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**Management Control of
Decentralization: Features,
Impact and Implications**

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1 Introduction

Decentralization has probably been the most popular concept within public management reforms of the last two decades. Everybody has been in favor of decentralization - from the formerly very centralized French to the already rather decentralized Germans and Swiss - and decentralization is seen as a method in a vast majority of international reforms. If decentralization is such a widespread remedy, what do we know about the implications of decentralization on the management of such decentralized entities? The literature on NPM often merely calls for more decentralization in general and sees it as a value and method per se without paying too much attention to prerequisites. However, there is also a body of literature that examines the challenges and prerequisites for the management of decentralization. For instance, Theuvsen (2001) argued that the more competences are delegated, the more important result-oriented control and management will become. In line with others (Goold 1991, Merchant 1985), he concludes that decentralization calls for results-oriented control.

The paper will analyze the relationship between decentralization and results-oriented control structures. Is decentralization actually linked to the use or strengthening of results-oriented control? Further, it is questioned how results-oriented control is operationalized in various decentralized settings and policy areas. The paper is based on an empirical content analysis of performance agreements - the most common instrument for results-oriented control - in Swiss local governments. The use, features and implications of performance agreements as instruments to control decentralized service provision will be investigated. Research questions addressed are whether decentralized service provision structures are linked to the use of results-oriented control, which clusters of performance agreements might be distinguished with respect to their dominant control logic, and in which policy fields there can be found a dominance of specific clusters. The results and discussion of this paper aim to contribute to the current debate by revealing more about possible perils of decentralization that might arise out of a mismatch of competences and control and about patterns in the use and application of results-oriented control in specific policy areas.

The paper will be structured in six chapters. Following the introduction, the second chapter will focus on the definition and understanding of decentralization and its implications for control. The third chapter will discuss the topic of results-oriented control. Chapter four will present the results of the empirical study. In chapter five, the results will be discussed and interpreted in light of theory and existing research. The paper will conclude with a synthesis of major results and implications for results-oriented control and management of decentralized entities.

2 Decentralization

Decentralization has been a central theme or concept of reform initiatives of the past two decades. But even earlier than this, the debate on centralization and decentralization was a recurring and classic topic in the study of public administration (Wagenaar/Rutgers 2004). Indeed, centralization and decentralization were key topics not only in the field of public administration but also in public policy, political theory, and organization theory. In effect, this led to an enormous body of literature on centralization and decentralization, and at the same

time to diffusion and lack of conciseness in terms of the actual meaning and definition of the two terms. To narrow down the meaning of decentralization as it is understood in this study, this chapter will outline the features of decentralization that are considered in this paper and will briefly discuss insights into the interdependence of decentralization and control.

Decentralization, very generally, is concerned with the transfer of tasks and authority of a higher to a lower authority (Wagenaar/Rutgers 2004; Schneider 2003; Pollitt 2003). Adjectives like territorial, fiscal, political, organizational, and administrative indicate the area of application of decentralization. In this paper, the focus will be on decentralization efforts that have been undertaken in the course of public management reforms since the 1980s. Unfortunately, these decentralizations cannot simply be labeled by one of the above-mentioned adjectives, but often span across various areas of application when seen in an international context.

Pollitt (2003) has undertaken an attempt to systemize the wide variety of contributions in the area of decentralization and has developed what he calls an umbrella concept for decentralization. He introduces five major distinctions in the concept of decentralization:

- Political and/or administrative decentralization
- Territorial decentralization
- Competitive or non-competitive decentralization
- Internal and/or external decentralization
- Vertical or horizontal decentralization

Decentralization in itself may not be a very clear concept, but it has become important because of an underlying assumption that it causes more local autonomy, more efficiency, more managerial responsibility, and that this is inherently beneficial to citizens. As James W. Fesler noted in his review on the concept of decentralization in 1965, "decentralization appears to have been transformed into a value in its own right" (1965, p. 538). Conceptualizations of decentralization have been multiplied, associated with different meanings, and mixed with other concepts, and finally, colored with positive normative value.

In this paper, the focus will be on decentralization as a phenomenon of public management to improve efficiency and efficacy of public service delivery (Hood 1995). Based on this notion, decentralization has become a key concept to improve quality of service delivery and management. Decentralization focuses on delegation of responsibility to the providing agency. The rationale is that an increase of responsibility for services delivery of the providing agency combined with management competencies for resources will lead to greater accountability and higher efficiency and efficacy.

Decentralization implies a delegation of competence from one institutional entity to another, but also an enlargement of competences on the level of single employees (Theuvsen 2001). It therefore entails an increase in autonomy of the decentralized entity. In the literature, the implication, often even the rationale for decentralization as a management reform concept, is a change of the control mechanism. Increase of market mechanisms, of room to maneuver, and of responsibility for results is demanded and should accompany the organizational decentralization. Decentralization therefore does not necessarily have to entail a delegation of task responsibility but rather of authority, and its major impact is on a change of the control

mechanism. Thus, what has been observed in the management decentralization reforms is not primarily a change in the responsibility for certain tasks and services of specific organizational entities, but often a change in the scope of responsibility accompanied by a strengthening of results-oriented control.

