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# The Evaluation of Innovations. How to Evaluate the Transformative Value of the Cohesion Policy for Managing Purposes

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## Abstract

The Cohesion Policy aims at creating a transformative value to societies in addition to traditional public values. The implementation of Cohesion Policy has been organized by temporary organizations, such as projects, to promote innovations, knowledge and learning. The problem is that the performance concept used for managing the policy is founded on traditional technical and economic values, theoretically neglecting the benefits of innovation projects, and potentially opening up for profound steering problems. To what extent can the transformative added value of innovation projects be evaluated by the traditional performance concept? And are the traditional and the new transformative performance concepts consistent for managing purposes? In this study the performance framework is revised with regard to the benefits of projects as policy tools. The revised concept for assessing performance of projects is then statistically compared to the traditional performance concept by operationalizing them on regional development projects in Finland during the Cohesion Policy program 2007-2013. The study shows that the new performance concept is consistent in evaluating development projects' performance in a complex administrative system. The new and traditional concepts are, however, inconsistent in providing steering signals. This raises concerns for the effects of performance management of project driven policy implementation.

## Introduction

Implementation of public policies in Western democracies is increasingly organised by means of temporary organisations such as networks, projects, partnerships and various forms of co-management, the aim being to generate added value to the transformative capacity of society. An important question is the extent to which these added values can be evaluated by means of traditional performance concepts. Temporary forms of organising aim at creating soft added values, while performance evaluation instruments emphasise hard technical and economic values (Van Dooren, Bouckaert, & Halligan, 2010). The problem is particularly salient in regional development policy, such as the European Union's (EU) Cohesion Policy, which has been a frontrunner in the endeavour to add to the transformative capacity of society (Brulin & Svensson, 2012). The Cohesion Policy is implemented through projects, which are expected to deliver flexible, just-in-time and cooperative policies promoting innovation, learning and other qualities in the regions (Sjöblom, Löfgren, & Godenhjelm, 2013b). However, evaluation of these policies is substantially reliant on measurements of technical and economic performance information, e.g. the amount of new jobs or enterprises planned and created (Godenhjem, 2013).

It is clear that traditional performance concepts in managing policy implementation should be supplemented by new performance measures which reflect the added value of project-driven policy implementation. The challenge is partly

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to identify indicators reflecting objectives such as enhancing knowledge, innovation and the democratic qualities of the policy processes, and to analyse the long-term effects of the policies (Vedung, 2013). The problem has to some extent been elaborated in a theoretical-analytical sense (Dickinson & Sullivan, 2014; Skelcher & Sullivan, 2008), however, comprehensive empirical analyses are still rare. Further development of the performance concepts should be of particular interest in the Nordic countries, where the tradition of an egalitarian welfare state and its extensive, complex, yet sophisticated administrative system, in combination with the transformative Cohesion Policy has led to a deep dependency on performance management as a means of policy coordination (Christensen & Laegreid, 2011; Sjöblom, 2011). However, another important question is the extent to which traditional and new performance dimensions are consistent in providing information to manage innovative implementation of public policy. The added values created by transformative public policies, such as the Cohesion Policy, have to be considered in relation to traditional public policy objectives, such as creating new jobs or firms. The distinction between policies with a transformative and traditional objective is often blurred, and measures such as the Cohesion Policy have both a transformative and a traditional dimension of additivity among their aims (*Cohesion policy 2007-2013*, 2007). Transformative public policy therefore also needs to be managed by traditional conceptions of performance. Inconsistencies in signals delivered by the traditional and the new performance concepts would, however, engender profound management problems, ultimately endangering the legitimacy of policy coordination and implementation of the EU and the national politico-administrative systems (Beetham & Lord, 1998).

## Research questions and limitations

This article considers the limitations of traditional performance concepts as a basis for evaluating the EU's Cohesion Policy characterised by the transformative ambition of creating added values locally and regionally. The main argument is that such values are neglected by traditional performance concepts that guide the implementation and evaluation of transformative policies. In turn, this can create new problems in terms of management, learning and evidence-based policy action. This article's principal research question can be formulated as follows:

- To what extent can the added value created by project-based policy implementation be evaluated by means of traditional performance concepts?

The study goes to the heart of whether contemporary performance management concepts are fit for the task of managing policy implementation in modern society (Hill & Hupe, 2002). Discussing the premises behind the traditional theoretical conception of performance used in the practice of evaluating and managing the implementation of the Cohesion Policy, and the theoretical characteristics of

the added value that the Cohesion Policy endeavours to achieve (Riché, 2013), enables a summary of the problems inherent in the traditional conception of performance. One of the objectives of this paper is therefore to suggest indicators that reflect the transformative capacities of policies.

