Factors Driving Performance of Public Sector Organizations (PSOs): A Systematic Literature Review

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Abstract
This Systematic Literature Review (SLR) has been conducted to identify factors that drive the performance of Public Sector Organizations (PSOs). A research question has been formulated to pursue the objective, and the ‘Organizational Performance’ concept has been operationalized. 3,423 research results were obtained after searching the identified keywords in the ‘ISI Web of Science’, which were reduced to 921 after refinement. Finally, 304 research articles were included for analysis after applying inclusion and exclusion criteria. After a comprehensive review of the included research articles, more than 200 factors that influence the performance of PSOs have been identified. These factors were later classified and summarized into nine main categories/themes. The authors conclude the review paper by presenting a comprehensive model summarising the factors influencing PSOs' performance.

Keywords: Performance, Public Sector Organizations, Driving Factors of Performance, Performance of Public Sector Organization

1 Introduction
Functional, efficient, effective and progressive Public Sector is crucial for a country's economic and social development. Bruton et al. (2015) state that Public Sector Organizations (PSOs) contribute approximately 10% of the global Gross Domestic Product (GDP). Especially in developed economies, ‘Public Sector’ activity accounts for approximately 40% of the economy's total production (Al-Dhaafri & Alosani, 2023; Arceneaux, 2022; Cook & Dimitrov, 2017; Crosweller & Tschakert, 2021; Dahl, 2018; Flynn, 2007; Iftikhar, 2015; Jackson, 1999; March & Olsen, 2010; Niskanen, 2017)

The productivity of PSOs differs in different countries. There are countries where PSOs are making

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value-additive contributions to the national economy, but in many countries, PSOs have become a burden on their national exchequers. Some countries are using their PSOs as an asset to produce ‘Value’ for their citizens, and others are thinking of getting rid of these ‘White Elephants’ (Rhys Andrews et al., 2016). Since PSOs are very important for the economic and social welfare of the country, so their effective management is also inevitable for the dignified survival of the nations in this contemporary era (Benatar, 2022; Bolman & Deal, 2017; Brown & Osborne, 2012; Francis et al., 2020; Mazzucato et al., 2022; Trihatmoko & Susilo, 2023). A country can only ensure the productivity of its PSOs by enhancing and sustaining their performance (Bass & Chakrabarty, 2014).

2 Organizational Performance: A Construct

The concept of organisational performance has been defined differently by different scholars over time. A large number of scholars translate organisational performance in terms of financial gains. Hamann et al. (2013) have identified a framework to measure organisational performance, which includes dimensions such as ‘Accounting Returns’, ‘Growth’, and ‘Stock Market Performance’. From this definition, it is evident that researchers have operationalised the concept in financial terms. Katou (2015) has operationalised the concept of ‘Organizational Performance’ as a (positive) change in ‘Efficiency’, ‘Effectiveness’, ‘Development’, ‘Innovation’ and ‘Quality’. The stated dimensions indicate that this research interprets the ‘Organizational Performance’ concept through a management perspective.

By anchoring the argument in the literature of Social Contract theory (SCT), it can be firmly stated that in the case of PSOs, the concept of organisational Performance’ can’t only be operationalised in financial terms because the public sector bears the primary responsibility of public service delivery (Djanggih, 2018). The stance may be supported by quoting the work of Santos & Brito (2012), in which they have presented different dimensions of a firm’s performance, such as ‘Financial Performance’, ‘Strategic Performance’ and ‘Environmental Performance’.

2.1 Operational Definition for this Study

Considering the definitions mentioned above provided by different researchers, ‘Organizational Performance’ is operationalized as follows;

“Organizational Performance refers to (positive) change in strategic, operational, managerial, environmental and financial performance of the organisation.”

3 Research Question

This SLR has been guided by the Research Question stated as below;

What are the factors that drive the performance of Public Sector Organizations?

4 Methodology

The review process started with the scoping study to focus and crystallise the research question. Having reviewed a large number of existing literature regarding PSO performance, the research above question has been formulated so that the findings of this SLR may provide comprehensive information regarding the factors that drive performance in PSOs.