Decentralized service provision has occurred in various institutional settings. Besides government itself, public services have been provided by decentralized entities in the form of delegation to lower levels of government, specialized administrative organizations, non-profit organizations (NPOs), or private contractors (Savas 1987; Schuppert 1995). Often, delegation to external organizations has been justified by clarification of responsibilities, control, and of course financial reasoning. Experience and research in these institutional settings show that results-oriented control has not necessarily accompanied decentralization. Instead, sector affiliation of the provider and character of the services rather seem to explain prevailing control mechanisms. Thus, in the NPO sector, decision-making and management has not traditionally been oriented towards performance but rather towards input, e.g. resources spent on each particular policy area (Mensah/Li 1993; Hatry/Fountain/Sullivan 1990; Levitt/Joyce 1987; Jansen 2004). Aspired performance is not clearly defined, not least because it is often complicated. It has therefore been unusual to quantify performance, and service provision has not been controlled in a results-oriented manner. For the corporate public sector in Germany, it has been shown that even though results are defined - often from a financial and very general service-related perspective - result orientation of control of public corporations is fragmentary and often does not comply with requirements needed for effective control by the "center" (Greiling 1996; Machura 1993). For outsourcing relationships with the private sector, analyses have shown that contracting agreements are often patchy and apply to process-driven - as compared to results-driven - tasks. Various reasons, not least negotiation skills, lead to results measures for contractual relationships that are not clearly defined (Savas 1987; Savas 2000; Donahue 1989; Kettl 1993).

Besides the institutional setting, and not fully independent of it, the character of the service to be decentralized influences the use of results-oriented control. It is sometimes argued that results-oriented control is not suitable and applicable for all government (services). Complex causal relationships, time lags, and exogenous influences hinder the formulation of reliable and meaningful result definition. Thus, for social and cultural tasks, a performance and results perspective is normally abandoned in favor of input orientation. Various authors have begun to define criteria that characterize services more suitable for results-oriented, contractual control. Jansen (2004) sees the measurability of output and the repetitiveness of activities as relevant variables for the suitability of performance measurement. Donahue (1989) distinguishes, first, whether results can be defined up front and whether the service allows precise evaluation afterwards, and second, whether the effect of the public service is more relevant than its process.

Similarly, evaluating the effects of decentralization Fleurke/Hulst/Vries (1997) found that the effects of decentralization measures depend on the features of the government function, of the policy area and of the local community, as well as on the specific decentralization measures such as the scope of transfer, the financing of the service, and the policy instruments available (Fleurke/Willemse 2004).

3 Results-oriented control

Similar to decentralization as a reform concept, results orientation and performance measurement in public management are not entirely new (Williams 2003; Williams 2004; Gianakis 2002, 37). Prominent precursors of modern results orientation and performance measurement are PPBS and Management by Objectives approaches. This section will begin by depicting the expectations and objectives associated with results-oriented control in modern public management reforms. Following this, the logic and theoretical classification will be discussed, before turning to issues regarding the definition and transliteration of results as a control measure.

When looking at the core dimensions of NPM as they were described (for example by Hood 1995 or Terry 1998), results orientation - and performance measurement - plays an essential role in many of the identified dimensions of change. They are distinct but intertwined. Performance measurement can go beyond results-oriented control, but the latter relies on the former in order to function. As Jansen summarizes (2004, 55), performance information is needed by top management and politicians to supervise whether the newly decentralized units adequately execute their tasks; a tendency towards contract-based provision of public services increases the need to specify performance and express performance by measures, and an emphasis on efficient resource use also stimulates the relevance of performance measurement.

The expectations and proclaimed advantages of results orientation are manifold. Behn (2003) argues that performance orientation can be used to evaluate, to control, to budget, to motivate, to promote, to celebrate, to learn, and to improve. Gianakis (2002) concluded that, contrary to earlier initiatives, today's focus on results and performance is fuelled by expectations on how to solve challenges stemming from increased financial pressure, threats of privatization, a desire to link professional, efficient administration with accountability for policy results, and increased demand of citizen groups for such information.

Results-oriented control describes a type of control within a hierarchical setting. Thus, when making an initial distinction of control mechanism between hierarchy and market (Williamson 1981; Powell 1990; Coase 1937), results-oriented control normally applies in a setting that lacks competitive market powers as coordinative power. Within hierarchical control, important subcategories are procedural, results-orientated, and social control. While procedural control refers to a determination of legitimate actions, results-orientated control focuses on the effects and results of actions but not on the action itself. Social control is a softer mechanism and seeks to achieve control by congruence of individual and organizational objectives via shared values, perceptions and social coherence (Theuvsen 2001, 42-56). Results-oriented public management generally relies on a definition of products/services, a distinction between the providing and the controlling party, contract management and on measures of performance as prerequisites.

Naschold et al. (1997) identified three types of results-oriented control prevailing in local governments:

- Results-oriented procedural control: traditional bureaucratic control but with the addition of contracts.
- Managerial results-oriented control: focus on managerial role in the process of result definition and control, but neglect of role of politicians and citizens.

- Strong process orientation combined with quality management.