The division in rationale between the traditional performance concept and the transformative value concept may cause problems for the consistency of performance management in relation to the Cohesion Policy's aim to both create more traditional values for the public good and an added value in the form of transformative capacity. The extent to which multidimensional assessment concepts, including performance dimensions reflecting traditional outcomes as well as the added value of the policy, would yield consistent steering signals is unclear. However, the problem unfolds with potentially far reaching consequences for the legitimacy of public policy implementation. Inconsistencies between the performance dimensions would mean that conclusions and policy recommendations might vary depending on the dimension on which performance is focused. Decisions may become arbitrary, thereby endangering the legitimacy of performance evaluations and performance management systems.

The dilemma concerning the consistency of performance dimensions is not only of practical importance for steering the EU's Cohesion Policy. The proliferation of transformative public policies in various policy areas and the increasingly complex implementation systems may also create more fundamental problems with respect to the democratic qualities of public policy implementation. In the short term, the problem poses a potential threat to the performance and legitimacy of the government (Van Dooren et al., 2010), which, if accumulated over a long period of time, may be a more profound threat to the legitimacy of the politico-administrative system as a whole (Beetham, 1991).

An important question is the extent to which performance evaluation and management is capable of addressing the transformative capacity of regions, and what knowledge is lost through a reductionist strategy of atomising complex outcomes into simple indicators which are fed back to the governance system as a means of improving the Cohesion Policy in the long term (Brulin & Svensson, 2012). The critique of performance management is relevant and may be of increasing importance due to the transformative aim of public policy, however, this line of reasoning is not new (Lynn, 2006). Managing by performance information has been criticised in the context of both public and private organisations in terms of the problems of reducing action and output to measurable units (Van Dooren et al., 2010). This problem is not just related to public policy implementation, but extends to all human activities that undergo evaluation, such as education, health care and sports (Davies, 2015; Sadler, 2009). Without going into detail, it can be noted that a discussion is taking place about whether an analytical evaluation, which reduces action and output to measurable entities or holistic evaluations which form a comprehensive evaluation of the whole, is more functional for the purpose of evaluating human action. The conclusion drawn from the discussion is that there are limitations to all evaluative strategies. A more fundamental critique

of performance management and the evaluative paradigm resonates with the argumentation of power discourses in the governance of society (Mckenzie, 2001), which, although highly important is not addressed in this paper due to practical limitations. The critique should not lead to the abandoning of performance evaluation, since the options are probably no better. Firstly, the evaluative framework should be developed to validly and reliably measure the performance of action and output by updating the evaluative instruments. Secondly, awareness of the power discourse that lies within the evaluative and managerial paradigm is paramount not for the sake of trashing performance management, but for the sake of fairer and more just governance.

### The Cohesion Policy in the EU and the added value of project based implementation

Regional development policy is because of the Cohesion Policy among the policy areas most reformed towards an innovative public policy with an aim of creating an endogenous transformative capacity among socially and economically lagging areas in the EU and its member countries (Marsden et al., 2012). In the Cohesion Policy of the European Union one can find parallels to new public governance of the plural and pluralistic public sector (Osborne, 2010; Rhodes, 1997). The key issue at hand, uneven economic and social development between and within member states, is a complex problem that cannot be solved by a single actor and standardized means. The solution has been to promote regions and local levels to become the *loci* of endogenous growth by generating an innovative capacity by development projects (Herrschell & Tallberg, 2011), creating a problem for evaluating the efforts as argued above.

The Cohesion Policy is structured into several funds, which focus on certain aspects adding to the overall social cohesion. The European Regional Development Fund, which is the largest of the Cohesion Policy funds with regard to budget, has prime responsibility of designing and implementing the innovative public policy (Brulin & Svensson, 2012). Fostering innovations is one of the main aims of ERDF, in addition to the more traditional aim of creating new jobs and firms. The parallel aims are found already in the regulatory documents of the ERDF 2007-2013, where the scope of the fund is imprinted in article 3 as (*Cohesion Policy 2007-2013*, 2007):

“a) productive investment which contributes to creating and safeguarding sustainable jobs, primarily through direct aid to investment primarily in small and medium-sized enterprises (SMEs); b) investment in infrastructure; c) development of endogenous potential by measures which support regional and local development. These measures include support for and services to enterprises, in particular SMEs, cre-

ation and development of financing instruments such as venture capital, loan and guarantee funds, local development funds, interest subsidies, networking, cooperation and exchange of experience between regions, towns, and relevant social, economic and environmental actors;”

The aims, where the first two are more or less conservative public policy aims and the third incarnates the idea of supporting the local transformative capacity, reveals how the added value of the Cohesion Policy implemented by projects is only one layer of values strived for. Although the new Cohesion Policy programme 2014-2020 has reformed the regulations of the ERDF and other funds, the same priorities can be found also there (*Refocusing EU Cohesion Policy for Maximum Impact on Growth and Jobs*, 2013).

