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Developing customer-focused public sector reward schemes: Evidence from the Botswana government's performance-based reward system (PBRs)

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Abstract

Purpose – Governmental agencies are interested in improving the quality of their service delivery. One tool that has been used to manage their performance is performance based reward schemes (PBRs). The aim of this paper is to examine the degree to which a sample of these plans, used within the Botswana public sector, is customer-focused. Being more customer-focused should deliver improved public sector service quality.

Design/methodology/approach – This study carried out an evaluation of a sample of Botswana PBRs plans, using multidimensional content analysis undertaken by four expert “evaluators”, to identify the degree to which the PBRs were customer-focused.

Findings – Classifying PBRs plans as being customer-focused was difficult, as the plans had few objectives related to customer experiences or outcomes. Those that did had poorly defined performance objectives, their targets were not specific, or there was limited explicit role responsibility. Thus, PBRs plans seemed not to focus on improving customer outcomes.

Research limitations/implications – The PBRs evaluated do not appear to be customer-focused and, thus, would have limited ability to improve customer experiences (i.e. public sector quality). Further research is needed in other countries to see whether these results are generalisable, and whether service levels vary with more customer-focused PBRs plans.

Practical implications – The results suggest improvements that could be adopted by organisations seeking to make their PBRs schemes customer-focused.

Originality/value – Extensive research suggests that PBRs plans can be used to improve service quality. Most of the studies have focused on the employees' perspectives and have not looked at the degree of customer orientation within the plans.

Keyword(s):

Public sector management; Service delivery; Performance measurement (quality); Botswana; Performance management; Customer services quality.

Introduction

The effective management of public sector services is a critical issue for governments around the world, especially in light of numerous consumer complaints about poor quality public services (Siddiquee, 2006, 2008). Public sector customers, like all customers, increasingly want better quality services (Skelcher, 1992), as well as greater governmental efficiency and responsiveness to consumers' needs and concerns (McAdam *et al.*,

2005; Siddiquee, 2008). Progressively, governments have responded by implementing administrative frameworks that focus on delivering high quality public services (Jarrar and Schiuma, 2007; Manolopoulos, 2008) that are more results-oriented and customer-focused (Cheung, 1996; Jarrar and Schiuma, 2007; Parker and Bradley, 2000).

Service delivery changes have been complemented by improved human resource management (HRM) systems, such as performance-based reward systems, which are designed to improve public service delivery (Willems *et al.*, 2006). Reward management systems serve as communicators of organisations' goals, values and priorities to employees (Willems *et al.*, 2006) and have been applied in both private and public sector organisations as a way of motivating employees to improve their performance and, ultimately, their customer service quality (Barrett and Turberville, 2001). Achievement of targeted goals requires organisations have a clear statement of the desired customer service quality. From these goal statements the behaviours against which employee performance will be assessed can be developed. For example, customer service quality in Canadian libraries was measured using performance appraisals that described customer service behaviours from unsatisfactory through to exceeding requirements (Chan, 2006). Clearly specified objectives fit with Latham and Locke's (2006) definition of a goal as describing the level of performance proficiency to be achieved within a stated period-of-time.

Despite the growth in the use of performance enhancement schemes, such as performance-based reward schemes (i.e. PBRs), most research into these schemes has focused on private sector perspectives. Research related to PBRs in the public sector has tended to concentrate on the link between performance-based pay and performance assessment, motivation and organisational (or department) performance (Marsden and Richardson, 1994; Perry *et al.*, 2006; Rudge, 2011; Tornow and Wiley, 1990), but has not examined how PBRs schemes could be made more customer-focused. One of the stated objectives of performance-based pay schemes is to motivate employees to act in a way that improves service delivery (Mannion and Davies, 2008; Willems *et al.*, 2006), thus, PBRs plans should include objectives that are customer-focused. Higher levels of customer focus have been found, in turn, to improve organisational performance and increase customer satisfaction, in both private (Narver and Slater, 1990) and public sector organisations (Chen *et al.*, 2004). However, performance management needs to be a continuous process in the public sector and within all organisations, rather than a once-a-year event, if the desired improvements are to be achieved (MacAdam *et al.*, 2005). Within this article we examine the extent to which PBRs plans in the Botswana public sector have been designed to include appropriately structured customer-focused objectives, that is, whether there is goal clarity, defined performance targets, and assigned role allocation.

Literature overview

Customer orientation and organisational performance

Customer orientation is defined as the organisational culture that creates effective and efficient behaviours to produce superior customer value (Narver and Slater, 1990). It links organisations' service delivery mechanisms to customers' needs and expectations (Deshpande *et al.*, 1993), which in turn, is expected to result in improved service quality (Chen *et al.*, 2004; Paarlberg, 2007). Having employees who are sensitive to the needs of the customer and who use appropriate customer orientation behaviours (COBs) will influence customer loyalty (Rafaeli *et al.*, 2008). Appiah-Adu and Singh (1998) emphasised that customer orientation should be considered an integral part of the overall organisational culture. When managing employees, this implies that PBRs plans should target employee behaviours and activities that relate to desired customer outcomes (i.e. ensure that employees' goals are customer-focused). This can be done by firms identifying relevant COBs for particular employees within the organisation and linking them to organisational goals (Rafaeli *et al.*, 2008).

