracing creative tension as the source of energy and renewal (Argyris, Schön, 1978). A learning organization can also be understood as the one that facilitates the learning of all its members and transforms itself continually (Pedler et al., 1989). N. Dixon indicates that the essence of the learning organization is its ability to use mental capacity of all its members to create processes that will improve its own capabilities (Dixon, 1994). Modern reality requires managing

new challenges in public activity because of fast changing situations and relations which can be very difficult to predict. That is why the representatives of public administration must withdraw from a traditional approach to managing, searching thereby for new solutions to help them to adapt to contemporary realities. It is important to understand at the beginning of this paper that though the concept of Learning Organization may seem to be a new one, it was created by Senge in his book „The fifth discipline. The Art & Practice of The Learning Organization” in 1990. The author (Senge, 1990) defines a learning organization as one that has the capacity to continually enhance its capabilities to shape its future and indicate disciplines which an organization should be enhanced, that is: shared vision, mental models, personal mastery, team learning, systems thinking.

2. RESEARCH METHODS

To identify the learning disabilities in the PB implementation process in Poland, we use the unobtrusive research methods of studying social behaviour without affecting it (Babbie, 2007). We use two types of unobtrusive research, that is content analysis and comparative and historical research, both having the qualitative character.

Firstly, the content analysis meaning „the study of recorded human communication” (Babbie, 2007) encompassed the content of legal acts voted by the Polish Parliament and other documents issued by MF, including the legal provisions determining the legal frameworks of PB (for example the Public Finances Act and the further amendments thereof), the Multi-Year State Financial Plans, the regulations issued annually by MF determining the framework of methodology of Polish PB and containing instructions to subordinate units and the structure of PB, finally the state performance budgets for particular years. We have chosen the documents issued by the Ministry of Finances because it is a unit mainly responsible for PB implementation and because it has still been improving its method thus it is a learning organization. In addition, the conclusions from the comprehensive control of PB implementation process carried out by the Polish Court of Auditors (Najwyższa Iza Kontroli, 2012), as well as the literature discussing the process of learning by organizations and PB issues were important sources of information.

Secondly, we have carried out the comparative and historical research. This method enabled the evaluation of historically consecutive instruments aiming at the implementation of PB in Poland and was used to analyse the learning process of MF for the purpose of learning disabilities identification. The study covered the comparative analysis of legal acts and documents prepared over the period 2005-2014.

3. LEARNING DISABILITIES IN PERFORMANCE BUDGET IMPLEMENTATION PROCESS IN POLAND

As we can see from the abovementioned features, a learning organization is one that sees learning process as a factor that leads to achieving expected changes in fundamental organizational assumptions and values. This kind of organization notices how important it is to learn, especially using the adaptive

or corrective learning which is complemented by the process called learning to learn (this process is also called the generative learning). There are several studies relating to the learning process and learning disabilities (Levinthal, March, 1993; Hodgkinson, 1998; Lähteenmäki et al., 2001; Smith, Elliott, 2007). Nevertheless, as research of Senge's (1990) indicates, most of organizations learn poorly. The author points out that the reasons for this situation are for example the way organizations are designed and managed, the way people's jobs are defined, and most importantly the way we have all been taught to think and interact (not only in organizations but more broadly). These reasons create seven fundamental learning disabilities, that is: „I am my position”, Wydawnictwo Naukowe PWN „the enemy is out there” syndrome, the illusion of taking charge, the fixation on events, the parable of the boiled frog, the delusion of learning from experience, the myth of the management team. To achieve our scientific aim we concentrate on the first three of them by illustrating their existence with some examples summarized in Tab. 1.