Performance management has for a while been the major managing strategy of the implementation of the Cohesion Policy. In accordance with the basic idea of performance management in general, the aim has been to secure precision, accountability and legitimacy of policy implementation (McKenzie, 2001). Researchers have, however, pointed at problems related to managing by performance information, which primarily are caused by the unreliability of performance evaluations (Vedung, 2013). There have also been concerns raised specifically about the trustworthiness of performance management of the Cohesion Policy, focusing on hard technical and economic performance dimensions, such as quantity of produced goods, new jobs created in relation to planned number of jobs etc. (*Eura2007 monitoring system*, 2014; Godenhjem, 2013). The problem is that the added value strived for in the form of innovations, learning, knowhow and collaborative culture are soft values, where the results are not concrete quantifiable entities as such but a result of complex interdependencies (Dickinson & Sullivan, 2014). They should therefore be evaluated with performance concepts extended beyond crude cost calculations with a focus instead on identifying the tacit and soft transformative values.

The use of performance evaluation and management has increased for each program period. In the program of 2014-2020 the Commission has highlighted the dynamic use of performance management, coordinating the policy and steering the resources to activities that generate the best outputs and outcomes. A quota of the Cohesion Policy budget has, e.g. been reserved as funds available for redirection to activities proved effective by performance information (*Refocusing EU Cohesion Policy for Maximum Impact on Growth and Jobs*, 2013). In order to achieve this objective the focus has been on formulating more exact and concrete aims of each implementing action. The diagnosis seems to have neglected the critique of the traditional performance evaluation concepts, as the prescription has been a reinforcement of traditional performance evaluation.

For the Cohesion Policy to reach its potential as one of the most important tools in governing the EU (Brulin, 2013), the implementation by projects should be evaluated by performance concepts suitable for evaluating the transformative

added value of innovation projects. This is fundamental for effective and legitimate governance of public policy by performance management.

### The traditional performance conception and the nature of transformative added value

Researchers have already criticized assessment and evaluation concepts that focus on performance dimensions of traditional values such as technical, organisational, and societal- economic performance, for neglecting the added transformative value created by project based implementation of implementing Cohesion Policy (Brulin & Svensson, 2012; Godenhjem, 2013). Albeit far from a coherent concept, the added value expected of projects is usually defined as innovations generated as a positive side effect (Godenhjem, 2013), or as learning processes and tacit knowledge, enabling future innovations (Dickinson & Sullivan, 2014). Either way defined the added value is expected to stem from the network organisation enabling collaboration in projects (Dickinson & Sullivan, 2014) and an action-driven rationale with a timely limitation enforcing a certain sense of urgency (Lundin & Söderholm, 1995). The action undertaken in projects is also expected to benefit of the toolbox of the project management code of conduct enabling flexibility, autonomy and enhancing the effectiveness of the policy action (Sjöblom, Löfgren, & Godenhjelm, 2013a).

The Cohesion Policy, which primarily has been managed by performance in the sense of hard technical, organisational and economic values with a societal dimension, has targeted the traditional value of the policy but neglected the potential the added values (Bouckaert & Halligan, 2006; Van Dooren et al., 2010).

#### Technical performance

Technical performance stems from the idea of the production logic of an organisation, where the input of resources are transformed into output in a production process (Van Dooren et al., 2010). Technical performance, or productivity, is simply a measure on what quantity of output is produced with the quantity of inputs (Table 1). The practice of performance management in implementation of Cohesion Policy entrusts the theoretical conception of technical performance when evaluating the objectives of generating social and economic welfare by fostering employment by measuring the number of new jobs created divided by costs for the action (*Eura2007 monitoring system*, 2014).

The productivity measure has been operationalized on new jobs created and the costs of the projects, which were indicators reported by the project actors to the administrative officials for management purpose. The descriptives on productivity of policy projects in the EU regional policy can be found in appendix 1. The need for this measure in performance management of public policy is intuitive, since a virtue for all action in organisations is to be run at lowest possible costs

but produce a maximum amount of products or services. The restriction of productivity is its poor information value about reaching predetermined goals (Vedung, 2006). With respect to the rationale of innovative public policy it is evident that the added value created by projects as innovations, learning, knowhow, flexibility and a culture of collaboration is not covered by the blunt performance dimension of productivity.

Table 1. The characteristics of the traditional performance and the transformative performance concepts.