Customer orientation was conceived as a private sector initiative for enhancing customer satisfaction and loyalty with a view to increasing profitability and competitiveness (Huang and Dastmalchian, 2006). However, research suggests that customer orientation also has a strong positive impact on employees' performance and motivation within the public sector (Paarlberg, 2007). In other words, "...customer orientation provides a connection to the organisation's goals consistent with employees' affective and normative values of public service, and feedback necessary to improve service delivery" (Paarlberg, 2007, p. 201). Thus, customer orientation has been expanded to the public sector, which increasingly has recognised the need to be customer-oriented (Jarrar and Schiuma, 2007; Chen *et al.*, 2004; Nwankwo, 1995; Wisniewski, 2001). In the UK, for example, Nwankwo (1995) observed that public sector organisations were increasingly embracing customer orientation

strategies. Jarrar and Schiuma (2007) went so far as to suggest that the recent move by the public sector to become results and customer-oriented diminishes differences between the private and public sectors.

Customer orientation has been suggested as a means to achieving continuous above-average performance (Appiah-Adu and Singh, 1998; Deshpande *et al.*, 1993; Porter, 1985; Verma and Kajendra, 2004) and is a critical factor in improving an organisation's profitability (Narver and Slater, 1990). For example, McNaughton *et al.* (2002) proposed that market orientation creates customer value, which leads to increased customer satisfaction and positive word-of-mouth communication. While profitability may not be a goal for the public sector, customer orientation is relevant as it emphasises customer satisfaction, which is important to most governments (Jarrar and Schiuma, 2007), because governments need to deliver services that meet customers' expectations (Korunka *et al.*, 2007).

Agus *et al.* (2007) suggest that improvement in public sector service quality could be achieved through the adoption of a customer-oriented approach that includes focusing on employee performance and measurement. Thus, customer orientation should be integrated into compensation schemes such as the PBRS, and targets should focus on employees undertaking and improving their customer-focused behaviours, thereby improving public sector service quality.

Developing customer-focused PBRS

Despite the abundance of literature on the importance of customer orientation in both the private and public sectors, literature guiding the development of management systems that are customer-oriented is limited (Chen *et al.*, 2004; Kennedy *et al.*, 2003; Nwankwo, 1995). Studies concentrate on the measurement rather than the processes leading to the development of systems supporting customer orientation (Kennedy *et al.*, 2003; Nwankwo, 1995). Additionally, the majority of customer orientation models were developed for private enterprises rather than the public sector (Chen *et al.*, 2004), even though customer-focused service delivery is of concern to both the private and public sectors (Chen *et al.*, 2004).

While not extensively studied, there have been several attempts to develop customer-oriented service delivery systems within the public (Chen *et al.*, 2004; Kennedy *et al.*, 2003; Nwankwo, 1995) and the private sectors (Tuzovic and Bruhn, 2005). Nwankwo (1995) developed a framework to assess whether organisations' customer orientation was high or low. Managers could undertake a self-assessment and identify specific customer-focused goals and objectives that should be pursued by the firm and its employees (Nwankwo, 1995). Kennedy *et al.* (2003) proposed a process through which organisational performance could be monitored over time with a view to developing customer-focused performance strategies, that is, activities that improved customer experiences and outcomes. While these frameworks provide insight in terms of developing customer orientation, these authors are silent on how to translate customer-oriented strategies into employee performance mechanisms, such as performance-based reward schemes.

One exception is Tuzovic and Bruhn (2005, p. 270) who proposed a framework for integrating customer orientation, employee compensation and performance, that enables organisations to systematically derive a customer-oriented reward strategy through a "success chain driven reward and measurement system". While their proposed framework is a positive development towards integrating customer orientation within reward schemes, they did not empirically test their hypotheses (Tuzovic and Bruhn, 2005). However, this aspect has been explored by Chan (2006) in Canadian libraries, but has not generally been tested in other settings.

This article seeks to augment the existing literature by proposing a process by which performance-based reward schemes could be assessed to determine the extent of their customer focus. The study focuses on enhancing the customer focus of PBRS schemes, that is, on ensuring targets are linked to customer-focused outcomes, rather than how well the PBRS schemes are implemented or how they impact on consumers' assessments of the employees' actions. Assessing the degree to which schemes are customer-focused prior to their implementation helps to identify potential service gaps in customer-focused behaviours. This enables corrective actions, thereby enhancing the schemes' customer focus as well as the outcomes, if the schemes are effectively implemented and acted on. The study examines the degree of customer orientation within a sample of ten Botswana public sector departments' PBRS plans. Content analysis was undertaken to assess the PBRS plans, as they were designed (i.e. implementation and outcomes were not assessed). Individual performance objectives were evaluated to identify the degree to which they were customer-focused, with a specific focus on PBRS objectives, proposed targets and allocated responsibilities.