Results-oriented control works by the definition and control of objectives that are defined and agreed upon. Performance objectives are a key component in this mechanism. Results-oriented control makes demands on the quality of such performance objectives (Horak/Matul/Scheuch 1997; Krönes 1998):

- Single objectives must be operational. This means that objectives must be defined in the way they allow an achieved output to be measured and valued in relation to these objectives. General objectives such as those that might be found in legal texts or mission statements generally do not fulfill this requirement.
- Objectives must be complete. Especially in the public and non-profit sector, this includes a balance of economic (financial) and technical/professional objectives.
- Interdependence of objectives must be clarified, e.g. objectives need to be prioritized and ranked.

All of these prerequisites pose a novelty for public management in most policy areas. The definition and operationalization of objectives is often a difficult task. Experience has shown that meaningful objectives systems need to measure not only output but also outcome. At the same time, input measures are needed to evaluate efficiency (Williams 2003; Naschold/Oppen/Wegener 1997).

The operationalization and completeness of objectives in the public sector are often faced with a dominance of technical/professional objectives due to a lack of profit maximization as an organizational goal. Economic reasoning is often experienced as a determining factor rather than as an objective. At the same time, technical/professional objectives are not defined precisely with regard to scope, content and time. As a result, objectives are only defined on a very abstract and not operational level and are not suitable for results-oriented control (Horak/Matul/Scheuch 1997; Greiling 1996).

Results orientation also carries risks that are often related to the quality of objectives and measures defined (Naschold/Oppen/Wegener 1997). Lack of strategic planning and long-term organizational goals can lead to the effect that results orientation will focus on directly defined objectives at the cost of long-term strategic goals. Only quantitative measures foster a short-term perspective and hinder process-oriented restructuring of service provision. De Bruijn (2002) further outlines that a focus on results measures possibly prompts game-playing, adds to internal bureaucracy, blocks innovation and ambitions, and potentially kills system responsibility.

4 The Swiss context

This paper focuses on the case of Switzerland. Its politico-administrative system consists of the federal level, 26 cantons, and more than 3'000 local governments. The size of local governments varies considerably. About half of the municipalities have less than 1'500 inhabitants. Switzerland has often been referred to as special case with unique characteristics:

- A large amount of elements of direct democracy (e.g. referenda, right to initiate cantonal laws and constitutional regulation, direct election of members of cantonal governments)

- Semi-professional 'militia system' in the parliaments
- Principle of *Konkordanz*, meaning an integration of all major parties into government
- Relatively high degree of autonomy of sub-national legislatures, including tax authority for local and cantonal governments
- On the local level, especially in smaller municipalities, the legislative body is the assembly of inhabitants (thus the entirety of elective citizens). Larger municipalities have a representative legislative body.

Switzerland jumped onto the NPM bandwagon in the early and mid nineteen-nineties and refers to its national NPM reform as *Wirkungsorientierte Verwaltungsführung (WoV)* (results-oriented public management). The basic components of the Swiss approach are performance contracting and the introduction of performance budgeting, but also include a focus on management information systems, customer orientation and quality improvement (Schedler 1995; Schedler/Proeller 2003). In line with the international direction of these reforms, increased (organizational, personnel, financial etc.) autonomy of organizational entities, delegation of discretion and power to lower hierarchical levels, and most importantly the granting of managerial responsibility for organizational entities have been topics on the reform agenda.

Data on the involvement of local governments in NPM reforms shows that about a quarter of local government is undertaking first steps, and about 10% of municipalities have implemented the new control mechanisms. Implementation is to be found more in larger municipalities (over 2'000 inhabitants) (Steiner 2000).

With regard to the impacts of NPM reforms, there are no systematic evaluations on the local level, but such evaluations have been undertaken on the federal and cantonal levels. Rieder/Lehmann (2002) summarize some of the findings of these evaluations:

- There is a partly reduced distance between parliaments and agencies, but also a fear of loss of power and competencies among members of parliament
- Outcome measures and indicators are only patchy, small databases and problems of causality limit outcome-oriented political control
- Strategic orientation at the level of government is to be improved
- Increase of output and cost orientation and awareness
- Increase of transparency

As Brun/Siegel (2004) suggest, this might be interpreted in the sense that processes such as performance reporting constitute the main problem because they are not yet sophisticated enough to fulfill their systematic function. However, as they argue, the improvement of instruments could be seen as challenge for research and reform implementation, and in this sense as a potential solution.

When characterizing the direction and scope of decentralization in Switzerland, it has to be considered in the light of two different, albeit not exclusive reform impetuses. First, the restructuring and reorganization of tasks and responsibilities between levels of state will define the scope and form of decentralization between administrative entities on various levels of the

state. In many important policy areas, the trend is not clearly towards decentralization in all dimensions, but rather points towards centrally steering, controlling and financing, with local provision and delivery (Ladner/Arn/Friederich/Steiner/Wichtermann 2000). This generally leads to a strengthening of local organizational autonomy. Second, New Public Management ideas push for decentralization of service provision and enhancement of administrative autonomy. On the one hand, this supports the trend mentioned above regarding division of tasks between levels of state. On the other hand, these ideas also affect decentralization within one level of state, in this case the local level in particular. Again, political and often also financial autonomy are not increased for the decentralized entities, but the intention is to increase organizational autonomy.