<b>Performance logic</b>	<b>Traditional performance</b>			<b>Transformative performance</b>		
<b>Performance dimension</b>	Technical	Organizational	Societal-economic	Organizational	Socio-cultural	Sustainability
<b>Performance measure</b>	Productivity	Ex ante effectiveness	Cost-efficiency	Ex post effectiveness	Efficiency	Continuity
<b>Operationalized with respect to Cohesion policy</b>	New jobs/total cost	New firms/planned new firms	Innovation / total cost	Self evaluation of benefit	Learning capability	Grade of permanency

### Organisational performance

One of the general objectives for regional development, the fostering of employment by creation of new enterprises, is a frequently used measure for effectiveness in official evaluations of the projects (*Eura2007 monitoring system*, 2014). When established each project declares an amount of new enterprises it aims create and when finished the project announces an estimation of new enterprises created. The division between these numbers is treated as a measure on the projects' goal attainment or ex ante effectiveness (Table 1). Effectiveness is a traditional performance dimension on the organisational level, yielding information about whether the output of the organisation meets the predetermined goals. It is therefore usually used to complement the technical performance dimension in performance management.

There are a variety of alternatives to goal attainment evaluation. In order to exclude the possibility of external and uncontrolled effects on the achievement, goal attainment is suggested to take the concrete result of the activity in focus and compare it to the goals set up in advance (Vedung, 2006). This *ex ante* goal attainment evaluation, or effectiveness, is frequently operationalized in policy implementation and action by measuring the amount of new jobs, new firms, and other societally beneficial outputs or outcomes with the amount planned for the activity.

The planned amount of new enterprises and the estimate of new enterprises created are indicators reported by the administrative officials (*Eura2007 monitoring system*, 2014). The descriptives on the ex ante effectiveness of policy projects in the EU regional policy can be found in appendix 1.

With regard to the flexible and just-in-time projects implementing Cohesion Policy, the rigid ex ante effectiveness seems theoretically unsuited for covering the added value. Especially beneficial side-effects of the projects are unaccounted for.

### Societal-economic performance

The theoretical conception of public policy performance recognizes the need of measuring the impact of the policy in society with regard to the costs, or the traditional societal-economic performance (Van Dooren et al., 2010). The societal-economic dimension proposed by the theoretical performance conception is deeply integrated in the practices of evaluation of the implementation of Cohesion Policy (Ministry of employment and the economy, 2011). The development projects, thought to have an impact on the economic situation of the region by promoting or establishing innovativeness and learning (Brulin & Svensson, 2012), are asked to report concrete innovations, best practices and new knowledge to the administration of the policy implementation (*Eura2007 monitoring system*, 2014). Innovation in the public sector is, however, a disputed concept. Some researchers regard only concrete products or patents as innovations, whereas others stretch the concept to include also processes as innovations (Brulin & Svensson, 2012). In order to be able to quantify the outcome most practitioners, including administrators of Cohesion Policy, lean towards the formal and concrete definition of innovation (Makkonen, 2011).

In this study the indicator of innovation consists of new patents and commercialized products. The indicator of innovation was extracted by quantitative content analysis of reports by administrative officials on the projects. Innovation as societal-economic performance is measured as a simple equation of innovation in relation to the costs of the project. The descriptives on the variable can be found in appendix 1.

Theoretically, there are as discussed several concerns about to what extent the traditional performance dimensions cover the transformative added values of activities in projects. In the next section a new performance concept with regard to the added value aimed for in the Cohesion Policy is developed.

### A new concept of performance for evaluating the transformative value of project based implementation

Measuring performance of transformative public policy implementation by projects necessitate the recognition of the characteristics of project network organisations and the nature of the aims of the policy. The projects implementing the



Cohesion Policy take the form of a temporary network organisation, underlining the organisational aspect of performance (Riché, 2013). The complex nature of the transformative aim, which results in diffuse soft values, needs performance dimensions reflecting this specific character (Skelcher & Sullivan, 2008). Lastly, the combined effect of the temporary organisation generating diffuse results, begs the question of why not evaluating the sustainability<sup>1</sup> of the results as well.

### Organisational performance revisited

A variation in goal attainment evaluation offers an organisational performance dimension which is flexible with regard to variation in different policy action and implementation, yet robust enough to provide a performance dimension to the policy action field in general. The constraints from the timely limitation and the network character of projects has lead researchers to shift the focus from the traditional *ex ante* goal attainment evaluation to an *ex post* evaluation (W. J. M. Kickert, Klijn, & Koppenjan, 1997; Vedung, 2006).

In the *ex post* evaluation the output is compared to the goals in hindsight of the activity (ibid.). The significant benefit of the *ex post* evaluation approach is that the change in goals that are common during the lifespan of a flexible network project can be handled when as the *ex ante* evaluation is blind for change.