PBRS and motivation

Implementing performance-based reward systems in the public sector presents challenges. Pay-for-performance has been found to be most effective in environments where employees have a high degree of autonomy (Barth *et al.*, 2008). However, autonomy is not always present in roles within the public sector, which tend to have more structured performance requirements. Nevertheless, reforms in the public sector in developed countries have sought to introduce “businesslike incentive structures, such as ‘pay-for-performance schemes’” (Weibel *et al.*, 2009, p. 389). Differences in the motivations of organisations might explain why Weibel *et al.* (2009) found that public sector pay-for-performance schemes have had only limited success. Weibel *et al.* (2009) found that pay-for-performance had a strong negative effect on public sector workers' intrinsic motivation. This may be explained by the generally high intrinsic and pro-social motivation (Perry and Hondeghem, 2008) found among public servants. Extrinsic rewards, as such, have the potential to “crowd out” the intrinsic reward normally gained by those who choose to work in the public sector (Houston, 2006; Perry and Hondeghem, 2008). Perry *et al.* (2010) acknowledge that despite considerable research in recent years, there is still a need for further research to explain more clearly motivation in the public sector. For this reason, our discussions centre on motivation and PBRS in the public sector.

Performance-based reward systems are designed to motivate employees – therefore, a range of theories of motivation, including goal-setting theory, informs the design of these systems. It should be remembered that there is an altruistic component to public sector motivation (Perry and Hondeghem, 2008). For example, being committed to the public interest is a dominant motivator for people who choose to join the public service, along with an attraction to policy-making, compassion and self-sacrifice (Perry, 1997). Such pro-social behaviour enhances persistence, performance and productivity (Grant, 2008) through increased dedication to governmental goals. When compared to those working in for-profit firms, non-profit sector employees tend to be more people oriented, care about serving the public, and less interested in extrinsic rewards (Schepers *et al.*, 2005). This personality type, or antecedent to the motivations of public servants, will influence the extent to which any reward system will be effective in the public sector environment.

Broadly, the appropriate theories of motivation can be divided into two approaches: content and process theories. Content theories concentrate on innate human needs (Camilleri, 2007) and include Maslow's Hierarchy of Needs, which ranges from basic human needs through to growth and self-actualisation. Designing jobs so that employees gain the greatest sense of satisfaction is based on content theory principles, and uses intrinsic rewards such as job challenge and responsibility to motivate employees (Shields, 2007). The job characteristics model, developed by Hackman and Oldham (1976), is based on the view that intrinsic motives encourage employee performance (Schepers *et al.*, 2005). Schepers *et al.* (2005) suggest that varying the level of skill variety, task significance, task identity, autonomy and feedback to suit the employees' level of desire for each of these elements, increases motivation and thus performance (Schepers *et al.*, 2005). McClelland's achievement motivation theory, another content theory, considers the strength of an employee's need for affiliation or interpersonal relationships, achievement or success, and the need for power and, thus, to influence or control (Shields, 2007). Camilleri (2007) reasons that public sector employees are motivated to behave in a particular way based on innate psychological characteristics, and that content theories are most appropriate to a public service context. However, most rewards systems combine elements of both content and process theories of motivation (Shields, 2007), including those systems introduced in the public sector.

Process theories of motivation are concerned with how and why individuals choose a particular path to ensure satisfaction of a need. This approach includes a broad range of theories, two of which are most relevant to public sector workers: expectancy theory and goal-setting theory. Expectancy theory assumes that an individual's work behaviour will be determined by what they expect to be the result of their behaviour. Applying expectancy theory in this setting suggests that public service employees will be strongly motivated to ensure the effectiveness of their departments' or agency's service delivery (Boardman and Sundquist, 2009) by applying the behaviours that result in the public being served to a high standard. This, in turn, will deliver “expected” results – a public well served – and improve service effectiveness for their department/agency. Hence employees choose to act in a particular way based on how attractive the result of those actions is perceived to be by them. Expectancy theory predicts and explains task-related effort, but the employee will also have to believe they are capable of successfully performing the task. It will require that their self-efficacy or task-related confidence (Locke and Latham, 2006; Dieleman *et al.*, 2007) is such that they believe that, if they invest the effort, the outcome they value will be achieved.

Goal-setting theory is another approach that has developed over time based on extensive research, and posits that employees will be most highly motivated when specific but challenging goals are set, and they are personally committed and believe in their ability to achieve those goals (Latham and Locke, 2006). Research suggests that assigning performance tasks to employees using clear and specific goals, influences employees' feelings of self-efficacy (Earley and Lituchy, 1991) and motivates their performance (Perry *et al.*, 2006). For effective performance management, then, clear and specific goals need to be set (Carlopio *et al.*, 2001; Kaufman, 1988). Performance targets and standards are normally part of the PBRs criteria for assessing employees' performance and determining their rewards (Susseles and Magid, 2005).

In determining what types of goals are most effective it has been suggested that stretch goals (i.e. those that require additional effort) have been found to motivate employees more strongly rather than easy to achieve goals. Regular feedback on progress toward the achievement of goals (Locke and Latham, 2006; Vigoda-Gadot and Angert, 2007) further enhances employee motivation. However, employees also need the “knowledge, skills, abilities, materials and equipment” (Shields, 2007, p. 81) to accomplish predetermined goals, that is, employees need to be supported to achieve the targeted goals. As originally established by Drucker (1954) in relation to the development of management by objectives, involving employees in goal development ensures that they “own” the goals and associated measures of performance (Locke, 1968; Latham and Locke, 2006; Sholihin *et al.*, 2011) and are committed to them. Indeed, Sholihin *et al.* (2011) found a positive association between participation in goal-setting and goal commitment. Researchers caution that rewards or punishments will be less effective in encouraging goal achievement than will employee commitment to the goals through involvement and feedback (Shields, 2007; Latham and Locke, 2006). Indeed, research into goal-setting theory has demonstrated that praise, recognition and financial rewards will only have an effect on employee performance if “they lead to setting of and commitment to a specific goal” (Latham and Locke, 2006, p. 333).