5 Control of decentralized service provision in Switzerland

To analyze the relationship and interdependencies of decentralization and control mechanisms, as well as the implementation of results-oriented control, an empirical study on local government in Switzerland was conducted. All Swiss local governments larger than 2'000 inhabitants (800 communes) were asked to send in performance agreements that they were using during the year 2004. 97 communes returned documents and a total of 372 documents could be included as performance agreements in the analysis. The performance agreements were electronically coded and analyzed by qualitative and quantitative content analysis.¹

Use of performance agreements

Performance contracts in the sample come from all over Switzerland and cover a wide range of government services. The sample has been grouped into thematic categories, which were defined and formed to structure the sample. A list of government services attributed in each category is found in the appendix. Figure 1 shows that 68% of all performance agreements in the sample belong to the categories, Youth + Elderly, Works + Environment, and Education + Culture. Therefore, performance contracts are widely used for the provision of care services to the elderly and to children, utility services, maintenance departments, theatres and other cultural centers, as well as libraries. This overall descriptive result points to the assumption that the use of results-orientated contracting is more intensively used in particular policy areas and specific services.

¹ The content analysis was electronically supported using MaxQDA2-Software and SPSS for statistical analysis. To increase reliability and validity of coding, the four eyes principle was applied to 25% of all contracts, followed by matching workshops and a random sampling test after all contracts were coded.

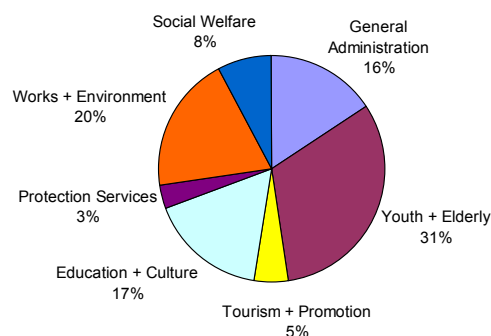


Figure 1

With respect to the preponderance of use in certain service areas, the regional distribution was examined. A comparison of use of performance agreements in the defined categories in the various cantons reveals two major findings (Figure 2). First, it becomes apparent that local governments of large cantons delivered more performance agreements into the sample than smaller cantons. This points to a bias in the sample in the sense that the Switzerland-wide perspective of the study is heavily influenced by single regions. An initial explanation is that the study only included local governments larger than 2'000 inhabitants. As large cantons have more local governments fulfilling this requirement, more local governments of these cantons were included in the sample. However, not all large cantons stand out for their large numbers, with Grisons (GR) being a prime example of this. Therefore, besides size, a further explanation might be that in certain cantons, the use of performance contracting is much more developed than in others.

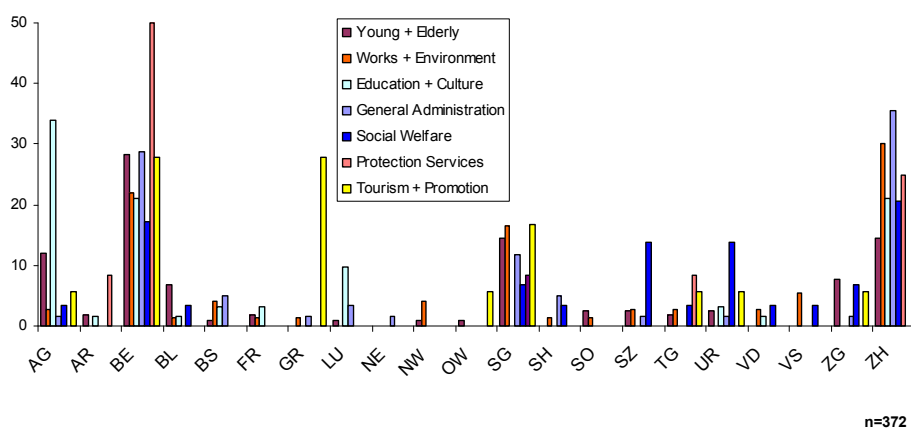


Figure 2

Second, the comparison in Figure 2 shows that in certain cantons, the use of performance contracts covers a wide range of policy areas, whereas in other cantons it is limited to single policy areas and services. This result mainly points to a wider dissemination and broader reception of performance contracting. It supports the finding that not only size, but also other regional circumstances have a major influence on the development of performance contracting. Thus, most of the cantons that have a wide scope of application are known as NPM reform cantons on the local level, or rather local governments that are known as NPM communes are located in these cantons (and are included in the sample).

Type of decentralization

In this study, performance agreements are considered as an indicator of underlying decentralization efforts. Further existing research points to the relevance of institutional settings for the control mechanism. In order to find out about the underlying decentralization structures and types, the institutional setting in which the performance agreements are used is considered. In the following figures, it is analyzed what kind of institution the decentralized entity is and therefore what the institutional setting looks like.

A large body of performance agreements (34%) is used to control internal service provision by local government agencies and departments. The majority, though, is applied in relationship to external, non-administrative organizations and actors (66%). The group of external parties is rather heterogeneous and covers foundations and NPOs, private firms, but also private law organizations that are legally controlled by the local government. In sum, the two major providing parties are administrative departments and agencies, e.g. internal agencies and non-profit actors. The part played by private and privatized organizations is rather small in comparison.

