Performance Management of a Government Organization: Abu Dhabi’s Experience

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Abstract

The purpose of this paper is to understand how the performance management system (PMS) was implemented and used in a government organization in Abu Dhabi and how the PMS was nestled with specific organizational rationalities and context. This case study employed semi-structured interviews and documents and drew upon Ferreira and Otley’s (2009) PMS framework and the Broadbent and Laughlin’s (2009) conceptual model. The former framework was used to understand the functional characteristics and use of PMS in a specific organization and the later model facilitated the understanding of the organizational context and the underlying rationality with respect to PMS. The findings exhibit that the institutionalization of PMS is a slow learning process and needs the support of the top management. Specifically, the PMS was implemented in phases spanning over a period of more than five years. There was no unified reward system specifically linked to performance in the PMS and incentives/rewards varied in different divisions. Once implemented at corporate and divisional levels, the PMS was being cascaded down to individual level, to align individual goals/objectives with organizational goals. Although at corporate level PMS was transactional yet at divisional/unit levels it was relational and operated in a context where communicative rationality was dominant and that resulted in the acceptance of PMS by most of the employees. However, the field insights suggest that the case organization needs to invest in the development of human resources to support the operation of PMS.

Keywords: Performance management system, Government organization, Organizational context, Instrumental vs. relational rationality, Abu Dhabi

1. Introduction

This paper describes and analyzes the performance management system (PMS) of a government organization in Abu Dhabi, United Arab Emirates; a country that has catapulted into the 21st century modern urban living within the last 50 years (Al Darmaki, 2016). During this period Abu Dhabi, has moved from a pre-modern (tribal) society (where social action was based on ‘ingrained habituation’) to a modern urbanized society where the social action is goal-oriented and means are rationally chosen (Hoogenboom & Ossewaarde, 2005). Therefore, it is worth investigating how a modern practice of PMS finds it way in a specific context. Previous research shows that organization context affects the organizational PMS in multiple ways (Fitzgerald, Johnston, Brignall, Silvestro, & Voss, 1991; Fitzgerald & Moon, 1996; Otley, 1999; Ferreira & Otley, 2005, 2009; Broadbent & Laughlin, 2009) and suggestions have been made to study management control systems in organizational context (Berry, Coad, Harris, Otley & Stringer, 2009). The purpose of this paper is twofold. Firstly, to understand the functional characteristics and the process of implementing PMS in a government organization in Abu Dhabi. Secondly, to understand how organizational context affects the working of PMS. To do this, we employed Ferreira and Otley (2009) framework for describing and analyzing the functional characteristics of the PMS and used Broadbent and Laughlin’s (2009) model to understand the contextual factors that affect the functional characteristics of a PMS. The former framework has twelve (12) questions (discussed in literature review section) about a comprehensive PMS and it can be used as a research tool to investigate the design and use of PMS and can provide overview of the major issues within an organization (Ferreira & Otley 2009). Broadbent and Laughlin (2009) criticize the former PMS framework because it pays limited attention to the underlying factors that influence the nature of any PMS. They (ibid) have proposed a
conceptual approach that is based on two alternative models of rationality (that is, transactional and relational), that shape the structure and functioning of PMS in the organizations (Hasslebladh & Kallinikos, 2000) and influence the working and characteristics of the PMS as proposed in Ferreira and Otley’s (2009) PMS framework. Broadbent and Laughlin (2009) argue that it important to understand how functional questions related to means and ends are asked and answered. Ends to achieve (e.g. vision and mission, key success factors and indicators, targets) and means to achieve these ends (e.g. strategies and plans, organizational structures, performance evaluation and rewards) are influenced by the underlying rationality and the resulting PMS may be transactional (instrumental) or relational (communicative). The extent of choice and ownership of specific ends and means of achieving them is the key thing (Broadbent & Laughlin, 2009).

The case study shows that the PMS in a government organization called the Department in Emirate of Abu Dhabi was implemented in phases that spanned nearly six years. The PMS scope increased from 2010 until 2016. Before 2016, PMS was implemented only up at corporate and unit/division levels. After 2016, the PMS trickled down to the individual level. The process of the institutionalization of PMS was slow and long. The strength of the PMS was that it had been willingly accepted by most of the employees. However, we suggest that the organization must invest in their human resources to support the operation of PMS. The vision of the Department was to achieve prosperity for Abu Dhabi. The key success factor behind the implementation of PMS in Department was the top management support. The reward systems were not the same for all the units and were flexible enough to accommodate the variety of organizational contexts (Note 1) in different units of the Department. Before, 2016 the performance in the PMS did not have a formal link to the annual appraisals of the employees.

This paper contributes to the literature on PMS in three ways. First it provides an empirical evidence of understanding the functional characteristics and underlying rationality of a PMS by drawing upon two theoretical frameworks of PMS. We organize the case study according to the twelve issues of the Ferreira and Otley’s (2009) PMS framework and investigate the underlying nature (rationality) of these issues of PMS as per Broadbent and Laughlin’s (2009) model. The PMS approach was top-down and transactional at corporate level but at divisional/unit levels the PMS had a relational orientation. The case insights demonstrate that there was a tilt towards communicative rationality (a relational PMS) at divisional/unit levels because the managers and employees participated in the development of ends (albeit aligned to the corporate ends) and means of achieving ends through a discursive process which involved dialogues and consensus among participants/stakeholders. Secondly, this paper responds to the calls to recognize organizational context while studying PMS (Berry, et al, 2009). Lastly, this paper describes and analyzes the implementation and use of PMS in a government organization in the Middle Eastern context which is different from private organizations and even western public sector organizations.