Tab. 1. Learning disabilities in PB implementation process in Poland

NAME OF LEARNING DISABILITIES	MANIFESTATIONS OF EXISTENCE OF THE LEARNING DISABILITIES IN THE PB IMPLEMENTATION PROCESS IN POLAND
I am my position	<ul style="list-style-type: none"> • lack of common guidelines concerning methods determining: indicators values, collection and processing of data needed to calculate the indicators values, criteria for measuring and evaluating the activity, and finally internal control of the reliability of presented results that would be applicable for all public administration units • two separate budgets, deadlines motivating for preparation traditional budget first, PB next • two separate IT tools • trainings addressed to public administration only: PB implementation is an internal matter of public administration
The enemy is out there	<p>In 2012 Court of Auditors has negatively assessed the PB implementation process in Poland. MF:</p> <ul style="list-style-type: none"> • explained that it acts according to its schedule for 2008-2015 • explained that after the Court of Auditors' control, MF issued two regulations concerning the performance reporting and accounting (however lack of substantial discussion about their content) • tried to justify the state of the works on PB by the international experiences and the complexity of the implementation process • drew attention to the minor linguistic inaccuracies in the report
The illusion of taking charge	<ul style="list-style-type: none"> • insertion of PB in the justification to the Budget Bill • withdrawal from the plans of replacement the traditional budgeting by the PB • withdrawal from obligatory implementation of the PB at the local level • lack of information about the costs of public services • lack of substantive evaluation of the training

The first of the learning disabilities in the one called by Senge I am my position. The learning process can be impeded by the identification of individual employees with their positions. Senge emphasizes that people are trained to express loyalty to their jobs in the way that they can confuse them with their own identities (Senge, 1990). More precisely – when employees concentrate only on their workplace and own positions, it is very difficult to carry out the learning process which also refers to the responsibility for the overall results of the work. People tend to focus all of their involvement on their own position thus they feel minor responsibility in relation to the performance of the whole organization. This can lead to a situation when we cannot see how our actions affect the rest of the organizational system.

Let us give some examples of this learning disability on the basis of Polish administration entities implementing the PB concept. Firstly, to evaluate the activity of the public administration units, PB concept assumes usage of objectives and indicators. However, as the control of the Court of Auditors has shown (Najwyższa Izba Kontroli, 2012) in Poland there are no common guidelines concerning methods determining: indicators values, collection and processing of data needed to calculate the indicators values, criteria for measuring and evaluating the activity, and finally internal control of the reliability of presented results that would be applicable for all public administration units obliged to prepare their financial plans in the traditional and performance form. In consequence, typically the situation presents as follows: an administrator of budgetary funds proposes a set of indicators that should be used to their units evaluation, then they plan the indicators values based on their own experience and without any obligation to justify the proposed values, and finally they calculate (determine) the accomplished indicator value to place them in the report on the state of performance budget execution (Misiąg, 2013).

Secondly, in Poland the traditional budget still constitutes the basis of expenditure allocation decisions. Thus, to make sense of the PB that it would not only be a pointless, additional administrative staff obligation, but have an impact on decisions about the allocation of public funds, in the first place the tasks expenditure should be planned, and only on this basis the expenditures of traditional classification should be decided. In practice, however, the order of obligations fulfilment depends on the deadlines for

submission of the two kinds of plans. Therefore, there was a legal obligation in 2008 and 2009 to depose the traditional plans for the following year earlier than the performance ones. Since 2010 these deadlines have been the same, however it is not a fully satisfactory solution yet. To motivate the employees to start the planning with PB tasks, the deadlines for preparation of the traditional plans should be extended because usually busy employees plan to fulfil the realisation of their obligations on time, even if the legal provisions have the inverse effect on the PB idea.

The second learning disability is the syndrome called the enemy is out there. It is a human tendency to find fault in everything and everyone around us instead of admitting our own fault. This disability is seen as a byproduct of I am my position, because of the non-systemic models of looking at the situation, but Senge (1990) indicates that it is not limited to assigning blame within the organization. When we blame enemies out there it is almost impossible to effectively implement the learning process, because appearing problems are not solved globally. We fail to take responsibility for our actions – instead we prefer to see the blame in the unknown „them”. One should notice that mentioned out there and in here usually are a part of a general system. That is why Senge (1990) explains that this learning disability makes the detection of the leverage, which we can use „in here” on problems that straddle the boundary between us and „out there”, almost impossible.

The opportunity to observe the existence of the analysed learning disability arises from the results of the control carried out by the Court of Auditors at the turn of 2011/2012 in MF and nearly 50 other units of the public finance sector. As a result, the Court of Auditors highlighted a number of weaknesses of the PB implementation and negatively assessed the actions, methods and rules of this process (Najwyższa Izba Kontroli, 2012).