4.1 Selection of Literature (Sample)

Organizations owned and operated by states have been recognised under different names, such as Public Sector Organizations (PSO), Public Sector Enterprises (PSEs), State Owned Enterprises (SOEs), State-Owned Entities, etc. To avoid any literature loss, all these titles have been searched on ISI Web of Science along with the term ‘Performance’ while using the logical operator AND for the last 52 years (1975-2023). The initial search generated the following results, as shown in
<table>
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<tr>
<th>Table 4.1 - Initial Search of Keywords</th>
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<tr>
<td><strong>Source:</strong> Web of Science</td>
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<td><strong>Time:</strong> 1975-2023</td>
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<td><strong>Search:</strong> 'Term' in 'the Topic'</td>
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<td><strong>Keywords</strong></td>
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<td>&quot;Public Sector Organizations&quot; AND &quot;Performance&quot;</td>
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<td>&quot;State Owned Entities' AND 'Performance&quot;</td>
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<td>&quot;PSEs' AND 'Performance&quot;</td>
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<td><strong>Total:</strong> 3,423</td>
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The results were refined by selecting categories of ‘Management’, ‘Public Administration’, ‘Social Sciences Interdisciplinary’, and ‘Asian Studies’, while the selected document type was ‘Article’. The results generated at this stage are shown in Table 4.2.

<table>
<thead>
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<th>Table 4.2 - Refined Search of Keywords</th>
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<td><strong>Source:</strong> Web of Science</td>
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<td><strong>Time:</strong> 1975-2023</td>
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<td>&quot;PSEs' AND 'Performance&quot;</td>
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<td><strong>Total:</strong> 1,522</td>
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4.2 Identification & Deletion of the Duplicate Results

The keywords “Public Sector Organizations” and “Public Sector Organisations” generated identical documents. After removing the duplicate articles, the final number was 921.

4.3 Inclusion/Exclusion Criteria

The 921 articles selected in the previous stage were screened for themes relevant to the influence of different factors upon any of the dimensions of ‘Organization Performance’, such as Financial, Operational, Managerial, Strategic and Environmental. After reviewing all the articles, 304 final articles were selected for inclusion in this SLR.
Figure 4.1 summarises the methodological process adopted for this SLR in the following page.

5 Descriptive of Data

Before analysing the included articles, the authors first present some interesting descriptive facts regarding the ‘data set’ (articles).

5.1 Contemporary Research about PSOs and Research Strategy

Though contemporary research advocates the suitability of qualitative research strategy to probe, discuss and describe the social concept and social phenomenon, the results of this SLR present alternative evidence (Barr, 2004; Mohajan, 2018; Rust et al., 2017).
It is clear from Figure 5.1 that 68% of articles have adopted a quantitative research strategy and used statistical analysis to determine the influence of different factors on the performance of PSOs.

5.2 Shift of Interest

Another fascinating observation is that the very phenomenon of the Performance of PSOs has taken great attention from scholars in the last two decades. The figure 5.2 below makes it clear that out of 304 included articles, 284 (93%) were published in the period. There could be many reasons for this exciting shift. One reason may be introducing the New Public Management (NPM) approach to govern the PSOs. In the last two decades, scholars comprehensively argued that the PSOs should be governed and managed how the private sector takes care of its corporate entities (Hansen & Jacobsen, 2016; Pick & Teo, 2017; van der Kolk & Kaufmann, 2018). This strategic shift in NMP informed the corporate governance of PSOs and included the study of the performance of PSOs along the same lines.

5.3 Included Data: A Geographical Perspective

China is one of the countries that has experienced significant economic development in the last couple of decades. Figure 5.3 presents fascinating characteristics of selected data (included articles) that almost 28% of the included articles have studied the performance of PSOs in China, which means approximately 28% of included research discusses the influencing factors of the performance of PSOs only in one country.
After reviewing the 304 articles included as per earlier mentioned criteria, the author came across with more than 200 variables that influence one or more dominions of ‘Organizational performance’, such as strategic, operational, managerial, environmental, and financial factors. Later identified variables have been classified into the following main categories/themes such as ‘Strategic Management’, ‘Human Resource Management’, ‘Type of Ownership’, ‘Corporate Governance’, ‘Political Factors’, ‘Organizational Factors’, ‘Financial Factors’, ‘IT’ and ‘Project Management’.

Figure 6.1 - Main Categories /Themes Influencing Organizational Performance

6.1 Strategic Management
The current SLR revealed ‘Strategic Management’ as the most frequently quoted correlate of performance in public sector organisations. More than 135 different factors have been classified into this central category/theme of ‘Strategic Management’, which has then been sub-classified into other categories such as ‘Strategic Decisions’, ‘Managerial Factors’, Leadership’, ‘Research & Innovation’, ‘Accountability & Autonomy’ and ‘Cultural & Behavioral’ aspects.

**Strategic Decisions**

The literature included clearly highlighted that strategic decisions such as strategy making, strategic interest and formal responsibilities in Business Process Management (BPM), policy coordination mechanism, top management commitment towards change, and degree of complexity of organisational mission strongly influence PSOs’ performance. Financial resource dependency is another factor which influences the performance of PSOs. All these factors are directly related to top management’s decisions regarding different organisational factors (Al-Dhaafri & Alosani, 2023; Alexius & Ornb erg, 2015; Chen et al., 2012; Cuevas-Rodriguez et al., 2016; Genc-Tetik, 2022; Hansen & Jacobsen, 2016; Lane et al., 1998; Tajeddini & Trueman, 2016; Tonurist, 2015).