The paper is organized as follows. The following section reviews literature on PMS, Ferreira and Otley’s (2009) PMS framework and Broadbent and Laughlin’s (2009) models of rationality. Section 3 describes the research method and case study context. Then analysis and discussion of the case study is presented in section 4. Finally, section 5 concludes the paper.

2. Literature Review

2.1 Performance Management Systems (PMS)

Performance management systems has a, “focus on actors, implementation of strategy, development of a measurement system, an objective setting, related and adequate audit systems, and a performance-oriented management system” (Bouckaert & Peters, 2002). Broadbent and Laughlin (2009), explains that the performance management system defines, controls and manages both the means and the ends (output) at the organizational level rather at the level of an individual. Ferreira and Otley (2009:264) view performance management systems, “as the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management”.

Fryer, Antony & Ogden (2009) describe the features of a successful performance management system (PMS). Per them, the PMS must be in alignment with strategy and existing systems, have a committed leadership and an organizational culture that rewards good performance, and does not chastise poor performers, involves organizational stakeholders, monitors and gives feedback to improve organizational learning. In addition, some researchers such as Bititci, Carrie & McDevitt (1997) view the performance management system as a dynamic entity, as it matures, the management style and organizational culture must also evolve. It is considered important that PMS is designed with respect to the societal and organizational contexts (e.g. Chenhall, 2003; Otley, 2003; Drucker & Maciariello, 2008). For instance, Kloot and Martin (2000) investigated performance management systems in local government in the state of Victoria in Australia and concluded that organizational culture and local community (stakeholders) are
critical for PMS. Broadbent and Laughlin (2009) also emphasize that context plays a major role in shaping the nature of any PMS. Similarly, Cavalluzzo and Ittner (2004) found that organizational factors (Note 2) and technical factors (Note 3) affect organizational performance. Without support from organizational factors and technical factors, managers are constrained to improve in the public sector and some managers may resort to “gaming” (Henri, 2006). PMS must give a holistic view of the organization, which means using different measures, both financial and nonfinancial (Schläfke, Silvi & Möller, 2012) from different perspectives that tie together to complete the performance of the organization (Tatichhi, Tonelli & Cagnazzo, 2010). PMS is a process by which an organization integrates its performance with its corporate and functional strategies and objectives (Bititci et al., 1997) and it is evident that performance measurement system is an essential part of PMS (Sharma, 2005). The literature reveals some features that any PMS must address which is shown in Table 1.

Table 1. Features of Performance Management Systems

| FEATURES OF PMS                                                                 | RESEARCHERS                                                                 |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| PMS should implement strategy                                                  | Bouckaert and Peters (2002), Fryer et al., (2009), Buschor (2013).          |
| PMS should be focused on stakeholders                                          | Bouckaert and Peters (2002), Fryer et al., (2009).                         |
| PMS should be designed with respect to societal and organizational contexts.    | Chenhall (2003), Otley (2003), Drucker and Maciariello (2008), Broadbent and Laughlin (2009), Cavalluzzo and Ittner (2004), Kloot and Martin (2000). |
| PMS is a dynamic entity as it matures the management style and culture also evolves. | Bititci et al., (1997).                                                   |
| PMS must have support of organizational factors (use of performance information, top management commitment, and staff training) and technical factors (readily available data for performance, and hard to measure activities or outcomes). | Cavalluzzo and Ittner (2004).                                               |
| PMS must be holistic and not compartmentalized such as focus only on financial factors; they must include non-financial factors such as service quality and flexibility. | Tatichhi et al., 2010.                                                      |
| PMS must have a reward system                                                  | Fryer et al., 2009.                                                         |
| Performance measurement system is part of the PMS                             | Sharma, 2005.                                                              |
| Performance measures must be integrated with operations and strategy via information system. PMS must integrate its performance with its corporate and functional strategies and objectives. | Ballantine, Brignall and Modell (1998), Bititci et al., (1997).          |

Schläfke et al., (2012) argue that a PMS framework needs to be developed that addresses all relevant features. The extended framework for PMS proposed by Ferreira and Otley (2009) covers all the features listed in Table 1 except for culture and context. Ferreira and Otley (2009) also concur that they have left the organizational culture and
context unexplored in their framework, which has a fundamental influence over the nature of PMS in any organization (Broadbent and Laughlin, 2009). Schläfke et al., (2012) are also of the opinion that the approach by Ferreira and Otley (2009) describes a comprehensive PMS framework that outlines all relevant aspects of PMS. This framework is a good research tool for describing the structure and operation of PMS in a holistic manner. However, this framework pays limited attention to analysis of underlying contextual factors that influence the nature of a PMS (Broadbent & Laughlin, 2009). Therefore, we draw upon the framework proposed by Ferreira and Otley (2009) and coupled it with the model proposed by Broadbent and Laughlin (2009). Both frameworks provide sets of conceptual terms that describe the PMS in an organizational context. We appreciate that the conceptual terms explained by Broadbent and Laughlin (2009) are not prescriptive but only indicative. The next section explains the PMS framework by Ferreira and Otley (2009) and how it fits into the conceptual model proposed by Broadbent and Laughlin (2009).

2.2 Ferreira and Otley Extended Framework

Ferreira and Otley (2009) PMS framework revolves around twelve issues which comprehensively explain a performance management system as follows:

i. What is the vision and mission of the organization and how it is brought to the attention of employees?

ii. What are the key factors that explain the organization’s future success and how it is communicated to employees?

iii. What is the organization’s structure and what is its impact on design and use of PMS?

iv. What strategies and plans has the organization adopted to ensure its success?

v. What are the key performance measures derived from the objectives?

vi. How the organization goes about setting its targets?

vii. What procedures are adopted to evaluate individual, group or organizational performance?

viii. What rewards will employees gain by achieving the performance targets?

ix. What information feedback and feed forward systems in place to support the operation of PMS?

x. What is the use of information that PMS system generates at different levels of management?

xi. How the PMS changed the environment of the organization and vice-versa?

xii. How strong and coherent are the links among all the components of the performance management system?