Our analysis of the MF official answer on the Court of Auditors control conclusions shows that according to the controlled unit, the Ministry should not be regarded guilty for the state of the implementation works. MF explains that it acts according to its schedule for the PB implementation which provides gradual preparation and introduction of particular elements of PB. Additionally, all the conclusions of the Court of Auditors were related to the state before 30th September 2011, whereas after this date, MF undertook a number of activities resulting from the schedule, primarily it issued two

regulations concerning the performance reporting and accounting. MF suggests that if the control had taken place later, the conclusions would not have been so severe. Interestingly, MF does not refer to the content of these regulations only indicating the formal aspect of issuing them. Moreover, MF does not take into consideration that perhaps the adopted schedule is too spread over time and some important decisions should be taken earlier. MF tries to justify the state of the works on PB in Poland by the international experiences and the complexity of the implementation process. Interestingly, it also drew attention to the minor linguistic inaccuracies contained in the report.

The third learning disability called the illusion of taking charge usually is understood as facing up difficult issues without waiting for others to react and solve the problems before they will evolve into a bigger crisis. Senge (1990) explains that being proactive is frequently seen as an antidote to being reactive – waiting until a situation gets out of hand before taking a step. Often not real pro-activeness but a well disguised re-activeness is observed. The genuine pro-activeness should come from understanding how actions contribute to problems. Individuals raise their capability to handle certain problems – usually in a single situation – while they should focus on trying to reduce or eliminate the cause of the problems.

The inclusion of PB (in the economic and not legal terms) in the justification to the Budget Bill, as it has been taking place since 2008 till now, may only enable obtaining the information about the effectiveness and the efficiency of public spending (providing that it contains relevant indicators) without the enhancement possibilities. To make from the PB a tool enabling the public managers to improve the efficiency and effectiveness of public spending it is required to replace the traditional budget by the performance one. Only in such a situation is it possible to confer a sufficient space of action flexibility on them and to account them for the results of public policies. The Polish government in Convergence Programme – 2005 Update announced, without specifying the date, the replacement of the traditional budget by the performance one. The plans of total resignation from a budget in its traditional form and transition just to the performance one after the 2011 was confirmed in the next year. However, till now these plans were not realised.

Let us now concentrate on the lack of information about the costs of public services. On the one hand, in

2005 the government has announced the introduction of the Low Cost Country programme that would be realised, inter alia, thanks to the introduction of PB and radical changes through cutting unnecessary posts, reduction in the number and use of work cars etc. On the other hand, as Płoskonka explained in 2013, there are still no analysis concerning for example the costs of using work cars by senior officials. As he explained, when the controllers of the Court of Auditors calculated that the cost of 1 km is about 12 PLN whereas a taxi driver takes about 2 PLN, the public administration officers say that it must be a mistake in the calculation (Nęczyński, 2013). Let us give just one another example of the excessive expenditure for the consultations of speeches of Sikorski, Minister of Foreign Affairs, even though the Ministry employs an expert in English translation it spent about 250,000 PLN for the consultations of 14 speeches by the former ambassador of Great Britain in Poland and privately an acquaintance of Sikorski (TVN24, 2015). To compare, the cost of correction of one page of a text by a certified translator in Poland is about 20 PLN. Let us give another example. Till the end of 2014, seven training editions co-financed from EU funds were realised. For instance, in the last 2014 edition, 2159 employees of public administration took part in such trainings. On the website of the Ministry of Finance the following information (even illustrated by graphs) is presented: training participants number, their age, working place, the results of surveys presenting opinions of participant about: the content of the training, the coach, the results of preliminary and final tests as well as the organisation (including catering, participants accommodation, lighting of training rooms). However, the most essential information, that is the content of these trainings, is not public. We only know from the notice about public procurement that the training materials (accepted by MF) must be prepared and distributed to the training participants. Publishing these materials would enable obtaining the knowledge by a wider group of people, including deputies and citizens. Without knowing these materials it is not possible to make the most important task, that is substantive evaluation of the training. What is more, the consecutive training editions are realised by different companies selected in the procurement procedure, employing their own coaches. In consequence, they may present their own vision of PB more or less agreed with the Ministry of Finance. Moreover, the fact of spending important funds on such trainings

does not guarantee at all that PB implemented by trained public administration employees will enable to improve the effectiveness and efficiency of public spending.