Research further suggests that stated employee goals or objectives influence performance by directing the employee behaviour towards the expected outcomes, that is, the targeted actions (Wright, 2007). According to Carlopio *et al.* (2001), goals must include targets, standards or desired performance indicators that specify the performance targets. Expected outcomes or targets provide a benchmark of performance against the desired performance levels and allow for adjustments in performance, where necessary (Perry and Porter, 1982; Carlopio *et al.*, 2001). Kaufman (1988, p. 80) suggested that performance targets help “to identify desired performance output and, to provide criteria for determining success or failure”.

It is important, therefore, that any employee goals or targets be clearly set out with measurable objectives, clear deadlines and responsibilities (which we have integrated into the evaluation of PBRs objectives, discussed later in this paper). Such measures will also need to be agreed with employees. However, establishing reliable measures of performance presents challenges, indeed, Gibbs *et al.* (2009, p. 237) state, “Performance measurement is perhaps the most difficult challenge in the design and implementation of incentive schemes”. Where performance-based reward systems are being used to support improved customer service quality, goal achievement will require a clear statement of the desired quality level (Chan, 2006), which is best achieved by assessing employee performance against clearly stated behaviours to aid effective measurement. It is also essential that there is role clarity in terms of setting goals and managing the delivery of good quality services (Mukherjee and Malhotra, 2005). Rainey (1997) suggested that allocation of roles gives employees a feeling of purpose and direction as well as the desire to accomplish given tasks, thus stimulating performance improvement, that is, employees feel directly responsible for the accomplishment of goals that have been allocated to them.

Research methodology and design

Research context

While public sector providers are somewhat similar, it is important, first, to overview the specific context of this study, as it shapes managerial practice within the public sector. When the Republic of Botswana gained independence from Britain in 1966 it was classified as one of the poorest countries in the world (Tsie, 1996), relying on British financial support (Marroquin, 2005; Gaolatlhe, 2006). With the discovery of diamonds in the early 1980s (Moleboge, 2003), Botswana experienced rapid economic growth and moved from a low-income to a middle-income country (Gaolatlhe, 2006). However, the public sector had difficulty delivering additional public services (Hope, 1999) and was criticised for not being responsive to customers' needs and for providing poor customer service (Adamolekun and Morgan, 1999; Moleboge, 2003). As a result, the Botswana government sought to improve employee performance and productivity through implementing a number of

initiatives including the Botswana National Productivity programme (Hope, 2003; ILO.org, 2006), a Work Improvement Teams Strategy (WITS) (Worldbank.org, 1996), and a performance management system (PMS) to co-ordinate public sector performance improvement reforms (DPSM, 2008).

After an initial trial, the PMS approach was made compulsory across all departments. The PMS incorporated a performance-based reward system (PBRs), where incentives were aimed at individuals meeting performance targets (DPSM, 2004). While PBRs were designed to focus the efforts of public sector employees on targeted outcomes, it is unclear whether the associated PBRs plans focused on customers' service expectations, that is, whether the PBRs were customer-focused. This research, therefore, examines the extent to which the Botswana public sector PBRs are customer-focused.

Data collection

After receiving a research permit from the Botswana government, 20 public sector departments were contacted and requested to provide their PBRs plans. A total of 15 departments responded to the invitation and their performance plans were vetted to ensure they were from departments and not overall ministries, and that the departments' activities focused on final consumers (i.e. would be expected to have a customer focus); four departments were eliminated because they delivered services that were not directly consumed by large numbers of final consumers; a fifth was excluded because the plans covered a ministry rather than an individual department.

The remaining ten PBRs plans were retained for in-depth content analysis to categorise each plan's level of customer focus and ability to deliver on that customer focus. Content analysis is valuable because it provides an objective and systematic way of analysing the content of in-depth materials like performance plans (Schneider *et al.*, 1992) and has been used to assess other types of governmental planning documents (Moynihan and Ingraham, 2004). PBRs plans were assessed using the criteria drawn from the literature associated with the effective development of PBRs criteria – goal clarity, performance targets, and role allocation (discussed in more detail later in the paper), as well as whether each PBRs objective was customer-focused (i.e. targeted final consumer outcomes). Table 1 summarises the criteria areas with the accompanying ten rules as well as the literature supporting each criterion.

Development of content analysis rules and categorisation criteria

Content analysis is an appropriate approach for this research because it enables an “...objective, systematic, and quantitative description of the manifest content of communication” (Berelson, 1952, p. 55). To ensure objectivity, content analysis requires the systematic use of rules or criteria for categorisation of data (Schneider *et al.*, 1992). The first step of the process is to define the rules for categorisation. According to Krippendorff (2004, cited in White and Marsh, 2006), content analysis rules could come from: existing theories or practice; the experience or knowledge of experts; or previous research. In this research, the content analysis rules and criteria were derived from the literature on goal-setting theory and performance management plans.

Within the literature three criteria have been identified to assess objectives, which have been translated into the content analysis criteria. They are:

1. goal clarity;
2. performance targets; and
3. role allocation.