Relating this result to the taxonomy of Pollitt, underlying decentralization efforts mainly seem to correspond to administrative, non-territorial, internal and external, limitedly competitive, vertical decentralization. In particular, the characteristics of external and limitedly competitive need further explanation. As has been shown, the majority of performance agreements are used in relation to third-party actors. Nevertheless, only in a small number of cases has service provision been decentralized to private, autonomous, competitive entities. Instead, the vast majority are decentralized to third-sector organizations. Competition varies widely within the NPO sector, and therefore with regard to some services, such as libraries and area promotion, there exist nearly monopolistic structures. In contrast, there is competition for public money in the category of care services for the young and the elderly or in cultural services. However, objectives, structures and motivation are still distinct in the third sector (Schuppert 1995; Jansen 2004, 54) in comparison to the private market. Additionally, there often exist further organizational links between local governments and the NPO organizations with respect to personnel unions, for example if a council member belongs to the board of the NPO. For these reasons, it has been concluded that competition is only limited.

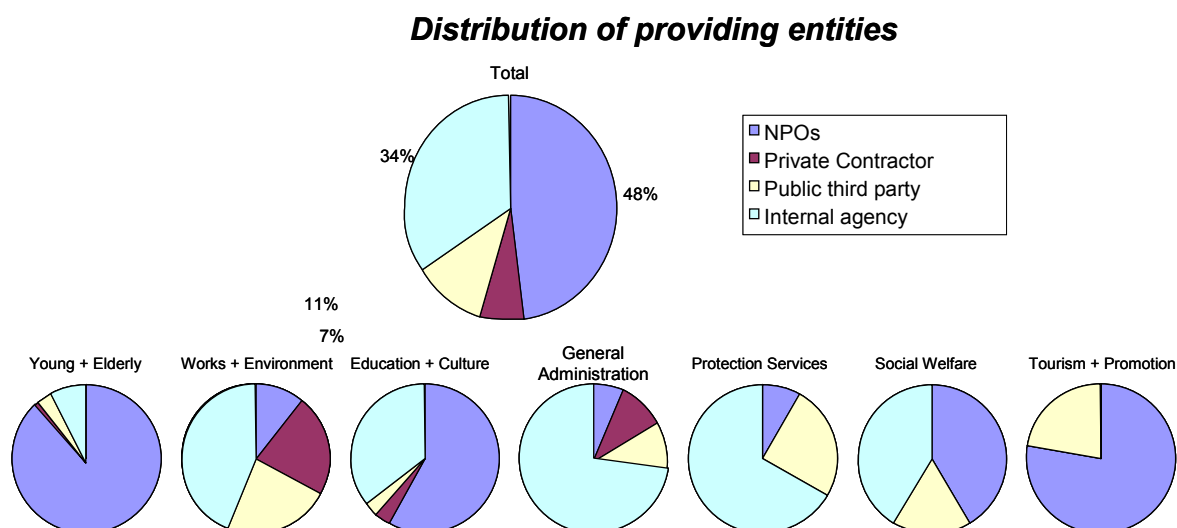


Figure 3

Figure 3 also shows the institutional setting within the different service categories. The categories differ quite clearly with respect to their dominant institutional setting and for most categories there is a clear preference for one or two organizational arrangements. Only in the category Works + Environment is a mix of institutional arrangements found. Care services for the elderly and the young are dominated by delegation to NPOs, as are tourism and area promotion services. Services of general administration, protection services and social welfare tasks are primarily provided by government agencies. In educational and cultural services, government and NPO provision coexist.

Control mechanism and institutional setting

As discussed at the beginning of the paper, decentralization should be accompanied by results-oriented control mechanisms. To explore which kind of control mechanism is used, the content of performance agreements was analyzed regarding output- and results-oriented information. After all available data were reviewed and coded and the data set was structured, it was possible to distinguish categories of results-orientated control information. Depending on the degree of substantiation/abstraction, the following four categories are distinguished (beginning with the least precise):

- *General objective:* A first group of performance agreements only referred to the task and duties, without specifying services and output objectives. The objectives are only described on a very abstract level, without prioritization or material specification of general objectives. For instance, examples in the area of the fire brigade are the definition of objectives as "prevention and fighting of fire, elementary and other damages".
- *Products:* Besides the declaration of general objectives, a large part of agreements list products and services that are to be delivered, but they do not specify output/results objectives for products or product groups. Thus the listing of products is to be understood as a substantiation of the general objectives in the sense that it is stated which services and activities are expected to be provided in order to work towards the general objective.

- *Result Objectives*: The next category contains agreements stating actual results and output/outcome-related objectives, but still without determining their measurement. To put it precisely, in these agreements the aspired objectives are listed for each product or product group. For purposes of categorization, one major distinction has been made. Only '*material goals*' (Kosiol 1966) were considered, so that agreements containing concrete objectives, but only with respect to '*formal goals*', were not considered in this category (and this restriction only applied to very few agreements).
- *Objectives and Indicators*: Finally, performance agreements explicitly stating *objectives* of services provision and measures for those objectives, so-called *indicators* form the last category.