The first eight issues are related to PMS design and they are the core of the PMS, and the other four issues (Note 4) pervades the whole PMS and gives a holistic perspective of PMS. However, the framework does not explore the organizational contextual factors.

2.3 Broadbent and Laughlin Model

Broadbent and Laughlin (2009) argue that PMS framework proposed by Ferreira and Otley (2009) does not pay attention to the organizational context and, in order to describe the organizational context that embodies the PMS, they proposed the two extremes models of PMS on a continuum called, ‘Transactional’ and ‘Relational’. These two models are underpinned by two sets of rationalities called ‘instrumental rationality’ and ‘communicative rationality’. Drawing on Weber (1978) and his critic Habermas (1987) their model explains these two types of rationality. Each of these two rationalities affects the functional characteristics of organizational PMS uniquely. These two types of rationalities influence PMS in terms of five issues as follows:

i. How are the ends defined? This relates to target setting (Note 5) and use of PMS (Note 6)

ii. How are performance indicators derived? This relates to how the key performance measures (Note 7) are derived from the organizational objectives?

iii. How probable is that the different stakeholders’ own ends and means? This is connected to development of strategies and plans. (Note 8)

iv. How are means chosen to achieve objectives and performance indicators? This relates both to development of strategies and plans, and key performance measures within the extended framework for analysis of PMS.

v. What is the basis of underlying authority? This does not relate to a specific set of questions.
Broadbent and Laughlin (2009) also argue that organizational PMS is affected by the context of the organization. The context has two elements one is the nature of the organization that PMS is trying to control and the second is called the intervening filter controlling the relationship between the PMS and the organization. The nature of the organization depends on history, purpose, technology, people and the environment. The nature of one division may vary from another division. For example, the nature of one division can be ‘transactional’ and another division can be ‘relational’. It is also possible that at higher levels of management, an organization is ‘transactional’ and at lower levels of management, it is ‘relational’. The intervening filter consists of finance and accountability as the PMS must focus on the role of money to ensure that desired ends are achieved by choosing appropriate means. Hence, the intervening filter consists of two parts, one is the ‘steering media’, which is money, and the other part is accountability. Both money and accountability guide actual performance in organizations and aspirations of performance. The intervening filter is instrumental if it is based on policies and relational when it is based on communicative rationality that is grounded on contacts and relations. The next section details the research method and context of the case study.

3. Research Method and Context

The organization that was selected for this study has implemented PMS more than five years ago, and is part of the bureaucracy of the Government of Abu Dhabi. We expected that they had formalized their systems and performance issues would be likely concerns. Fifteen semi-structured interviews were conducted with managers in different divisions such as budgeting, government accounts, internal audit, strategic planning and performance management, customs and others. Ten interviews were conducted in 2015 and five interviews were conducted in late 2016 to follow up on the first round of interviews. Appendix-I has the details of the interviewee.

3.1 Case Study Approach

A case study approach was used because it excels at bringing an understanding of a complex issue and can extend experience or add strength to what is already known through previous research (Yin, 1984:23) particularly by answering how and why questions. Our objective was to investigate the PMS in a government organization within its organizational context. Our research questions were focused on mainly two issues: (i) How the PMS was implemented and used in the Department? (ii) What was the influence of context over the PMS and vice-versa? Yin (2009) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clear and in which multiple sources of evidence are used.

The case study research method has previously been employed to examine performance management systems and related issues in organizations (e.g. Radnor & McGuire, 2004; Kloot & Martin 2000; Ballantine et al. 1998). In fact, Berry et al. (2009) suggest the need for study of PMS in specific organizational contexts.

3.2 Contextual Background

The UK government under the leadership of Prime Minister Thatcher was the first to launch reforms called New Public Management-NPM (Bovaird and Downe 2006). The drivers for the development of NPM were the electorate who wanted to see accountability and transparency of their tax resources. But in our case organization (a government organization) the driver for the implementation of PMS was achieving excellence in service delivery (instead of accountability and transparency) because until 2016, Abu Dhabi government did not tax its citizens. Abu Dhabi government wished to uplift the governance for the Emirate and devised a strategic plan called Policy Agenda 2020 (Department of Finance, 2011) and allocated different goals to support their Policy Agenda 2020 to different parts of the bureaucracy. For this paper, we will refer the part of the bureaucracy where we conducted a case study as the “Department”. The Department, to achieve their Policy Agenda 2020 goals, had to develop a PMS so that they could chart their course and exhibit they had achieved their goals. The Department had the following two goals. First, the Department must provide Abu Dhabi a globally competitive business environment and make Abu Dhabi a leader in the Gulf region. Secondly, the Department must provide Abu Dhabi a world-class government administration and services (Department of Finance, 2011).
3.3 The Organizational Structure of the Department

![Organizational Structure Diagram]

The Chairman is the head of the Department. The Department consists of two Directorates General, one is called Directorate General Customs and the other one is called Directorate General Finance. Within each Directorate General, there are sectors. Inside each sector there are directorate/divisions and within each division, there are sections. The Department has also independent units reporting directly to the Chairman, Undersecretary and the two Directorate General.

The Department reports its performance to Abu Dhabi General Secretariat of the Executive Council (ADGSEC (Note 9)) annually with respect to the two goals outlined earlier. The Goals are broken down with outcomes and initiatives tied to each goal. Each outcome and initiative has a set of key performance measures called as key performance indicators (KPIs). The KPIs reflects the performance of the Department.