**Managerial Factors**

Structural factors such as task networks, team-based structures, and demographics are important and influence the performance of PSOs. Procedural justice and power balance have always been crucial issues for the effective operation of the organisation. Mechanisms and procedures for planning, execution, and monitoring the regular functions of an organisation play a vital role in the efficiency and effectiveness of the organisation. Good communication strategy, mechanism and process are necessary for things to happen. ‘Welfare of Enterprise’, ‘Decision-rights Decentralization’, ‘Work-related Outcomes (WRO)’, ‘Management Support’, ‘Work Discretion’, ‘Resources’, ‘Middle Managers’ Localism’, ‘Position Tenure’, ‘Locus of Control’ and ‘Organization Learning’ are notable managerial factors that influence performance of PSOs (Al-Yahya, 2009; Albrecht & Travaglione, 2003; Aslam et al., 2018; Aslam et al., 2018; Aubert & Bourdeau, 2012; Larbi, 2005; McHugh et al., 2001; Meynhardt & Diefenbach, 2012; Nwoye, 2002; Papenfuss, 2014; Fisheh, 2011; Pokharel & Choi, 2015; Su et al., 2013; Tso et al., 2015).

**Leadership**

Leadership is one of the most researched topics in the literature on the public sector. Evidence in the literature shows that leadership excellence and development have revolutionized the performance of many organisations across sectors, industries and nations. The ‘data set’ included in this SLR researchers evidence the influence of ‘Leadership Style (e.g. Transformational Leadership, Cognitive styles of leaders),’ Supervisor’s leadership style’, ‘Leadership Skills’, ‘Leader's social skills’, ‘Learning-Centered Leadership’, ‘Leadership Succession’ and ‘Social processes of leadership’ on performance of PSOs (Alamri, 2023; Bottomley et al., 2016; Boyne et al., 2001; Carmeli & Vinarski-Peretz, 2010; Donkor et al., 2022; Dunoon, 2002; Jain & Jeppesen, 2013; Mutonyi et al., 2020; Orazi et al., 2013; Vigoda-Gadot, 2007).

**Research & Innovation**

States that consider the PSOs to be one of the valuable assets of their country use them to create innovation within firms and induce innovation in society (Gershman & Thurner, 2016; Tajeddini & Trueman, 2016).

**Accountability & Autonomy**

Effective balance between accountability, autonomy, and control has also been a concern for the top management of organizations so that strategic and operational functions can run smoothly. This line of reasoning has been confirmed by Swiatczak et al. (2015), Wynen & Verhoest (2015) and Wynen & Verhoest (2016) by studying the influence of ‘Managerial Autonomy’, ‘Organizational Autonomy’ and ‘Result Control’ on performance of PSOs (Tran et al., 2022).
Cultural & Behavioral Aspects


6.2 Human Resource Management

Reviewed literature shows substantial evidence that Human Resource (HR) consideration is important to enhance and sustain performance of PSOs. By reviewing the included literature it can be concluded that both the HR practices such as Staffing, Training, Performance Management (e.g Performance Measurement, Implementation of 360 feedback system, Implementation of balance score HR score card), Remuneration (Intrinsic and Extrinsic Rewards) and their potential outcomes such as; Job Characteristics, Role Clarity, Role Ambiguity, Job Security, Job Satisfaction, Perceived Organizational Support (POS), Perceived psychological contract support (PSCS) and ‘Public Service Motivation’ influence the performance of PSOs. Other than that, the literature also suggests that PSOs should also consider contemporary HR issues such as the strategic role of HR, implementation of High-performance work system (HPWS) techniques, Innovativeness in HR Practices and introduction of Market Oriented HR Practices as factors influencing the performance of PSOs (Aggarwal & Agarwala, 2022; Ahmad & Rehman, 2011; Alimansyah & Takahashi, 2023; Caker & Siverbo, 2018; Cunningham & Kempling, 2011; Katou, 2015; Miao et al., 2013; Oakland, 2005; Susanto, 2021; Wright & Pandey, 2008; Zumrah & Boyle, 2015).

6.3 Type of Ownership

One of the most exciting findings of this research is that the type of ownership itself is a variable that influences many of the aspects of the performance of PSOs. At times, authors have studied the influence of public ownership on various dimensions of PSO performance. Some other articles have investigated the influence of pre-and post-privatization on the productivity, technical efficiency, and financial productivity of PSOs. Some authors have studied if public and private sector ownership in firms have any influence on the performance of PSOs (Adithipyangkul et al., 2011; Bass & Chakrabarty, 2014; Benassi & Landoni, 2019; Bruton et al., 2015; S. J. Chen et al., 2017; X. Chen, 2020; Goldeng et al., 2008; Hsu et al., 2012; Huang & Chang, 2019; Li et al., 2014; Munyo & Regent, 2016; Musacchio et al., 2015; Qureshi et al., 2011; J. C. Wang et al., 2022; L. Wang & Judge, 2012; Yonnedi, 2010).