There are two ways of conducting an *ex post* goal attainment evaluation. First, an external actor can be ordered to monitor the action undertaken and the results produced by the organisation and comparing them to the goals set for the organisation. This is usually done by studying documents such as plans and end reports (W. J. M. Kickert et al., 1997; Vedung, 2006). Secondly, the organisation can evaluate themselves with regard to the degree of goal attainment. In this later form of goal attainment evaluation the measure on performance is more of an assessment of success of the organisation in general than strict goal attainment evaluation (Vedung, 2006). The complexity of activities is considered a major barrier for the validity and reliability of goal attainment by an external evaluator. This problem is circumscribed by self-evaluating goal attainment. The self-evaluation method is theoretically open for other problems such as e.g. unwarranted optimism. Fear for this type of behaviour is often unnecessary. Research has not found any significant evidence of this in self-evaluation of performance in the public sector (Fotel, 2011).

With regard to the project rationale the *ex post* goal attainment evaluation might offer a measure on the organisational performance that can handle the flexibility of the policy action undertaken in projects (Table 1). Instead of evaluating effectiveness of projects with regard to general objectives, such as new firms created, *ex post* effectiveness of projects should be evaluated on a common scale showing the overall estimate of benefit for different actors. What such a measure loses in accuracy it gains in reliability and comparability (W. J. M. Kickert et al., 1997).

In this study *ex post* effectiveness is operationalised as the question in the survey where the project managers were asked to estimate the degree of benefit of

the project to different internal and external actors. The estimates were summarised to create an overall estimate of benefit by the project. The descriptives of ex post effectiveness are found in appendix 1.

### Cultural and social performance

One of the fundamentals of organising Cohesion Policy implementation in the form of projects is the tentative premise of benefits from the collaboration gained by the network characteristics of the projects (Sahlin-Andersson & Söderholm, 2002; Sjöblom & Godenhjelm, 2009). Collaboration is, however, not only a project specific ideal but more of a buzz word generally in the reformed public sector. The problems with assessing the benefits of collaboration by productivity or effectiveness has led researchers to look at cultural performance or social efficacy (Dickinson & Sullivan, 2014).

Performance as social efficacy is understood as the creation or strengthening of *inter alia* symbols, collective practice, common language and identities (Dickinson & Sullivan, 2014; McKenzie, 2001). The common denominator for these aspects of collaborative outcome is that they cannot be quantified since they are more or less abstract entities. Instead performance is visible only in the “act” of individuals or organisations and is therefore always interactional in nature (Dickinson & Sullivan, 2014). This also makes it meaningless to put a price tag on the efficacy since the information value of dividing strengthening of a common identity with the resources of the action is low.

Applied to the collaborative action in the regional development projects efficacy needs to take into consideration that the main purpose of the regional development projects is to endorse endogenous, locally and regionally anchored growth through support to prerequisites of growth. Among the prerequisites in regional development policy are social constructions and knowledge based factors, such as actor networks, institutionalised procedures, knowledge and know-how (Burlin & Svensson, 2011). None of these are meaningful to quantify by themselves or measure against the costs of obtaining them due to unclear causality. Networks between actors, institutionalised procedures, knowledge and know-how are only meaningful when performed in interaction between two or more actors. Efficacy in the Cohesion Policy context can therefore be operationalized as the prerequisites for endogenous growth by creation of:

- Best practices
- New knowledge
- Social innovations
- Capacity to capture positive side-effects

Although meaningless to quantify, these four aspects of efficacy can be summarized, which gives us one measurement on efficacy for the projects on a continuum

reaching from “*little or low*” to “*more or high*”. The best practices and social innovations were extracted by quantitative content analysis of official reports on projects by monitoring officials. The new knowledge and positive side-effects were reported in the survey to the project managers. For detailed description on efficacy see appendix 1.

### Sustainable performance

Projectification of policy implementation and action in the EU has raised concerns about the sustainability of the results. The difference to the transformative added values of projects is that sustainability is a negative side effect of the projects (Vedung, 2013). The question asked in most studies regarding public policy innovations and projects is how to ensure the transition of results to a permanent basis (Burlin & Svensson, 2012; Marsden et al., 2012; Sjöblom et al., 2013b; Vedung, 2013). Guaranteeing it is essential for the long term regional development policy, and hence there ought to be a control on to what extent the results are permanent or temporary (Skelcher & Sullivan, 2008). Therefore it is remarkable that only scarcely have attention been paid to the continuity of the output as a performance dimension of innovative projects. One of the more serious evidence-based attempts has been the “on-going” evaluation set up by the EU for its regional policy. The continuity would come from the application of the information gained by these evaluations in steering the policy. The results of this effort are however yet unclear and its effects remain to see. The scarce research in the field with empirical connection has categorically analyzed it by case studies (Skelcher & Sullivan, 2008; Vedung, 2013). To what extent sustainability can be perceived as a performance indicator consistent with performance indicators reflecting other value dimensions is therefore unclear.