Definition and coding of those categories is not unambiguous. While attribution to the first and last category is rather clear and objective, distinction between the two middle categories is more difficult and absolute figures need to be interpreted more carefully.

An analysis of which type of control information is used in the various institutional settings (Figure 4) shows that in relation to external NPO organizations, three categories are fairly equally distributed, meaning that control information focusing on products, objectives, but also indicators is rather common. With regard to control of internal agencies, control by indicators is much more disseminated and accounts for almost two thirds. Furthermore, results show that most agreements use indicators as a control measure.

With regard to the other institutional settings, it is noteworthy that in relation to other public third parties, control by indicators is not very common, as is also the case in relation to commissions and special purpose associations. Due to the risk of bias, in the following, the analysis will focus on NPOs and internal agencies.

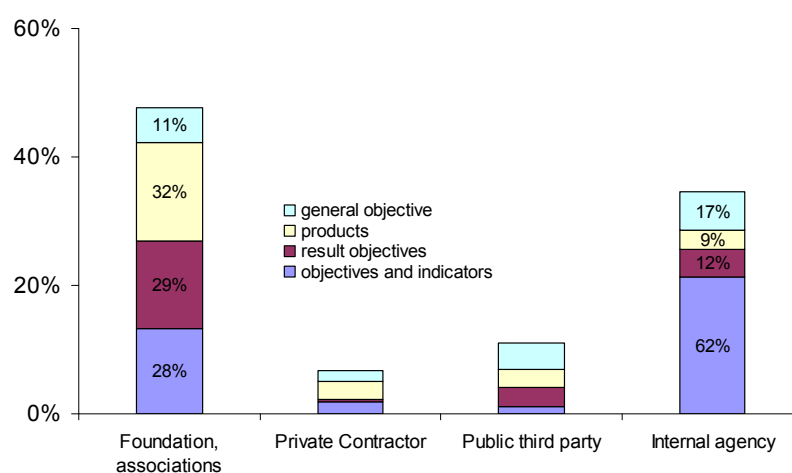


Figure 4

It has long been discussed that some policy areas and services are more suitable for results-oriented control than others due to their more technical, static character. Exploring the differences regarding control mechanism in its use across various services areas (Figure 5), it is apparent that in the groups of Education + Culture, Works + Environment, and General Administration, the majority are controlled by indicators. By contrast, in the group of Elderly + Young (as well as Social Welfare), control by verbally defined, not operationalized objectives

and product definition is preferred. The smaller service groups use all categories rather similarly.

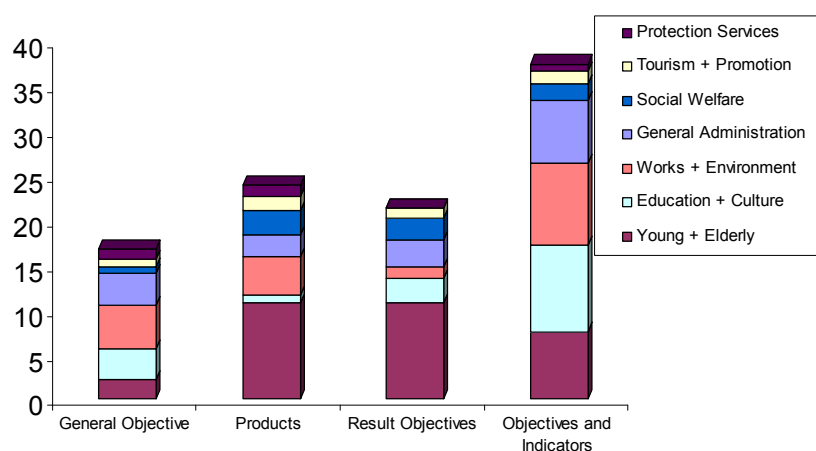


Figure 5

In relation to institutional setting, it becomes clear that there are additional differences within each service category depending on the institutional setting of the providing party. Thus, for example, in the category of Elderly + Young the internal provision is mainly controlled by indicators, while the NPO provision uses them to a much lesser extent. The explanation is that NPO provision not using indicators in the sample mainly relies on so called "hospital-external services" (*Spitex*). Clearly, it is hard to control Spitex services by measurable indicators, and accordingly the preference for other control measures reflects correlation to the service.

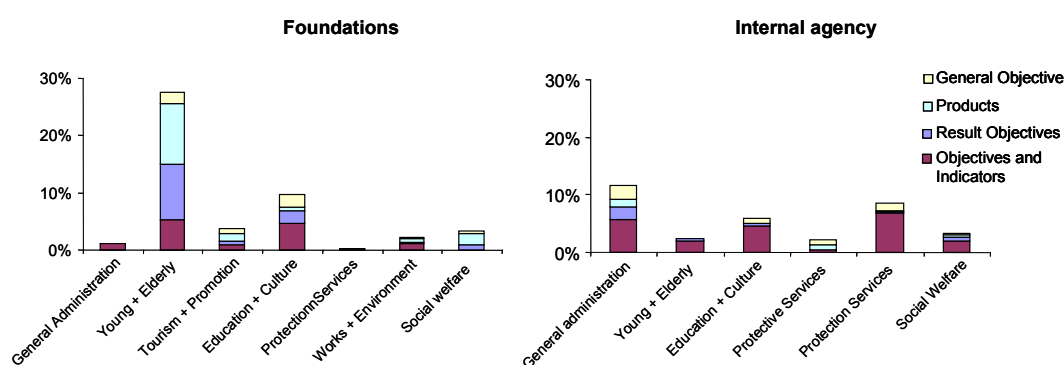


Figure 6

In total, there seems to be a dependence between institutional setting and character of the objective definition, but no obvious relation between service categories and objective

definition.² But particular institutional settings are prevailing in certain service areas which indirectly influence also the character of result and performance information used.