Director General Finance has four sectors namely General Budgeting, Government Accounts, Support Services and Financial Policies and Systems. The General Budgeting sector prepares the timetable for budget preparation, issuance of policies, recommendations needed to be transferred to government departments at the start of budget preparation, as well as the budget estimates that they receive from government departments to assess whether they are consistent with expenditure policies. The Government Accounts sector responsible to ensure the transaction of funds based on the budget to all Abu Dhabi government entities. It has three divisions: Treasury, General Accounts and Finance Control and two sections Pension and System Development and Accounting Services. The Support...
Services sector consists of three divisions, the Human Resources, the Commercial buildings loans and Information Technology. The Financial policies and systems directorate reviews upgrading and updating the Department’s Financial policies and systems management. It functions like a think tank for the Department to improve management and decision-making processes within the Department.

The Director General Customs consists of three directorates; Administrative affairs, Technical affairs, and Operations affairs directorate; and four independent units as exhibited in Figure 1.

The performance management of the Department is entwined with strategic planning. The Department’s strategic planning and performance management (SPPM) is handled by the SPPM section. The SPPM section maintains the Strategic Planning & Performance Manual for the department. The manual explains the structure, policies, and procedures to carry out strategic planning and performance management in detail. It is a controlled document. The Department reports its performance to ADGSEC annually. The organizational structure that operates the PMS in the Department has three teams; the first is the Executive Management Team (Note 10) which provides leadership to the PMS at the Department’s level, the second is the Core Team (Note 11) that includes one representative from each sector at the organizational level and prepares the strategy and monitors performance management system of the Department, and the third is the Analytical Team at the directorate/division level that implements the strategy and performance management system of the Department.

4. Analysis and Discussion of the Department’s Performance Management System (PMS)

The analysis and discussion of the Department’s PMS have been undertaken by the twelve issues provided by Ferreira and Otley (2009) and the discussion of twelve issues has been complemented with Broadbent and Laughlin’s (2009) theoretical focus on contextual factors.

4.1 Vision and Mission

The Department’s vision is achieving prosperity of Abu Dhabi through world class Financial Management and sound Fiscal Policy based on the policy agenda 2020 (Department of Finance, 2011). Its mission is to foster an effective and prudent financial management framework across the Abu Dhabi government (Note 12).

Senior manager MG of custom said, “You have to achieve security of the country and prosperity of the economy and other things”. Another senior manager HEK commented about the mission of the Department as, “Effective financial management and safety”. One of the managers commented how the vision and mission of the Department is communicated, “So mainly we have in the Department three kinds of teams, we have the Executive Committee Team, the Core Team the analytical team. So, by these three teams we are you know shifting or transfer all the meaning of vision, mission and also prioritize everything to all the employees. Also, we are using the publishing in the website, also we are using the outlook, also we have small booklets here to write down our vision and mission”.

The vision of the Department is achieving prosperity of Abu Dhabi via world class financial management and sound fiscal policy. The Strategic Planning & Performance Management (SPPM) Manual detailed a formal link with the PMS and Agenda 2020 (Department of Finance, 2011). It appears that the vision and mission is understood by the most of the managers and is properly communicated to the managers through the three teams (core team, analytical teams and executive team) that facilitate the PMS. Other communication tools include emails, website and booklets. This approach to PMS at corporate level is top-down and mechanistic and lacks emphasis to employee engagement. The latest literature stresses greater employee engagement. Broadbent and Laughlin (2009) also point out that ends should find their definition and legitimacy through discursive processes and consensus of participants/stakeholders to any action situation otherwise the PMS would become instrumental/transactional.

4.2 Key Success Factors

Many managers expressed their opinion about the key success factors of the Department in achieving its mission and vision. Although, their views were different yet they were not contradictory. Manager AAA commented on key success factor for the Department. “Yeah. So, I think we need to give them something, rewards or grades. This will make a competition……. Secondly, you know we have to give them something. Some encouragement”. Manager HAZ said, said that top management support was one of key success factors in achieving the objectives of the PMS for the Department. Manager HAZ said, “I would say the most important factor was the support from General Secretary. They were like a champion for this change throughout the whole government. Second thing was the acceptance from the upper management”.

The need of rewarding managers and top management support were considered key success factors. However, there was no explicit formal reward system, at individual level, for achieving targets in the PMS until 2016.
4.3 Organizational Structure

A senior manager of the Department informed us that around 2007 the Department engaged international consultants to flatten their organizational structure and that led to the development of more decentralized structure with every manager at different levels had authority and that was meticulously followed by in the Department. MG said, “At that time (around 2007) the organizational structure was studied and it became more flat actually. And when you say that it’s flat that means you are decentralizing most of the process. And the Department is doing the same actually and they have published guide manuals for authorizations and we follow them officially, that means every director for customs house is given the authority to use a certain amount of money in order to approve his customs house. Every head of section is authorized to use a certain amount of money to do something. So, authorizations are clear in the guidelines and we use them”.

In terms of the Department’s organizational structure it was multidivisional, but they had also team based and project based approach when they were monitoring projects. This multidivisional structure coupled with the detailed authorizations at every level allowed the Department to maintain its growth (Greiner, 1998).

4.4 Strategies and Plans

The strategic planning process initially started with the Department in 2008. They developed the Goals for the Department based on Abu Dhabi’s government policy and for each goal they developed outcomes and initiatives. At the next level, they cascaded from the corporate level to the sectors in 2010, and by 2016 they were in the process of cascading goals from sectors to the individual level. As manager AA commented, “The Department started in 2008 till now we have three major steps of development in the strategic process. First of all, at corporate level, we have strategic plan it’s there. Starting from 2010, we are putting at second level annual plans for all sectors. Then the third level it’s linking between employees’ objective with the directorate objectives. So, we have like three level. So, we finished with the two levels. So, the remaining is, I think the heavy part is to link between the employees’ objective with the directorates’ objectives”.