Continuity of the results can be achieved in several ways. According to the theory of project management and theories of projects as temporary organisations the continuity is ensured by keeping the ties between the project and the permanent organisation strong enough so that the result of the project continues within the permanent organisation after the dissemination of the project (Lundin & Söderholm, 1995; PMI, 2004). In this study sustainability is considered from an organisational perspective, where the grade of sustainability can be measured as level of institutionalization by organising (Table 1). Starting from the least permanent and going towards the most permanent the levels of sustainability can be operationalized as:

- There is no formal organising around the output of the project to ensure its sustainability
- There will be a follow up project on the output
- The output is integrated to a permanent organisation
- There is a new permanent organisation established in order to ensure sustainability of output

To secure the reliability of the measure sustainability is added up from two separate variables on grade of institutionalization or permanency. One of the variables is constructed by quantitative content analysis coding of reports on official reports on projects by research assistants. The level of continuity was decided on a scale from 1-4 depending on the level of permanency along the definitions presented above. The variable used in constructing the continuity variable is an estimate on level of permanency by the project manager. The two evaluations and the construction of the measure are described in appendix 1.

## Design, data and methods

The main research question is answered by comparing statistically the two performance concepts on a large set of EU-funded regional development projects in Finland (N=728) during the programme period 2007-2013 of EU Cohesion Policy. This research should be regarded as a complement to previous studies with a similar aim, such as Skelcher and Sullivan (2008), where a theoretical performance concept was analysed with a case study. The correlation analysis shows which type of performance each dimension covers. For this statistical analysis, despite its crudeness but with the explicit benefit of scrutinizing patterns of relations between large datasets, is the best methodological option at hands (Williams, 2014). The analysis also shows which performance dimensions generate consistent information for steering purposes, something a qualitative design falls short off due to its limited capacity to seek general trends from large datasets. In combining a theoretical-analytical and evidence-based discussion of performance conceptions, and a statistical analysis of the consistency of the performance conceptions with regard to managing implementation of innovative public policy, this article seeks to both suggest empirically tested performance indicators for improved performance evaluation practice and adding to the theoretical discussion of consequences of the reliance on performance management in public policy implementation.

The data consist of reports and indicators of the monitoring system and a survey directed to the project managers conducted in the summer of 2013. From the reports of the monitoring system indicators have been extracted using quantitative content coding. In the coding three research assistants were used. The indicators have a 75%< inter-coder reliability. The population of the study is extensive (N=728). Due to missing values in the survey and reports of the monitoring system, the valid N between the two variables with lowest amount of values is n=86. The data is however missing in a random way according to Little's MCAR-test (EM Means =  $p > .05$ ), which signifies the missing values are not causing distortions in the material.

The relationship between the performance concepts are analysed by Pearson's correlation analysis. The reach and consistency of the two models of performance are studied as to what degree the dimensions, operationalized on the Cohesion

Policy projects in Finland, are interrelated. Low correlation between the indicators means that they are not covering the same performance dimensions. High correlation is seen as the dimensions are strongly overlapping. The assumption therefore is that the greater the variance, the more narrow the dimension and the greater the inconsistency between the different performance dimensions<sup>2</sup>.

The analysis also reveals what information one potentially risks missing when focusing only on the traditional performance dimensions or the transformative values' performance dimensions. Variation in signals for steering may lead to different conclusions for policy making depending on which performance dimension the performance management concept is based on. This can be seen as a threat to the validity of policy making based on performance management, which due to its popular use could risk the trustworthiness and ultimately the legitimacy of the EU policy coordination and implementation system.

### **The inconsistency between the traditional and the new performance concept**

There appears to be no all-encompassing consistency between the traditional and the added transformative value performance concept according to the correlation analysis (Table 2). Starting with the traditional performance concept it seems productivity and ex ante effectiveness have a strong positive correlation ( $.241$   $p < .05$ ). Productivity and ex ante effectiveness have, however, no significant correlation with cost-efficiency. This indicates that policy implementation and action by Cohesion Policy projects can be managed consistently with the traditional performance concept only if managed by performance signals with technical and organisational dimensions, such as productivity and ex ante effectiveness. Adding the societal-economic dimension of cost-efficiency would cause inconsistent signals for steering.

The new performance concept suggested in this study with regard to the transformative added value aimed at in the Cohesion Policy by projects appears, on the contrary, to be consistent (Table 2). Ex post effectiveness and efficacy have a positive correlation ( $.161$   $p < .05$ ). Ex post effectiveness and continuity also have a positive correlation ( $.145$   $p < .05$ ). Lastly, efficacy and continuity have a positive correlation ( $.138$   $p < .05$ ). The correlation analysis lends evidence that a performance concept of organisational, socio-cultural and sustainability performance provide a consistent performance concept for managing policy implementation and action by projects in the Cohesion Policy. It also reveals sustainability, which has been identified as a potential performance dimension for project based policy implementation, is indeed consistent in providing steering signals with other transformative performance dimensions.