6 Discussion and Implications

What do the results tell us about the use and implications of results-oriented control in decentralized service provision? The discussion will focus on the interdependence of institutional settings and prevailing control information, as well as on the quality of results-oriented information and its implications.

The study revealed that there are differences in the sophistication of results-oriented control in relation to the institutional setting. The most obvious difference was revealed between contracting with internal agencies and NPOs. NPOs relied to a much lesser extent on measurable performance indicators than internal agencies. This observation is in line with the observation of other authors that in the third sector there is a traditional reluctance toward economically motivated, operationalized performance measurement (Mensah/Li 1993; Hatry/Fountain/Sullivan 1990; Levitt/Joyce 1987; Jansen 2004). Meagher/Healy (2003) analyzed reluctance towards performance measurement in NPOs in the area of child and family social welfare (many of the performance agreements in our sample belong to this type of service). They found that the main reason for tensions over the formulation of measures arises between what practitioners value about their work and their perception about what is valued by those funding the NPO. Practitioners perceived that the government controlling agencies routinely devalued key components of effective service delivery in favor of managerial goals, like compliance with the law, cost containment and maximizing numbers of clients seen. Further, Meagher/Healy (2003) found that the size of the NPO matters with regard to the reluctance of performance measurement. Practitioners in small NPOs see tensions and inadequacy of performance measurement more intensely than their colleagues in larger NPOs.

Both aspects might partially explain the comparatively low use of operationalized performance measures. Most of the NPOs acting as contracting partners in our sample can be considered as small organizations, so the above finding might also have its traits in the Swiss context. Performance contracts with NPOs in our sample did make proportionally high use of verbal objective formulation and service/activity enumeration. These elements are already a step towards making agreed on services more precise. The lack of operationalized objectives - seen as the following, final step - might be explained by the differing valuation and focus of the contracting parties, as described by Meagher/Healy. Nevertheless, it should be stressed that a significant part of performance agreements with NPOs (28%) already include indicators even though they are not necessarily outcome measures, but output and process measures.

To enhance results-orientation in the sense of performance measurement including outcome measures, evidence from another study (Julnes 2001) shows that inclusion and participation of both contracting parties in the process of developing performance measures increases the perception of usefulness and can foster more sophisticated outcome-based modes of performance assessment.

Turning to performance agreements with internal agencies, it showed that even though almost two thirds of the agreements analyzed included operationalized objectives, a considerable part

² Chi-square test, directional and symmetric measures support this result.

lacked information on measurable objectives. The outcome dimension, too, is not covered in many performance agreements. Results-oriented control, in these cases, is only implemented in a fragmentary manner. These deficits in results orientation might be explained by the development phase, e.g. performance agreements merely represent first attempts and will be further developed. Another and more likely explanation is that some local governments do not intend to implement 'true' results-oriented control mechanisms accompanied by corresponding decentralization of authority, but rather follow what Naschold/Oppen/Wegener (1997, 14) have called 'results-oriented procedural control', e.g. contracts only complement traditional bureaucratic control mechanisms. This interpretation is supported by the observation that performance contracts of the same local government generally fall in the same category regarding specification of performance information.

A choice for results-oriented procedural control is often justified with the combination of advantages of both control mechanisms. If output orientation is added to input orientation, the assumption is that even more – and more is better – control is possible. In contrast, experience has often shown that results orientation as an add-on brings with it many possible deficiencies. Most importantly though, it will not be conceived as relevant to the employees of the agencies and is likely to fail to meet its motivational and coordinative functions.

In terms of the quality of results orientation, the results allow an interpretation of the state and further potential. It should be stated that there has been a clear strengthening of the performance side in the control of service provision. The vast majority of performance agreements indicate efforts to place a focus on the output and outcome side of service provision, which can be considered as development and change in the last ten to fifteen years even if it is restricted to product definitions. However, requirements of results-oriented control often exceed the type and quality of information that is available in the performance agreements in the study. Product enumeration, and general objectives that cannot be measured or weighed will not be sufficient to install results-oriented control. Even though NPM concepts in Switzerland have focused on the outcome side from the very beginning (Schedler 1995), results show that practice regularly fails to meet this prescription. In line with results for OECD countries (OECD 2002), performance management does not yet systematically include outcome information.