Virtually all the interviewees could identify their KPIs linked to the Critical Objectives and Key Result Areas (KRAs) of their, divisions/units. Critical objectives support main goals of a division/unit that link to the organizational goals. KRAs are the operational tasks/areas of a division/unit. It appears the process of strategies and plans is transactional, as it has a very detailed structure. But most of the employees are involved in the development of plans/ends. For example, Manager HAZ said, “Each section head or manager sits with his employees, reviews their objectives, and they would correct some of the targets, and then later on during the evaluation phase, they open the system again and for the employees to update their status.”

The PMS framework within the Department provides a structured approach (Note 13) to identify each unit’s goals to be linked with the Department’s goals. Hence, with respect to strategies and plans the PMS has both transactional (structured and formal) and relational (manager discusses and reviews the objectives and targets with the employees) elements.

4.5 Key Performance Measures

Key performance measures are different at each level of the Department, such as at the corporate level, sector/division level and the individual level. Linking key performance measures to strategic goals within an PMS is important (Ferreira and Otley, 2009). The Department ensures that all the Key Performance Indicators (KPIs) are linked to the Abu Dhabi Government strategic goals. As manager AA commented, “There is a performance contract, it's a contract between each public sector with a general secretary. It's to know what exactly the KPIs of the sector are and what the initiatives of each sector are, that reflect on Abu Dhabi Government, so we have this contract”.

The Senior Manager MG at Customs explained that two key performance measures that are used by Customs are “time of release” and “seizures”. He stated, “For example, if you are talking about the facilitation of trade, then you have to devise a certain indicator which is connected with the facilitation of trade – and the best indicator for that is time of release. Actually, it is universally recommended by World Customs Organization”. The key performance measures are not only influenced by employees or external key stakeholders (Abu Dhabi Government) but also by relevant international bodies/practices.

The Manager Internal Accounts and Manager Customs explain the process of developing KPIs as follows,” Of course, we discuss it with the strategic planning team. We put KPIs based on our understanding but still that knowledge is still limited because we are not experts in putting KPIs. So, we discuss with them. We see if this process or this activity that we are doing can be used as a KPI, see criteria if it can be measured, cannot be measured, controlled only by us and all of these things (Manager Internal Accounts)”
“So, devising the indicators is a discussion of process and also all other things about those indicators also discussed. It’s not a strict and rigid system (Customs Manager)”

The above quotes reflect how the process of establishing key performance measures within the Department is handled by the employees and how it is affected by international practices. The process of setting up key performance measures at divisional levels in the Department is largely relational because the employees in each division/unit interact and engage with SPPM team at the time of development of performance measures. The unit level managers and employees can include international practices and their division’s unique operational context in establishing performance measure. The system of devising KPIs is not rigid or strict at divisional levels. The performance measures for evaluating the achievement of strategic goals are mutually agreed upon between SPPM team and the divisions/units. This suggests that PMS is relational at divisional levels because managers have choice to engage their employees, and ownership of performance measures. However, PMS has some transactional elements as the SPPM plays a very active role and the whole process is structured via templates.

4.6 Target Setting

At the organizational level in the Department, some targets were obvious and expected and easily measurable and even benchmarked with international practices and they were based on instrumental rationality. For instance, the Department had to prepare a budget for all organs of Abu Dhabi government before a fixed date. Manager T commented on this situation, “The critical, you know, performance indicator for us is to submit the budget on the target date. The timing is very important”.

At divisional levels, most of the targets were decided and followed up through discourses based on communicative rationality whereby the divisional managers engage with employees in the setting up of targets. The employees can set their own targets and later the divisional managers also advise their employees, if the employees are not reaching the targets.

For instance, one manager AOA says, “I told them make three targets maximum. One is related to our division’s objectives, which in turn is related to the Department’s objectives. For example, the communication belongs to our divisional goals and it is also part of Department goals as a whole, that is, to make more efficient communication with all the customers and the stakeholders. So, in the end it’s related. The other two objectives, I told him put anything something related to your own goals, something you want to improve in yourself, some kind of training you’re planning. For instance, you want to continue to study put something regarding your own life, something like that. Every three months, four months we stay together and we’ll see if he is reaching objectives. If there’s a lack of effort he is putting in his job, we advise him”. (Manager Support Positions)

To avoid setting of easy/low targets SPPM section and divisional managers engage in a discourse with employees in the process of setting targets. For instance, Manager HAZ explains (below) how he, his divisional manager (director), PMO and SPPM team discuss and adjust/revise targets. This shows an employee engagement approach to setting of targets, “It’s usually discussed between us – the Project Management Office (PMO), the strategic planning section (SPPM) and our Director and we agree on – he approves the target, sometimes we put a number and they advise against it or adjust it”.

A manager of SPPM also describes that they sometimes question the setting of high targets by employees or divisional heads. However, they are also flexible and can change their opinion after mutual discussion, “Sometimes we can say target is very high. How can you achieve this percentage? Sometimes we discuss and change. (Head SPPM)”.

The target setting is at divisional levels, in the Department, is mostly based on communicative rationality, and particularly involves discursive interaction among division/section heads, PMO and SPPM managers. Most of the managers choose to focus on realistic targets that are mildly challenging. The target setting seems to be relational because target setting and achievement levels are discussed mutually not only at division level (between employees and the division heads) but also with SPPM/PMO section. Sometimes, pieces of advice are given and adjustments are made in the targets through dialogues and discussions.

4.7 Performance Evaluation

Performance evaluation, in the PMS, at individual level in many units/sections of the Department, commenced in 2016, earlier the performance evaluation was restricted to the Division level or unit level. As Senior Manager of Customs MG has commented, “But to be frank with you, we are still in the process of bridging gap between implementation plan and human resources themselves, that means employee’s tasks and activities for every period of time should be connected with the implementation plan of the sections”.