Interestingly, the correlation's analysis shows no sign of inter-correlation between the performance dimensions of the traditional concept and the transformative values' concept (Table 2). With regard to the complete intra-correlation of the dimensions in the new transformative performance concept, and the partly intra-

correlation of the dimensions of the traditional concept, it is striking that no significant correlation exist between dimensions of the traditional and the new concept of performance. This means that managing policy implementation and action of innovative public policy using performance management is problematic with regard to either the consistency of the performance management concept or the relevant performance dimensions covered by the concept. On the one hand, measuring solely the traditional technical and organisational values of project's performance runs the risk of missing out on the transformative added values of the policy. On the other hand, measuring the projects performance with only dimensions developed for measuring the added transformative value, such as new knowledge, innovative processes, flexibility and sustainability, risks missing the technical, organisational and societal-economic values, which still are of importance for steering the implementation of the Cohesion Policy. Lastly, combining traditional and new performance dimensions into an encompassing performance concept risks giving inconsistent signals for steering.

On a final note it seems societal-economic performance, measured here as cost-efficiency of policy implementation and action by projects, cannot be measured consistently with any other performance dimension. With the importance of societal-economic performance value in mind this raises a concern for the utilization of performance management in policy implementation and action in general.

*Table 2. Pearson correlations of performance dimensions.*

Performance measure	Ex post effectiveness	Efficacy	Continuity	Productivity	Ex ante effectiveness	Cost-efficiency
Ex post effectiveness	1 n=272	<b>,161*</b> n=247	<b>,145*</b> n=263	,053 n=272	,001 n=86	,016 n=257
Efficacy	<b>,161*</b> n=247	1 n=279	<b>,138*</b> n=272	,102 n=279	-,111 n=93	-,096 n=279
Continuity	<b>,145*</b> n=263	<b>,138*</b> n=272	1 n=302	-,045 n=302	-,078 n=102	-,005 n=286
Productivity	,053 n=272	,102 n=279	-,045 n=302	1 n=728	<b>,241**</b> n=449	-,013 n=299
Ex ante effectiveness	,001 n=86	-,111 n=93	-,078 n=102	<b>,241**</b> n=449	1 n=449	-,038 n=98
Cost-efficiency	,016 n=257	-,096 n=279	,005 n=286	-,013 n=299	-,038 n=98	1 n=299

\*\* . Correlation is significant at the 0,01 level (2-tailed).

\* . Correlation is significant at the 0,05 level (2-tailed).

The analysis supports the assumption that there is a need for a performance conception developed for project based policy implementation. The traditional performance dimensions of technical, organisational and societal-economic value,

seem to neglect the transformative added value and concerns of continuity of innovation projects as policy tools. The problem, is that both performance concepts leave key dimensions of performance uncovered with regard to public policy implementation and action.

This leads to the next problem with steering by performance management. The unilaterality of the performance concepts necessitate considering a multidimensional concept of performance dimensions across the division in rationale in order to cover the relevant values of performance in public policy. Theoretically the most appealing concept of dimensions for performance management of public policy implementation and action by projects would probably be a combination of technical performance, organisational performance measured as ex post effectiveness, efficacy, cost-efficiency, and continuity. The correlation analysis reveals, however, that a multidimensional performance concept including the above mentioned performance dimensions would consist of partly independent measures, which would hamper the consistency of the steering instrument. Technical performance and cost-efficiency would provide inconsistent steering signals in comparison to organisational performance measured by ex post effectiveness, efficacy and continuity. In essence this means deducting the performance of policy implementation and action by projects is at least to some part dependent upon the chosen measure. Taking decisions for policy making based on different dimensions would lead to different conclusions. The same applies for any multidimensional concept consisting of performance dimensions without inter-correlation (Table 2).

The problem with on the one hand covering the relevant dimensions of performance and on the other hand constructing an assessment concept that yields consistent information about performance unravels the problems with steering public policy with a transformative aim by strategies such as performance management. It seems the choice of measure is value-laden in the sense that the decision have to be taken with regard to the desired outcome due to the narrow scope of each measure. The once held view of performance management as an objective steering strategy due to the technical and instrumental nature of performance measures is again demonstrated to be a chimera.