Ensuring that objectives contain these three components ensures that individuals can undertake the activities effectively. It is important, therefore, to ensure that PBRs schemes clearly articulate those three dimensions.

Goal clarity refers to the extent to which goals lack ambiguity and are measurable and verifiable (Bell, 1982; Boyne and Chen, 2006; Gibbs *et al.*, 2009; Jung and Rainey, 2011). Thus, performance objectives have to be clear in order to guide employees in terms of expected performance output (Bell, 1982; Vigoda-Gadot and Angert, 2007). The existence of clear and measurable goals (Verbeeten, 2008) and expectations has been found to improve employee performance (Gomez-Mejia and Balkin, 1992), and has been associated with both quantity (achieving targets) and quality (accuracy, improved employee morale) improvements (Verbeeten, 2008). This is

because clear goals regulate an individual's performance and act as a target that he/she tries to accomplish (Locke, 1968). The lack of goal clarity could negatively affect employees' performance, as they (employees) may not know how to achieve vaguely-defined goals (Locke and Latham, 1990; Wright, 2004; Pandey and Garnett, 2006). To enhance goal clarity, goals need to be specific, measurable, agreed, realistic, and have a timeframe, that is, SMART (Carlopio *et al.*, 2001, p. 319). These five sub-dimensions were used as content analysis criteria to assess goal clarity. Two sub-dimensions related to explicit statements of targets and standards were used as the criteria to evaluate the performance targets of PBRS plans. In order to guide performance towards attainment of goals, there is a need for clear allocation of roles among employees (Rainey, 1997; Yeo, 2003). Role allocation gives employees a feeling of purpose and direction as well as the desire to accomplish given tasks, thus stimulating performance improvement (Rainey, 1997). Employees feel directly responsible for the accomplishment of goals that have been allocated to them. Thus, role allocation was found to be relevant to evaluating PBRS plans. Role allocation was assessed using three sub-dimensions and included two criteria; target-setting included three criteria. The sub-dimensions for these three dimensions (goal clarity, performance targets, and role allocation) are specified in Table I.

The content analysis process

In keeping with Krippendorff's (2004, cited in White and Marsh, 2006) content analysis rules, we used four experienced and knowledgeable experts to evaluate the PBRS in line with the ten sub-dimensions provided in Table I. The experts had experience in the HRM area and a good knowledge of HRM within public sector activities. The use of multiple experts in content analysis improves the reliability of the content analysis rules (Kolbe and Burnett, 1991; Milne and Adler, 1999), which is why four experts were used to evaluate the PBRS schemes. These experts were:

1. the researcher who has worked in public sector organisations in Botswana;
2. two external human resource experts who work within public sector organisations in Australia and who have PhDs in HRM; and
3. the researcher's supervisor, who is an HRM academic and has researched public sector issues.

Emphasis was placed on identifying experts who had a background in human resource management that would enable them to evaluate public sector performance objectives within a HRM context.

First, the experts independently assessed the performance objectives from the ten departments to identify which objectives focused on final customers and service delivery (i.e. were customer-oriented). These objectives were then further analysed using the criteria evaluating objectives: goal clarity; target-setting; and role allocation), to determine whether or not the objectives met the sub-criteria. The experts' responses provided the data that was then used to determine the extent of customer focus of each department's performance plan. Table II provides an example of the worksheets used.

Using this data, departments were then categorised as having high or low levels of customer focus based on two factors, namely, whether the department's objectives were customer-focused, and the percentage of customer-focused objectives (compared to all objectives found within the plan). Departments scoring highly on both criteria were categorised as having a high customer focus, while those scoring low on both criteria were categorised as having low customer focus. Details regarding the categorisation of departments after content analysis are discussed next.

Inter-expert reliability

Prior to categorisation of departments, inter-expert reliability was assessed. Measurement of reliability is important as it means assessments are stable (Rust and Cooil, 1994), and is also necessary for ensuring the criterion validity, that is, that there is consistency in views (Iacobucci and Duhachek, 2003). Reliability of responses across experts was measured using Rust and Cooil's (1994) Proportional Reduction in Loss (PRL) approach, which accommodates measurement of reliability of responses from more than two experts using multiple criteria. Table III presents a summary of the four experts' inter-expert reliability assessment, which revealed differences in experts' assessments. Reliability scores were generally low as most departments scored below the 0.7 threshold recommended by Nunnally (1978). Differences in reliability scores indicate that the experts had varied judgements about the extent to which performance objectives were customer-focused.

While Rust and Cooil (1994) suggested that users of PRL should follow the recommendation by Nunnally (1978) of a minimum of 0.7, they did acknowledge that the 0.7 alpha was a rule-of-thumb. In some cases, higher or lower levels of reliability could be acceptable. Exploratory research frequently accepts lower reliability levels (Hair *et al.*, 2010), and we have taken a 0.50 level as indicating consistency in views.

Results

Experts' average scores

Each of the objectives within a department's PBRS was analysed using the ten sub-criteria set out in Table I: customer-oriented (2); goal clarity (3); target-setting (3); and role allocation (2). Responses from the four experts were collated and summarised to determine the extent of the customer focus of the departments' performance plans. The results were then summarised for each department. Table IV is an example of the summarised results from one of the departments (Clinical Services) as scored by one of the experts, where an X indicates that they identified the objective as meeting the criteria. The last column in Table IV shows the number of times an objective met the criteria, and the last row of the column provides the overall average for that department. The higher the score, the higher the level of customer orientation.