The perils of incomplete performance measurement for results-oriented control often lead to a downward cycle. For public corporations, Greiling (1996) has analyzed that missing precise performance objectives often leads to a factual delegation of objective setting to the management of the agency. Often, incomplete performance objectives are coupled with financial requirements that by their nature are more tangible. Ultimately, implicit delegation of performance definition to the organization leads to a greater distance between the controlling and providing party and makes control even harder. Often, it also results in an unintended overstating of financial aspects (Machura 1993). The general logic of this can also be applied to different institutional settings. The downward cycle begins when the lack of control is compensated by ongoing input and procedural control. The necessity of clear performance measurement and its reliability become secondary and results orientation will not further evolve, with parallel control structures remaining in place.

A tendency for this mechanism is also reflected in the study for Swiss local governments, for example in the tendency towards results-oriented procedural control of internal agencies. Besides the incomplete performance measurement a very meaningful aspect in relationship to

NPOs, there is the common practice that local government executives are guaranteed positions on the board of NPOs relying heavily on the provision of public services. Not infrequently, this rule is stated in the performance agreements. The case of a Swiss city that is considered as a pioneer and forerunner in the implementation of results-oriented control illustrates that a focus on the results orientation made such mechanisms obsolete, even opposed to them. In the policy area of social welfare, they have elaborated and developed their results-oriented control instruments and now systematically restrain from having personal ties to single institutions because it might jeopardize the focus on results orientation.

Considering the entirety of performance agreements in our sample, it becomes apparent that in many local governments the use of performance agreements is restricted to single service areas. The regional distribution revealed that in many cantons, only selected and single service areas appeared with performance agreements. This might be due to coincidence or bias, but more likely it points to patterns of use and dissemination of NPM as administrative reform. Combined with the fact that in those cases the appearance of performance contracts is limited to services where third party provision prevails, it points to a link of results-oriented control and decentralization. Third party provision always includes elements of decentralization and accordingly increases the need for results-oriented control. As has been shown, the sophistication of results orientation varies considerably not least in areas of third party provision. Therefore, results of this study stipulate a gap between decentralization and control mechanisms that is partly compensated by other controls, but as has been shown in the theoretical discussion, these are fragmentary in decentralized settings.

7 Conclusions

Analysis in the paper builds on the assumption that performance agreements are, firstly, used as a measure and instrument to strengthen results-oriented control in the course of decentralization efforts and, secondly, are the instrumentalization of the prevailing control mechanism in this setting. The study explored the use of performance agreements in Swiss local governments. It was found that performance agreements are used in various institutional settings, predominantly in relationship with internal and non-profit agencies spanning a variety of different policy areas. Regarding quality of performance measurement an increase of performance and objective orientation can be stated, in the sense that the majority of documents referred to products, objectives or even indicators. Nevertheless, most performance contracts do not meet the requirements of results-oriented control in the sense of including a measurable, complete and weighed set of objectives also including outcomes.

The analysis points to an ambiguous development of results orientation in Swiss local governments. Some local governments seem not to aspire to results orientation as a prevailing control mode but rather follow a results-oriented procedural control approach. Secondly, obstacles in the process of objective definitions influenced by the character of the service and the institutional character of the provider seem to be reflected in the sophistication of performance information. In sum, it can be concluded that results orientation has increased but often fails to satisfy the requirements of results-oriented control. Accordingly, decentralization is in some cases clearly restricted and does not include managerial autonomy or/and is not accompanied by corresponding results-oriented control and runs the risk of inefficiencies.

The study relied on the analysis of performance agreements used in Swiss local governments. The character of the sample implies some limitations that need to be considered. The performance contracts sent in were selected by the respective local government. Therefore, the sample represents neither the entirety nor a random sample of performance agreements in use. Consequently, results regarding the distribution and areas of application of performance agreements are only to be understood as descriptive of the sample and not as representative. The selection by local governments also implies biases regarding the quality of performance agreements. It might be assumed that local governments were more likely to choose performance agreements that they considered as 'good' rather than sending in those in which they considered themselves as unsuitable role models of their approach. In effect, the sample therefore rather has a positive bias.

The presented analysis and data is part of ongoing research. The results in this study pointed to various aspects that need be addressed in the course of this or future research:

- Exploration of the financial component of performance agreements: A further exploration of the interdependence of decentralization and a control of the type of financial resource allocation will reveal further insights.
- Analysis of performance indicators used in various policy areas: A further, more in-depth analysis of indicators used will enable development needs to be mapped more precisely and might serve as an orientation for local governments in their development process.
- Search for outcome measures: Finally, not only practitioners and administrators need to engage in the search for outcome measures, but research also has to contribute to the challenging task either by providing research on causality and evaluations or by further development of possible 'measures' for outcomes besides quantitative indicators.

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Appendix

Appendix 1

Explanation of thematic categories

<i>Name of category</i>	<i>Government area/services attributed to this category</i>
Youth + Elderly	• Care services for elderly • Kindergarten • Day nursery • Nursing homes
Works + Environment	• Utility plants and services • Maintenance depots • Recreational facilities • Waste management
Education + Culture	• Primary schools • Theaters • Libraries • Music schools
General administration	• Tax administration • Facility management • Election office
Social Welfare	• Social security offices • Social welfare departments • Custody
Protection services	• Military service • Civil protection • Fire department
Tourism + Promotion	• Tourist information • Area promotion