The unilaterality of the traditional performance concept on the one hand and the added values' performance concept on the other hand raises concerns that touch upon the fundamentals of the steering system of society. The problems of steering public policy in the EU by performance management may have short term consequences for the performance of the governing political institutions, which if accumulated over time, may turn into problems of legitimacy for the politico-administrative system in the long run. An optimistic view would call for more elaborate indicators for managing by performance information. A pessimistic view would suggest that performance management as a steering strategy in the reformed public policy coordination system with an ever increasing amount of innovative projects need to be revisited and its hegemonic position reconsidered. In either case, the policy system ought to be reformed to improve its learning capacity of the innovative policy by extending the sensitivity to evidence from policy implementation, in the former view by scrapping the dependency of traditional rigid

performance indicators, and in the latter view by enabling a more holistic evaluation concept.

## Conclusions

The design of the innovative Cohesion Policy of the EU, in which policy implementation and action is organised as projects and managed by performance information, is problematic with regard to the consistency of the steering system. This study shows that the traditional performance concept of the EU, consisting of technical, organisational and societal-economic performance dimensions, neglects the important values of innovative projects. The transformative added value of innovation projects and the concerns of continuity, are not covered by the traditional performance concept. The traditional performance dimensions are not internally consistent either in providing information for performance management in the projectified public policy system. The performance concept developed with regard to the nature of the added value created by innovative projects is, on the other hand, consistent in providing signals for management. The transformative performance concept, however, is neglecting the performance values of technical, organisational and societal-economic nature.

The findings have consequences for the theoretical understanding of performance information in managing the public policy of the EU. It should have practical implications for performance management as a steering strategy in public policy as well.

The inconsistency within the traditional performance concept and between the traditional and the transformative performance concepts opens up for steering problems that may have profound consequences for the legitimacy of the EU and the national policy coordination systems. Considering the status of performance management as a steering strategy in policy making, the inconsistency between the different performance dimensions pose a threat of policy making becoming arbitrary and dependent on which performance dimension is chosen for the management purpose. The risk stretches beyond the Cohesion Policy due to the popularity of transformative public policies and performance management as a steering strategy. On short sight arbitrary policy making is a problem for the performance of the public policy and the legitimacy of the national government or the EU:s policy coordination institutions, such as the Commission. In the long run, if accumulated over years, the effect poses a threat not only to the government in charge but to the legitimacy of the politico-administrative system. Especially in the Nordic countries, where the egalitarian idea of regional development and the decentralized unitary model of administration has widely been combined with policy implementation of projects, the steering problems arising from inconsistency in performance management of projectified policy areas may cause issues for the legitimacy of the national government and the politico-administrative system.

The deepening plurality of society and pluralistic context of public policy implementation, and the growing desire by the state to steer, necessitate a variety of



governing strategies in the future. This study has shown that performance management needs to be critically revisited with regard to the performance concepts used in evaluating public policy implementation. There is, however, yet important questions unraveled regarding performance management of public policy. For instance, considering the blurring of boundaries between projects and permanent organisations in public policy coordination and implementation, the question is to what extent the more traditional public policies are manageable by only the old performance conception? And what are the state system specific consequences of managing transformative policies implementation by performance information?

A more fundamental question is what optional strategies could complement the management of the complex society if, following the pessimistic view, performance management is regarded suboptimal at best in the projectified public policy. How can a holistic evaluation concept, which certainly can address the complexity of the added value created by transformative public policies but with major shortcomings in generality, transparency, and workload, be applied in practice for managing transformative policies? The plausible answer could be by restricting a holistic evaluation to a limited amount of crucial cases and by complementing with performance management with a set of relevant, valid and reliable indicators with regard to traditional or added values of performance. The findings in this paper, therefore, could serve a more general theoretical purpose by suggesting the fundamentals for developing a complementing performance evaluation concept to a holistic evaluation concept, and in this way renewing the performance management conception. The results may also lend themselves to the practice of performance management of transformative public policies.

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## Appendix

### *Appendix 1. Descriptives on performance measures.*

<b>Descriptive Statistics</b>	<b>N</b>	<b>Mini- mum</b>	<b>Maxi- mum</b>	<b>Mean</b>	<b>Std. Devi- ation</b>
Ex post ef- fectiveness	272	12	58	34,2684	8,45291
Efficacy	279	0	4	2,0108	1,15517
Continuity	302	0	5	2,9536	1,22725
Productivity	728	0	0,00040 4	0,000009 64	0,0000349 44
Ex ante ef- fectiveness	449	0	3	0,0955	0,36325
Cost-efficiency	299	0	0,00003 6	0,000001 31	0,0000038 65
Valid N (listwise)	86				

## Notes

<sup>1</sup> Sustainability in this regard is a purely technical term for permanency or continuity of output and do not insinuate any aspect of the ecology or environmentalism of the output.

<sup>2</sup> The effect size is determined according to Cohens d: small=,10, medium=,24, large=,37.