6.4 Corporate Governance

Board structure and composition have been taken as one of the main independent variables to describe the influence on strategic, financial and operational aspects of organisational performance. Apart from the aforementioned, board members ‘age group’, ‘gender representation’, ‘educational background’, and CEO exposure & succession are critical and have an influence on the operational and financial performance of PSOs. The internal matters of board politicisation of board members also influence the organisational performance. One study
discusses that duality in the identity of board members (being a government official & being a board member of a firm) influences resource allocation and capacity management (Allini et al., 2016; Bachiller, 2009; Bezuidenhout & Bussin, 2020; Bozec & Dia, 2007; Bozec et al., 2004; Cuevas-Rodriguez et al., 2016; Enquist et al., 2011; Hansen & Jacobsen, 2016; Kakabadse et al., 2010; Menozzi et al., 2012; Park & Cho, 2014; Sidki et al., 2023; Ugboro & Obeng, 2009; Zhu & Yoshikawa, 2016).

6.5 Political Factors
The state owns the PSOs, and the state is primarily governed by the governments controlled by political parties. So, the politicization of PSOs is a serious concern for the determination of the performance of PSOs. Politicization is a multifaceted concept with reference to PSOs. In the selected ‘dataset’ politicization has been studied as political connection of managers & board members, influence of unions & external political entities, impact of international bodies, and internal politics of organisation’s are some of the main dimension of organisational politics which have been studied as independent variable that influence operational, strategic, managerial and financial aspects of performance of PSOs (Kuzman, Talavera, & Bellos, 2018; Shin & Ahn, 2021; Zhang, Ren, & Wu, 2023).

6.6 Organizational Factors
Organizational factors such as Structure, Size, Age, Location, Industrial Sector, Demographic Diversity and other organisational structures are the main organisational factors taken and independent variables, and their influence has been studied on strategic, managerial and financial aspects of performance of PSOs (R. Andrews, 2010; Ding et al., 2006; Hooijberg & Choi, 2001; Naranjo-Gil, 2009; Opstrup & Villadsen, 2015; Wright & Pandey, 2010).

6.7 Financial
The organisation’s financial stability plays a crucial role in determining different dimensions of organisational performance. Organizational Financial Health, Growth in Physical Assets, Financial Slack and Market Returns has a definite influence on the Strategic/Managerial and Financial aspects of the performance of PSOs (Carmeli & Vinarski-Peretz, 2010; Cordeiro et al., 2013; Fonseka et al., 2014; Luke et al., 2010; White & Liu, 1998).

6.8 IT
Information technology nowadays dominates every aspect of society. A review of included articles confirms that IT Resources, Management Information Systems, Computer Base Information Systems and tools of Information Technology (IT) influence the Operational and Strategic/Managerial aspects of the performance of PSOs (Ali et al., 2021; Fuller & Roffey, 1993; Hasan & Hasan, 1997; Pang et al., 2014; Pang et al., 2014; Sameer, 2022; Wu et al., 2023).

6.9 Project Management
A single study has discussed the influence of using ‘Project Management’ techniques and approaches and its influence on issues related to the strategic and managerial aspects of the performance of PSOs (Crawford & Helm, 2009).

6.10 Summary of Analysis
Figure 6.2 gives summary results of this SLR. As per these results, 9 main categories/themes have been identified such as; ‘Strategic Management’, ‘Human Resource Management’, ‘Type of Ownership’, ‘Corporate Governance’, ‘Political’, ‘Organizational Factors’, ‘Financial’, ‘IT’ and ‘Project Management influence the four main dimensions of ‘Performance’ of PSOs.
7 Conclusion

The analysis and discussion presented above clearly reflect that in the contemporary era of governance and management, PSOs worldwide have to consider ‘Strategic Management’ and ‘Human Resource management-related factors very seriously if they want to enhance their performance and sustain it over the period.

Another significant finding is that the type of ownership positively influences the strategic and operational matters of the organisation. Still, at the same time, its politicized version may hinder the firm’s ability to progress and prosper.

Based on the above-presented analysis, it can be stated that if factors related to ‘Corporate Governance’, ‘Politics’, ‘Organizational Factors’, ‘Finance’, ‘IT’ and ‘Project management’ are managed effectively, that may enhance and sustain the performance of Public Sector Organizations.

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