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In 2016 in many units the employees could put their KPIs inside the computerized system in 2016. The inclusion for individual KPIs within the computerized system has restricted the gaming behavior of many individuals as it is very structured and controlled, as manager HAZ said, “Now the whole mentality evolved and now they are working on not only achieving their targets......they are looking for future targets......how high can they elevate the path..............Usually we had trouble when people fall short that they go back and they want to reduce their targets..............Now no. if you don’t meet it, it does mean that you can go on lower the bottom...........You got to take corrective measures, achieve your target”. This shows that there is instrumental rationality with respect to performance evaluation.

However, that the process of performance evaluation is also driven by communicative rationality. For instance, Director IT HEK said, “We’re also giving them training required to support their objectives and of course the career path..............we discuss with the consultants and the KPIs ....and we also discuss internally with section heads”. The performance evaluation is based on the KPIs which are derived from the strategy of the Department cascaded down from the sectors to each individual employee. The performance evaluation process is being computerized within the Department called HRMS (human resource management system) and that restricts the gaming behavior of individuals. Most of the KPIs are non-financial but quantitative and the managers must show objective evidence to the SPPM to validate their KPIs. The trend for performance evaluation is towards instrumental, after cascading of KPIs at the individual level in the PMS. This approach to performance evaluation is quite mechanistic and makes PMS transactional (cf. Broadbent and Laughlin, 2009).

4.8 Reward Systems

The reward system in the Department used to be informally linked to performance appraisal before 2016. As head of employer relations section AKY mentioned, “There is increment on the basic salary. There is percentage but it depends on the manager’s request”. Director IT, HEK said, “So there are consequences for employees’ promotion because of these KPIs”. Now the promotion is linked with performance depicted by KPIs and it would affect the annual performance of each employee as manager HAZ confirmed it by saying, “The annual performance, yeah of course”. Before 2016, individual performance did not have a formal link with performance in terms of PMS. For instance, Manager Internal Accounts explains that work related to PMS would not count (before 2016) in the annual performance appraisals. “Performance appraisal from HR is given more importance because it is counted? (Manager Internal Accounts)”. The Custom Directorate, Information Technology Division and Internal Auditor independent units are affected by their context to follow their own reward systems. For customs, they follow their own traditions for reward systems, as senior manager Customs MG said, “You will find that some of the directors of custom houses are incentivizing their officers, the best officers for seizures of the past year for example the best working team, or the best achievement in certain field. So, they are rewarded for the tasks they accomplished”. Director HEK for IT division recognizes all the employees who did well in terms of KPIs in the annual events and he said, “Every year I do a dinner together, largely I do recognize,... who worked good in their KPIs”. Internal Auditor MAK also said, “Maybe internally there is......so whenever that year ends we celebrate it generally and our manager says thank you guys. You have done well. You have achieved well. Our objectives are all set”.

The managers expressed a need to have a formal recognition of rewards for performance in the PMS. For instance, a Manager SPPM says that the rewards would foster competition and encouragement. “I think we need to give them rewards. This will make a competition. Secondly, you know we have to give them something. Some encouragement (SPPM Manager)”. However, it appears there was an informal system (outside PMS) that connected employees’ performance to the reward system. Customs has a specific reward system because of its unique operational context. However, all managers welcomed a uniform formal reward system (in 2016) in which the performance at individual level was associated with unit’s targets/objectives.

4.9 Information Flows, Systems and Networks

The formal organizational form that facilitates information about performance management is facilitated by SPPM section, and they interact with Executive team at the corporate level, and the Core team at the sector level, and the analytical teams at the Divisional levels. The manager of the SPPM heads the Core team and is a representative of the SPPM is present in every Analytical team. The SPPM section is the bridge between the Department and Abu Dhabi General Secretariat of the Executive Council (ADGSEC) and interacting between executive team, core teams and analytical teams as manager SAZ said, “Taking the guidelines from the management of the Department and working like a bridge between the Department and ADGSEC”.

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The formal information flows top down in the Department at corporate level. There is a performance contract between each sector and the top management for each sector. However, there are informal meetings usually between managers and employees to discuss the achievement of KPIs periodically and the most managers facilitate and support their employees which reflect the relational context at divisional levels. Director IT HEK says, “So, we have a weekly meeting with the section every Monday at 9:00 o’clock. We show all the tickets problems/complaints. We try to see which one is solved. The employees at division are very happy because I talk to them. Each of them has his own objectives. He has his own career path. He has his own career objectives. So, my people are busy going to different departments. So, they feel proud that we are serving the government and working with very big projects for the government.”

The infrastructure that facilitates feedback information for corrective action is based on Oracle Business Metrics, for instance Director IT describes it as follows: “We are using Oracle Business Metrics. The end users have to provide their KPIs and we automate the KPIs as a dashboard”.

It seems that SPPM section drives the performance information via formal and informal means in the Department. It appears that feedback about performance information flows formally partly via the three teams (executive, core, analytical) and eventually lands at the ADGSEC at least annually.

4.10 PMS Use

The use of PMS framework could be either diagnostic or interactive (Simmons, 1995). At the Department, we observed interactive use of PMS at the corporate level, sector level, and divisional level and even at section level as a non-invasive facilitating and supportive involvement as manager AA of SPPM section commenting on the performance of sectors said, “We will not accept any KPIs or results without having solid evidence for achieving the KPIs........... It depends on the KPIs, you know, sometimes they have a solid reason......so we accept that”. As manager HAZ commenting about the performance about projects said, “The project manager lists the reasons why he is falling behind it. Whether it’s related to an internal issue or something that is with the vendor or contractor .....if there is a delay and there is an issue he cannot resolve internally or with the advice of PMO we take it to the upper management”.

