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The Most Difficult Elements of Establishing and Launching a Management Performance Measurement System

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Abstract

Based on our research, the most difficult elements were risk management and change management, and since unexpected change is a risk, we will discuss both as one. The balanced scorecard is one of the performance management tools we will utilize to elaborate our proposition, the scorecard and its content cannot be considered as static objects: they must be upheld and updated to remain applicable and useful for the organization. Two events can be recognized that activate deviations in the scorecard and the metric selection: The scorecard does not anymore support the control of all or part of the business, since during performance review sessions it can seem that business areas or current or new challenges are not considered in the scorecard. Then additional requirements are articulated for the next version of the scorecard.

Keywords: Management performance measurement systems; Organization

Introduction

What to discern as the most difficult element of establishing and launching a management performance measurement system?

Based on our research, the most difficult elements were risk management and change management, and since unexpected change is a risk, we will discuss both as one. The balanced scorecard is one of the performance management tools which will utilize to elaborate our proposition, the scorecard and its content cannot be considered as static objects. They must be upheld and updated to remain applicable and useful for the organization [1]. According to Lohman et al. two events can be recognized that activate deviations in the scorecard and the metric selection. The scorecard does not support the control of all or part of the business, since during performance review sessions it can seem that business areas or current or new challenges are not considered in the scorecard. Then additional requirements are articulated for the next version of the scorecard. Meanwhile, performance metrics are aimed attracting the performance towards the organizational objectives, a change in strategy hits the core of the scorecard [1]. Key issues in the effectiveness of the balanced scorecard identified in many case studies show that the connection between strategies at corporate and business unit level is critical in determining the design of the scorecard. In some organizations, business units had strategic objectives different from the corporate unit. This is because business units being smaller than corporate units which deal with changes to the business environment more rapidly, which reflects the business unit's scorecard. This result shows many organizations having different functional units at different levels within the organization and has a diversity of different strategic viewpoints [2]. Therefore, the problems identified here are likely to have parallels in other comparable organizations. Furthermore, when scorecard measurement is used in its feed-forward purpose, it can affect the direction of the change in managerial processes. In addition, measuring performance forces managers to search for a match between the existing idea and manifestation of the routine, inspiring the process of adjusting in order to respond to the new demands of the environment, this is known as the management of change and risk [3].

Furthermore, when changes or risks are not taken into account in a timely fashion, in many organizations managers are presented with raw performance data and left to draw their own assumptions, which leads to time-consuming and largely needless debate to defend individual figures. Therefore, the focus should be on the present situation, what can be learned from it and, more importantly, how objectives can be achieved. Education is essential in how to present data to encourage such debate [4].

How many levels within the enterprise should have measurement metrics? Why?

Taticchi et al. [5] highlighted that for a complete performance measurement and management system, the subsequent organizational multi-level model for performance measurement and management is required. The suggested framework integrates five systems:

1. Performance system
2. Cost system
3. Capability evaluation system
4. Benchmarking system
5. Planning system.

A complete understanding of the business is vital to implement on the framework of all the levels of the organization. This is a reflection of the importance of having matrices at all levels of the organization [5].

It is obvious that the maturity of our understanding in the field of performance measurement is growing, our anxiety moved from measurement of the lower level of the organization towards how to make best use of these measures to manage the performance of the organization at all levels [6]. This progress was driven from two

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connected sources firstly, the recognition of the turbulent nature of the operating environments of organizations led to the need to comprehend how performance measurement systems can be used and how they could adapt to the changing operating environment. Secondly, the availability of the experimental data on the use of performance-measurement systems became accessible, a number of aspects relating to implementation and use of measurement systems started to appear. These included organizational individual, behavioral and cultural aspects [7].

A performance measurement and management (PMM) system is a balanced and active system that enables support of decision-making processes by congregating, elaborating and analyzing relevant information [5]. The idea of "balance" refers to the need of using various measures and viewpoints that secured together offer a rounded view of the organization across all its levels and departments [5]. The concept of "activity" refers to the need of developing a system that constantly monitors the internal and external environment and reviews the objectives and priorities. Not withstanding the growing use of PMM systems, companies experience difficulty in executing them across all levels of the organization which results into risk of incomplete benefits or complete goal failure [5].

Conclusion

From the above study one can conclude that Performance management is a tool where the company can utilize to elaborate proposition, the scorecard and its content cannot be considered as static objects. Therefore, performance measurement plays an essential role in creating public value through effective strategic management.

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