The average score was calculated across the four experts for each department. These results were then used to rank the departments in terms of their level of customer orientation (see Table V). The results identify that departments had varying levels of customer orientation, with the top performer being Clinical Services (6.31), followed by Trade and Consumer Affairs (5.7), and Civil and National Registration (5.46). The poorest performers were Tourism (3.48), Social Services (3.62), and Culture and Youth (4.15).

The experts' average responses, however, provide only a limited picture of the extent of a department's level of customer orientation, as the ranking of departments could be affected by the proportion of customer-focused objectives relative to the total number of objectives that each department had. A department with a high percentage of customer-focused performance objectives should be more customer-focused, compared to a department having only a few customer-focused objectives. Additional analysis was undertaken to identify the percentage of objectives that were customer-focused.

Percentage of customer-focused objectives

The first stage of the content analysis process involved the experts evaluating and identifying whether each objective within all the departments was customer-focused. The percentage of customer-focused objectives as a percentage of all of the departments' objectives was averaged across the experts for each department. Departments that had a higher average percentage of customer-focused objectives could be considered more customer-focused than those with a lower percentage of customer-focused objectives (see Table VI for results).

On the basis of these results (see Table VI), the top three performers in terms of the percentage of customer-focused objectives were Clinical Services (65 per cent), Public Health (58 per cent) and IEC (57 per cent), while the bottom three were Tourism (23 per cent), Civil and National Registration (33.8 per cent) and Wildlife and National Parks (34 per cent).

Department categorisation

The last step in the analysis process was to categorise each departments' level of customer orientation, based on experts' average customer focus scores and the percentage of customer-focused objectives. Table VII identifies that there were inconsistencies with regard to the rankings of some departments across the two ranking approaches (i.e. those in Tables V and VI). For example, the Civil and National Registration Department was ranked third for average customer focus score, but performed poorly in terms of the percentage of objectives that were customer-focused (where it was ranked ninth). The inconsistencies of these rankings highlight the difficulties in using customer-focused PBRS objectives to categorise the departments' activities.

Of the ten departments, six however, performed consistently using both approaches – average customer focus scores, and percentage of objectives that were customer-focused. As a result, we divided the consistently performing group into two, revealing that three departments could be categorised as being highly customer-focused (i.e. Clinical Services, first in both cases; Public Health, fourth and second, respectively; and

Independent Electoral Commission, third and fifth, respectively), while three were low in terms of customer focus (i.e. Wildlife and National Parks, sixth and eighth, respectively; Culture and Youth, eighth and sixth, respectively; and Tourism, tenth in both cases).

Conclusions and managerial implications

The content analysis revealed that six departments were considered to be either consistently high or low in regard to customer orientation, based on the experts' assessment of the PBRS objectives. However, results from the content analysis also revealed that there were some differences in views among the experts that made the determination of the customer focus of PBRS plans more complex. Experts' assessments can vary for a number of reasons and, even when experts are trained to distinguish differences in assessments, it can be difficult to eliminate bias (Lunz *et al.*, 1994). Given the clear guidance in the literature related to developing performance objectives, however, one would have thought variations would not have existed.

The results suggest, therefore, that translating customer orientation into objectives within a PBRS plan is more difficult than organisations initially perceive. A possible reason for this problem might be that the managers designing the PBRS plans are not truly focusing on developing customer-oriented objectives, but focus more on operational objectives. Difficulties in translating objectives, especially customer service orientation, into clear, measurable objectives have also been found by others (Gibbs *et al.*, 2009). The only way that PBRS plans will bring about improvements in customer service (as reflected through consumer evaluations) is if the schemes integrate activities that will improve services from the consumers' perspectives. This suggests that PBRS should integrate consumer assessments of quality (for example, SERQUAL results), thus having explicit customer-focused objectives that are assessed by customers. Given the generally low level of customer focus of many public sector departments, managers do not appear to understand the expectations of consumers when setting performance goals and, thus, are less likely to be able to design customer-focused objectives. Managers need to be sensitive to the importance of customers' expectations, which should be a key ingredient in the design of PBRS schemes, and should implement processes to identify and measure performance in regard to those expectations so they are translated into appropriate goals. The process of developing goals that target customer-oriented behaviours possibly needs more consideration.

A second worrying sign relates to the fact that some objectives, including those that were customer-focused, appear not to be effectively designed and fail to conform to standards associated with goal theory in general (Carlopio *et al.*, 2001; Kaufman, 1988). In other words, the objectives did not have goal clarity, performance targets, and/or employee role allocations (see Table V). As discussed earlier, effective performance management requires that clear and specific goals be set to improve employees' performance (Gomez-Mejia and Balkin, 1992; Verbeeten, 2008). Departments' vague and unclear performance objectives could have negatively affected employees' performance. Employees often find it difficult to achieve vaguely-defined goals and objectives (Locke and Latham, 1990; Wright, 2004; Pandey and Garnett, 2006). As a result, changes in outcomes are unlikely to occur, because the principles of objective-setting have not been followed. Clear targets cannot be defined with ambiguous targets and limited formal role allocation.