4. DISCUSSION OF THE RESULTS

The above analyses proved the existence of the first three learning disabilities defined by the Senge. The first of them, I am my position caused that PB implementation is considered as the internal matter of MF which has no relation with the traditional, even still exclusively binding, budgeting method. Even if the public administration employees fulfil the obligations resulting from the PB implementation process, the MF concentration on the realisation of the consecutive steps of PB implementation schedule and the lack of the factual collaboration between the legislative, executive and control bodies make impossible the successful implementation of this public management reform. The existence of the second learning disability, the enemy is out there caused that after negative appreciation of PB implementation by the Court of Auditors, the MF management felt no guilt for these results trying to explain it with the time of the control, difficulty of process and even the international experiences. Particularly severe consequences for the future of PB has the third learning disability, that is the illusion of taking charge. In consequence, there is still no PB in legal sense in Poland, instead we have the empty PB notion (Lipszyc, 2011) that does not allow to obtain the crucial information about the public task effects and the public expenditures.

We conclude that even if the PB concept requires transformation of public administration units into more adaptive learning organizations, appropriate learning methods and strategies were not sufficiently implemented in the MF. Therefore, it was possible to achieve the main objective of PB only to a limited extent. The existing barriers should be eliminated to move via learning culture to performance culture.

CONCLUSIONS

Marquardt and Reynolds (1994) provided thirteen connected steps for building organization's learning capacity. We consider that all of them could play an important role on the way towards performance

culture in Poland, however four of them seem to be particularly valuable in this context.

Firstly, team learning activities should be developed and expanded. Currently, the main way of the Polish public administration employees upskilling in the field of PB is participation in trainings, whereas less than 10 percent of the learning that occurs in the classroom is ever transferred to the job (Marquardt, Reynolds, 1994). Even if a coaches, chosen via the public procurement, are experts in PB, they are also from outside of the organisation, so they cannot fulfil the function of a leader who is capable of pushing the introduction of changes in PB, developed jointly during the training, into practice. We recognise the need for the team learning activities, involving (apart from the public administration employees of different levels) also: the employees of Prime Minister Offices and MF who are decision-makers in the PB, parliament representatives involved in this way in the government activity control and finally private sector entities, so as to enable public entities to perceive the public spending process through the lens of entrepreneurs, who are permanently looking for efficiency and effectiveness of their business activities. Such team learning activities would have positive implications especially for indicators quality (since the idea of indicators database have not worked) as well as for all PB methodology.

What is more, the role of a public manager should be changed. The PB concept assumes using the indicators to improve effectiveness and efficiency of public administration. Currently, in Poland the indicators system enables at most the measurement of effectiveness and efficiency, however it does not allow to enhance them. The statement that PB enables the transition from the passive administration to the active management in the Polish context has only theoretical value. If we want the public managers to have active influence on the quality of public policies, their action flexibility should not be limited by the traditional expenditure classification. Public agents who concentrate mainly on the respect of detailed expenditure limits and on making legally allowed changes in the budgetary lines cannot focus on finding the way to increase public performance. The change of the managers' role would have crucial influence on the learning processes. Managers having action flexibility would have more chances to introduce innovative ideas and test their efficacy in practice. The role of public managers, accountable for achieved results and properly motivated by financial

and promotion means, should consist of searching solutions of public sector efficacy and effectiveness improvement.

In consequence, the bureaucracy, if not rooted out because it fulfils the ordering role, should be restricted. The PB assumptions and methods strongly vary from traditional budgeting and require more flexibility. To move from the funds culture to performance culture, not only formal changes but mainly mental ones should be taken.

Finally, creating a culture of continuous improvement is needed to gather and use the information about tasks costs. A key role in this regard could play the Department of Expenditure Policy, recently created in frame of the Ministry of Finances. However, this organizational change of ministry structure will not be sufficient without the actual change of the expenditure planning philosophy indispensable for the PB implementation¹.

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