We also observed single loop learning at the section level, as manager AOA commenting about the process time that was required to hire an employee said, “Last year it took 10 days, a year before it was 15 days”. As manager MAM head of internal accounts said that automation helps them quickly identify where the problem is and then they can make corrective action, “Of course, that means there is a problem somewhere. We need to identify where the problem is? That why we automated the whole system”.

As discussed above there was relational use of PMS where stakeholders such as managers and their subordinates would use PMS interactively to understand the problems and find solutions together. The PMS is relational when ends and means are deliberately subject to discourse between stakeholders and are chosen by them (Broadbent & Laughlin, 2009). For instance, Director IT, HEK commented about discussing the initiatives and objectives for the IT division with their stakeholders. He described, “So we have several meetings with different sectors such as custom and also with external entities, for example Abu Dhabi Port Company, Abu Dhabi Terminal and municipalities. We meet them to give us our role.... what’s their role in the future, what they have in mind for future. So, they gave us some requirements and from these requirements we came up with a demand list and from the demand list we came up with this initiative. We put KPIs for each initiative to be able to execute and we seek approval from other managers and budget and other stuff (IT Director)”.

The use of PMS is transactional because it is couched within a framework that consists of a set of procedures and formats, but it is largely relational at divisional levels because stakeholders (managers, employees and other entities) participate in designing their objectives and choosing the means to achieve their objectives. The use of PMS was mostly interactive at divisional levels.

4.11 PMS Change

Although strategic management (at the organizational/corporate level) commenced in 2008, the performance management system (PMS) started in 2010 within the Department. We will discuss three issues for PMS’s change. First is the scope of PMS, the second is how PMS affects the workings of the Department, the third is the consequences of the PMS in the Department.

The PMS in the Department has changed from 2010 till 2016 on scope. The scope of PMS has increased over time, as manager AA said, “We start this in 2010, as a first you know....and that first time it was a good start”. As manager HAZ said, “It was a very high level when it was started. Now it went down two steps, as of now it’s dealing...
with directorates and sections as well”. As manager HAZ also said, “Now it’s cascaded down to the individuals who see their role or part in the plan”. Hence from 2010 till 2016, the PMS scope started from the directorates and descended to the employees and it covered both the Finance and Custom directorates of the Department.

The PMS has consequences and caused changes within the Department. Manager AOA said about the time required to hire a new person prior to the PMS, he said, “Now, instead of six months, it takes 10 days, 15 days, sometimes less than 5 days, if everything is perfect. So, it’s a huge difference”. Manager AOA also stated about the employees’ behavior towards PMS has changed, he said, “In beginning everyone they showed some resistance, some dislike. But in the end, they find it”.

All the interviewees agreed that the employees were willingly accepting the PMS in the Department and they see that PMS has enhanced their understanding with respect to vision, mission, goals, strategy and values of the Department and how their work connects to the organization as a whole. For instance, Manager MAM said, “Yes previously nobody was even willing to be a part of it but slowly when they saw that they are being productive, they are actually doing something. They are responsible for something. They are changing something. So, everybody wanted to be part of it. Gradually I see that the people have changed and this is a good thing. If you asked people five or six years ago, they did not know Department’s goals, strategy, priorities and values. I think I can thank our SPPM division for this. You get a broader picture of everything that you’re doing and able to link it to the broader strategy”.

The PMS has changed from 2010 till 2016 and its scope further expanded in 2016. Before 2016 the PMS was cascaded down to only division/unit level. In 2016 human resource management systems (HRMS) was set up that links the individual KPIs with the reward system. The institutionalization of PMS has been a long process and most of the employees understand the importance of PMS in creating awareness of the raison d’être of the Department and its strategy.

4.12 Strength and Coherence

PMS implementation is a work in progress at the Department by 2016. They started to execute with PMS in the Directorate General Finance in 2010 and in Directorate General Custom in 2014. Initially they cascaded the objectives of the Department at the level of sectors in 2010 and by 2014 they cascaded the objectives for PMS from sectors to the divisions and cascaded objectives downwards from divisions to sections and up to the individual employees in 2016. They have used the SPPM section as a coach and catalyst to implement the PMS in the Department. They also used the three organizational structures like Executive council, Core council and Analytical council.

The managers at the Department have utilized the PMS implementation as part of organizational learning. As manager HEK said, ‘I think the second or the third year we are doing this……so there is a learning journey to this’. Another manager MG said, ‘It needs time and it needs training, because you have to uplift the qualifications of people and customs the organization is a big one’.

Prior to 2016, the performance evaluation of PMS was not formally linked to the reward system. However, the employees’ KPIs reflected in their rewards via informal mechanism. However, the Department formally linked the performance evaluation via HRMS (human resource management system) to reward system in PMS in 2016. The KPIs was formally used by the managers to direct operations and projects in most of the units.

The framework proposed by Ferreira and Otley (2009) was useful and integrative as one question led to another question, and provided key insights into the operation and use of PMS in the Department. The framework proposed by Broadbent and Laughlin (2009) fitted neatly with Ferreira and Otley (2009) framework and explained how organizational contexts in such a large organization (Note 14) affected the PMS.

5. Conclusions

This study describes and analyzes how a government organization implements and uses the PMS in Abu Dhabi to manage their performance, where organizational context is distinct from the typical for-profit organizations as well as Western organizations. By doing so it enhances our understanding of performance management practices in a government organization in the Middle East.