This suggests that the vague and conflicting nature of public sector goals (i.e. consumer and organisationally focused) can impede implementation of government goal-setting initiatives such as PBRS (Perry and Porter, 1982). Translating customer orientation into implementable performance objectives requires properly designed goals that meet the criteria for objective-setting, as outlined above. One might also anticipate that deficiencies also exist for other non-customer-focused objectives (which were not assessed in this research). Poor design of objectives has been identified by Van Vijeijken *et al.* (2006) as an issue that impedes the success of pay-for-performance schemes such as PBRS. Poorly designed performance objectives, as observed in this study, are unlikely to be met and, thus, negatively impact on the effectiveness of the PBRS planning process. The need for additional training of managers is highlighted when establishing goals (customer-focused or otherwise) to ensure that they are consistent with the requirements of goal theory. Goals need to be clearly articulated, with meaningful, measurable and realistic targets, which identify employees' responsibilities. An added requirement is that employees are then trained and resourced to be able to implement activities and achieve objectives (although the implementation of employees' actions was not assessed in this research). As identified earlier, there needs to be ongoing customer engagement if the managers and the organisation want to accurately assess consumers' evaluations of service outcomes (or other customer-focused objectives). Such ongoing monitoring requires additional resources, which are often difficult to obtain in public sector areas, especially those with limited budgets.

Another possible explanation could be derived from what was observed by Weibel *et al.* (2009), that pay-for-performance schemes such as PBRS tend to have a strong negative effect on public sector workers' intrinsic motivation (Weibel *et al.*, 2009). This negative impact on motivation could lead to poor employee performance, which would, in turn, result in PBRS having limited success in improving public sector service quality.

In summary, to effectively improve customer outcomes, performance objectives need to be better designed by managers who understand consumers and their assessments of the importance of service performance. These objectives then need to be clearly defined in a measurable way, and employees need to be resourced and trained to be able to deliver on the objectives. There also needs to be ongoing customer engagement to allow for external evaluation of customers' perceptions of their experiences, with an emphasis on employee performance related to pre-determined objectives. This may require a more systematic development of PBRS that places appropriate emphasis on customer-focused outcomes and resources the assessment of outcome achievement. Therefore, an approach that facilitates the development of better customer-focused performance criteria, as well as all types of objectives, is necessary, which should, in turn, increase the likelihood of the success of such PBRS schemes.

Study limitations and future research

This study has some limitations that could possibly affect the results obtained. First, the inter-expert reliability was lower than the 0.70 threshold suggested by Nunnally (1978), thus, we had to have a lower acceptable level (i.e. 0.5). Lower reliability is acceptable given the exploratory nature of the research (Hair *et al.*, 2010). Second, this study was confined to ten governmental departments that agreed to participate in the study, therefore, the results may not be representative of the government departments that did not participate. However, given the diversity of the departments included in the research, we believe it is broadly representative. In addition, the study was undertaken within the first three years of the introduction of PBRS in the Botswana public sector. As a result, some departments had not finalised the PBRS implementation and those that had, possibly had not had time to see the results of changes in employee performance behaviour. Also, the research did not look at the outcomes of the schemes and whether they would be viewed as successful from a managerial, employee or, more importantly, a customer perspective.

Future research could explore a range of issues. As mentioned previously, there is an opportunity to further develop the criteria used to evaluate whether PBRS plans are customer-oriented, as research has not been previously conducted in this area in the private or public sector. Replication could be undertaken to explore and contrast findings on PBRS within the public sector in other developing countries, as well as in public sector departments in developed countries. Private organisations could also be assessed to learn whether the problems with defining customer-focused employee goals are unique to the public sector.

Future research could also seek to provide a better understanding of the degree to which public sector managers understand and seek to integrate customer orientation into performance standards (i.e. using interviews or surveys with managers). Such research could explore whether the approach used to implement PBRS programs impacts on outcomes. This latter approach would also require consumers' experiences of the service delivered to be assessed as part of the schemes, and whether customers believe that the introduction of such schemes has impacted on their service experiences, as well as whether they believe that the objectives capture the key outcomes that are important to them.

Rule	Literature guiding development of rules	Criteria
C1	Performance plans, objectives, and performance initiatives should be linked to customer service delivery to improve service quality and customer satisfaction (Deshpande <i>et al.</i> , 1993; Chen <i>et al.</i> , 2004)	Customer orientation
C2	The objectives should clearly show organisational efforts to identify customers' needs and expectations (Korunka <i>et al.</i> , 2007), through collection of information on customers' needs and developing strategies for addressing those needs and expectations (Kohli <i>et al.</i> , 1993)	
C3	Highly specific goals detailing what is expected to be achieved, and employees' roles in achieving the objectives to improve performance (Bell, 1982; Gomez-Mejia and Balkin, 1992)	
C4	Objectives should be expressed in quantitative terms to improve measurability of performance output (Carlopio <i>et al.</i> , 2001)	Goal clarity
C5	Objectives must be challenging but achievable to motivate employees to improve their performance (Locke and Latham, 1990)	
C6	Objectives have to be supported by clearly stated performance targets, or deliverables, to motivate employees and enhance performance (Kaufman, 1988; Barrett and Turberville, 2001; Susseles and Magid, 2005)	
C7	Objectives should include clear time frames for attaining desired performance targets (Rudman, 2003)	
C8	Objectives have to be accompanied by specific means and ends that guide performance towards set targets (Carlopio <i>et al.</i> , 2001)	
C9	There should be a clear allocation of performance roles to employees to enhance performance (Rainey, 1997)	Target setting
C10	Objectives must clearly indicate accountability and responsibility of task performance to improve employees' commitment to performance	

Table I.
Development of content
analysis rules and criteria

Table I Development of content analysis rules and criteria

Objectives	Is the objective focused on final consumers?	Criteria for assessing the objectives									
		C1	C2	C3	C4	C5	C6	C7	C8	C9	C10
1. To promote life-long learning, research and recreation nationwide through the provision of multimedia information resources											
2. To promote employee growth and development through implementation of appropriate recruitment, training and staff retention policies											
3. To satisfy customer needs by providing relevant information resources											
4. To ensure a cost-effective service through prudent resources management											
5. To achieve organisational efficiency and effectiveness by ensuring a high level of participation, accountability, responsibility and transparency											
6. To improve the quality of service to the nation (public) through sustained collaboration with stakeholders											

Table II.
Worksheet for the
Botswana National
Library Service

Table II Worksheet for the Botswana National Library Service

	Department	Proportion of inter-judge agreement/reliability
Table III. Summary of inter-judge reliability for the ten departments	Culture and youth	0.57
	Trade and consumer affairs	0.72
	Wildlife and national parks	0.49
	Botswana national library service	0.57
	Independent electoral commission	0.6
	Civil and national registration	0.57
	Tourism	0.53
	Clinical services	0.51
	Social services	0.60
	Public health	0.68

Table III Summary of inter-judge reliability for the ten departments

Objectives	Rules											Total
	C1	C2	C3	C4	C5	C6	C7	C8	C10	C11		
Develop a draft strategy to address top four (4) conditions by 31/03/2007	x	x	x	x	x		x	x	x		x	8
Provide cervical cancer screening for 25% of women aged 20-65 years by 31/03/07	x		x	x	x		x	x	x		x	8
Establish trauma management services by 31/03/07	x		x	x	x		x	x	x		x	8
Reduce waiting time for selected services	x			x	x		x	x	x		x	7
Achieve 80% of essential medicines supply by 31/03/07	x		x	x	x	x	x	x	x		x	9
	5	4	5	5	1	5	5	5	0		5	8
Total											Average occurrence of criteria	

Table IV.
Evaluation of the department of clinical services' performance objectives

Table IV Evaluation of the department of clinical services' performance objectives

Departments	Experts' average customer focus scores for each department's performance plan				Average for all experts	Department ranking 1 (highest) 10 (lowest)
	Judge A	Judge B	Judge C	Judge D		
Trade and consumer affairs	2.25	7.80	6.50	6.25	5.7	2
Wildlife and national parks	0	9.17	4.00	4.25	4.36	6
Tourism	0	7.25	2.67	4.00	3.48	10
Independent electoral commission	0.20	8.10	5.29	6.10	4.92	5
Botswana national library services	1.00	7.75	4.67	4.00	4.36	6
Civil and national registration	1.50	8.00	7.33	5.00	5.46	3
Clinical services	0	9.25	8.00	8.00	6.31	1
Culture and youth	1.71	8.20	3.17	3.50	4.15	8
Public health	2.50	7.75	5.71	5.71	5.42	4
Social services	0	6.56	2.82	5.10	3.62	9

Table V.
Summary of experts' average scores and department rankings

Table V Summary of experts' average scores and department rankings

Table VI.
Percentage of
customer-focused
objectives

Department	% of customer-focused objectives per judge								Average % for all experts	Department ranking
	Expert A		Expert B1		Expert B2		Expert W			
Trade and consumer affairs	4/13	31%	5/13	38%	5/13	38%	4/13	31%	34.5	7
Wildlife and national parks	3/14	21%	6/14	43%	6/14	43%	4/14	29%	34	8
Tourism	2/12	17%	4/12	33.3%	3/12	25%	2/12	17%	23	10
Independent electoral commission	5/14	36%	10/14	71%	7/14	50%	10/14	71%	57	3
Botswana national library services	3/6	50%	4/6	67%	3/6	50%	3/6	50%	54	4
Civil and national registration	2/11	18%	5/11	45%	3/11	27%	5/11	45%	33.8	9
Clinical services	2/5	40%	4/5	80%	5/5	100%	2/5	40%	65	1
Culture and youth	7/21	33%	10/21	48%	6/21	29%	6/21	28.6%	35	6
Public health	6/12	50%	8/12	67%	7/12	58%	7/12	58%	58	2
Social services	6/18	33%	9/18	50%	11/18	61%	10/18	56%	50	5

Table VI Percentage of customer-focused objectives

Department	Average experts' response (customer focus) and department rank		Average percentage of customer-focused objectives and rank		Overall rank
Trade and consumer affairs	5.7	2	34.5	7	Inconsistent
Wildlife and national parks	4.36	6	34	8	4
Tourism	3.48	10	23	10	6
Independent electoral commission	4.92	5	57	3	3
Botswana national library services	4.36	6	54	4	Inconsistent
Civil and national registration	5.46	3	33.8	9	Inconsistent
Clinical services	6.31	1	65	1	1
Culture and youth	4.15	8	35	6	5
Public health	5.42	4	58	2	2
Social services	3.62	9	50	5	Inconsistent

Table VII.
Categorisation of
departments

Table VII Categorisation of departments

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