The case study shows that the Department implemented the PMS in phases spanning over a period of more than five years and such implementation was slow and time-consuming process. The underlying rationality regarding the implementation and operation of the PMS had elements of both ‘transactional rationality’ and ‘communicative rationality’. At the corporate/organizational level PMS approach was top-town and transactional. But at division/unit level there was a tilt towards communicative rationality (relational PMS) which was characterized by the discussion between the participants / stakeholders about performance indicators, strategies and plans, target setting and use of
This study also provides empirical evidence to the Broadbent and Laughlin’s (2009) argument that organizational/corporate level PMS may have a rationality which is different from the rationality at lower levels (divisional/unit levels in this case) of the organization. Managers and the champions of the PMS employed reflexive authorities that are based on the ability of institutions and actors to negotiate, reconcile and represent arguments, interests, identities and abilities, (Hoogenboom & Ossewaarde, 2005) as well as instrumental authority that relies on legal-rationality.

This investigation also validates some of the earlier findings on PMS. For example, Cavalluzzo and Ittner (2004) concluded that organizational factors such as top management commitment to use performance information systems, decision making authority and training in performance measuring techniques have a positive influence on PMS development and use. We observed that top management support was critical in the implementation of the PMS in the Department. The Department had flattened the organizational structure that devolved authority for each section head prior to implementing the PMS and the training of employees was considered important to successfully implement the PMS within the Department (Note 15).

This paper contributes to the literature in three main ways. Firstly, it provides empirical evidence of the fusing two theoretical frameworks of PMS as suggested by Ferreira and Otley (2009) and Broadbent and Laughlin (2009). Secondly, it describes and analyzes the implementation and use of PMS in a government organization in the Middle Eastern context. Thirdly, the study explicitly recognizes organizational context, within a large organization and highlights how the context affects PMS (cf. Berry et al., 2009). The case study suggests that the training of the employees (changing mindset towards strategic thinking), recruitment of qualified staff and linking of rewards/accountability to performance are important to support the implementation and functioning of PMS.

Being a study of only one organization, its findings are not generalizable to all organizations. More research is required to get a more definitive picture of PMS practices in the bureaucracy in similar context. Therefore, we suggest further case studies that explore the development and use of PMS in public sector organizations in the United Arab Emirates and Middle East.

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Notes

Note 1. For example, if employees in Customs caught a large contraband item they were financially rewarded and this rewards system was not available for other units.

Note 2. Cavalluzzo and Ittner (2004) listed three organizational factors that support PMS. They are top management commitment; staff training, use of performance information.

Note 3. Cavalluzzo and Ittner (2004) listed two technical factors that support organizational PMS. They are readily available data on performance, and hard to measure activities or outcomes.

Note 4. These four issues proposed by Ferreira and Otley (2009) that explain the context inside the PMS is embedded is explained by i. Flow of information and systems and network to support the PMS, ii. Use of information is either diagnostic or interactive or a combination of both, iii. Has the PMS been changed proactively or reactively to cater the changes in the environment, iv. How strong and coherent are the links between the components of PMS.

Note 5. Target setting is question 6 in the list of 12 questions of the extended framework for analysis of PMS.

Note 6. Use of PMS is question 10 in the list of 12 questions of the extended framework for analysis of PMS.

Note 7. Performance measures question 5 in the list of 12 questions of the extended framework for analysis of PMS.

Note 8. Strategies and plans is question 4 in the list of 12 questions of the extended framework for analysis of PMS.

Note 9. The General Secretariat of the Executive Council is the administrative authority entrusted with proposing the Emirate's general policies and strategies, present them on the Executive Council to take proper decisions on the regard. Abu Dhabi Executive Council is the local executive authority of the Emirate of Abu Dhabi. It assists the Ruler to carry out his duties and powers, through regular meetings to set the Emirate's general policy, set development plans and supervise its execution, authorize projects laws and decrees before submitting them to the Ruler, supervise work flow in departments, local entities, and coordinate among them, to achieve general well-being of the country.

Note 10. It includes the Department’s Chairman, Undersecretary, Executive Director and the General Directors of all units/directorates within the Department.

Note 11. The Core Team comprises of staff members of the SPPM section and one representative of each Unit/Directorate called the Rapporteur.

Note 12. The Department’s website. For further details see: http://dof.abudhabi.ae/en/portal/vision.missino.values.aspx

Note 13. Goals are based on performance contract for each sector and these goals are cascaded from each sector till the sections.

Note 14. The Department consists of more than 4,000 employees more than 2,300 were employed in Directorate of Customs and the rest were employed at the Directorate of Finance.

Note 15. As Manager Customs said, “It needs time and it needs training, because you have to uplift the qualifications of people”.
**APPENDIX-I**

List of interviews

| #  | POSITION/DESIGNATION                                                                 | MINUTES | RECORDED               |
|----|--------------------------------------------------------------------------------------|---------|------------------------|
| 1. | Two managers in SPPM section                                                         | 50      | Yes                    |
| 2. | Two managers in Project Management Office                                            | 38      | Yes                    |
| 3. | Head of Operations, Debt Management Office                                           | 52      | Not recorded but notes were taken |
| 4. | Chief Accounts Controller                                                             | 50      | Yes                    |
| 5. | Head of Department support services                                                  | 54      | Yes                    |
| 6. | Head of Department Internal Accounts                                                 | 47      | Yes                    |
| 7. | Advisor Strategic Planning and Corporate Performance Customs                         | 42      | Yes                    |
| 8. | Manager Internal Audit                                                               | 53      | Yes                    |
| 9. | Head of Department SPPM                                                              | 59      | Yes                    |
| 10.| Information Technology Director                                                      | 48      | Yes                    |
| 11.| Head of SPPM section                                                                 | 36      | Yes                    |
| 12.| Head of Government Accounts                                                          | 64      | Yes                    |
| 13.| Two managers in Human Resource Management department                                 | 53      | Yes                    |
| 14.| One manager is Budgeting and one manager in Social services.                         | 42      | Yes                    |
| 15.| Chief Accounts Controller                                                            | 54      | Yes                    |