

PERFORMANCE-DRIVEN BEHAVIOUR: A CROSS-COUNTRY COMPARISON

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Abstract

An increasing number of organisations are implementing strategic performance management systems. Despite the increase in experience gained with implementing this approach, there is still a lot to be learned about the factors that influence the everyday use of performance management and of the factors that influence performance-driven behaviour. De Waal (2002a, b) identified behavioural factors that have an influence on this behaviour. More recently De Waal (2004) consolidated these factors into nine aspects, developing a tool called the performance management analysis[®] (PMA). In this paper the results of a number of sets of PMAs, performed at Dutch and UK organisations, are discussed. These results give a first interesting picture of the performance drivers for organisations in both countries (both private and public sector), and are used to discuss how performance-driven behaviour can be promoted in both countries.

Background

In theory, during the strategic performance management process efficient and effective steering and control of the organisation is achieved by: (1) formulating the mission, strategy and objectives of the organisation, (2) translating objectives to the various management levels of the company, (3) measuring objectives with critical success factors (CSFs), key performance indicators (KPIs) and the balanced scorecard (BSC), and (4) taking quick corrective action based on regular reporting of indicator results. In practice, for efficient and effective management control organisational members (managers and employees) also need to display performance-driven behaviour, which can be defined as goal-oriented behaviour (Lipe and Salterio, 2000; Martins, 2000). Research shows that the combination of performance-driven behaviour and regular use of effective strategic performance management system does lead to improved results (Ahn, 2001; Sandt et al., 2001; De Waal, 2002a, b). It therefore makes sense to determine which factors have a positive effect on performance-driven behaviour. By doing so, organisations can work purposefully towards improving these factors.

In a recent study, 20 behavioural factors that have a positive influence on performance-driven behaviour have been identified (De Waal, 2002a, b). The term ‘behavioural factors’ is used here twofold: (1) for activities of organisational members that can be observed, and (2) for preconditions that allow organisational members to show certain behaviour (Exhibit 1).

Areas of attention	Behavioural factors
Organisational members’ understanding – <i>Organisational members have a good understanding of the</i>	1. Organisational members understand the meaning of KPIs, so they have an insight into the (possible) consequences their actions have on the results of their KPIs. 2. Organisational members have insight into the relationship between

Areas of attention	Behavioural factors
<i>nature and goals of performance management</i>	<p>business processes and CSFs/KPIs, so they understand that the results they achieve on their KPIs are important to the continuity of the organisation.</p> <p>3. Organisational members' frames of reference contain similar KPIs, so they can compare their results to those of other members and obtain in insight in how they are doing comparatively.</p> <p>4. Organisational members agree on changes in the CSF/KPI set, so they keep on accepting their KPIs and keep on feeling responsible for the results they achieve on these.</p>
<p>Organisational members' attitude – <i>Organisational members have a positive attitude toward performance management</i></p>	<p>5. Organisational members recognise and acknowledge the need for performance management, which makes them willing to cooperate during the implementation of performance management.</p> <p>6. Organisational members agree on the starting time, which makes them willing to cooperate from the start of the implementation of performance management.</p> <p>7. Organisational members have earlier positive experiences with performance management, so they can communicate the aim and goals of performance management to the organisation.</p> <p>8. Organisational members realise the importance of CSFs/KPIs/BSC to their performance, so performance management becomes part of their daily activities.</p> <p>9. Organisational members do not experience CSFs/KPIs/BSC as threatening, so they are not hesitant to use performance management.</p>
<p>Performance management alignment – <i>Performance management matches the responsibilities of organisational members</i></p>	<p>10. Organisational members' KPI-sets are aligned with their responsibility areas, so they can be used for steering and control of those areas.</p> <p>11. Organisational members can influence the KPIs assigned to them, so the acceptance and use of those KPIs is increased.</p> <p>12. Organisational members prepare their own analyses, which increases the acceptance of those analyses.</p> <p>13. Organisational members find the quality of the analyses good, which increases the use of those analyses.</p> <p>14. Organisational members can use their CSFs/KPIs/BSC for managing their employees, which increases regular use of performance management.</p>
<p>Organisational culture – <i>The organisational culture is aimed at using performance management to continuously improve</i></p>	<p>15. Organisational members' results on CSFs/KPIs/BSC are openly communicated, so everyone is aware of the status of the organisation and performance knowledge can be shared.</p> <p>16. Organisational members are stimulated to improve their performance by using performance management, so they do not have to be afraid performance management will be used to punish lagging results.</p> <p>17. Organisational members trust the performance information, which increases the acceptance of the information.</p> <p>18. Organisational members clearly see (top) management using performance management, so they understand the importance of performance management to management and the organisation.</p>
<p>Performance management focus – <i>Performance management has a clear internal management and control focus</i></p>	<p>19. Organisational members find performance management relevant because it has a clear internal control purpose, and can therefore support their activities well.</p> <p>20. Organisational members find performance management relevant because only those stakeholders' interests that are important to the organisation's success are incorporated, so performance management stays aimed at the continuity of the organisation.</p>

Exhibit 1: Behavioural factors that are important for the successful implementation and use of performance management (De Waal, 2002a, b)

Methodology

To operationalize the results of the study, an analytical tool has been developed on the basis of the behavioural factors mentioned in Exhibit 1. This tool – the performance management analysis® (PMA) – offers organisation a method to measure and evaluate their performance-driven attitude. The analysis looks at the content (the ‘structural side’) of a performance management system as well as the way it is used by organisational members (the ‘behavioural side’). The analysis is based on the principle that both sides need to be given attention in order to establish a performance-driven organisation. With the performance management analysis, an organisation can score itself on all aspects, using a questionnaire, to evaluate the degree of its result-orientation (De Waal, 2004). The grouping of factors and criteria into nine performance management analysis aspects is derived from the elements that are mentioned in the research literature as being most important for successful performance management (amongst others: Kaplan and Norton, 1996, 2000; Lipe and Salterio, 2000; Malina and Selto, 2000; Marchand et al., 2000; Massello, 1999; Merchant, 1998; Neely, 1998, 2000; Simons, 1995, 2000). The nine aspects of the performance management analysis are given in Exhibit 2. The structural aspects deal with the content of performance management and the way it is organized. The behavioural aspects deal with the way organisational members apply performance management.

Aspect	Type	Short description
Responsibility structure	Structural	A clear parenting style and tasks and responsibilities have been defined and these are applied consistently at all management levels.
Content	Structural	Organisational members use a set of financial and non-financial performance information, which has a strategic focus through the use of critical success factors and key performance indicators.
Integrity	Structural	The performance information is reliable, timely and consistent.
Manageability	Structural	Management reports and performance management systems are user friendly and more detailed performance information is easily accessible through ICT- systems.
Accountability	Behavioural	Organisational members feel responsible for the results of the key performance indicators of both their own responsibility areas and the whole organisation.
Management style	Behavioural	Senior management is visibly involved and interested in the performance of organisational members and stimulates an improvement culture and proactive behaviour. At the same time it consistently confronts organisational members with lagging results.
Action orientation	Behavioural	The performance information is integrated in the daily activities of organisational members in such a way that problems are immediately addressed and (corrective or preventive) actions are taken.
Communication	Behavioural	Communication about the results (top-down and bottom-up) takes place at regular intervals as well as the sharing of knowledge and performance information between organisational units.
Alignment	-	Other management systems in the organisation such as the human resource management system, are well aligned with performance management, so what is important to the organisation is regularly evaluated and rewarded.

Exhibit 2: The nine aspects of the performance management analysis

In the analysis, the nine aspects of performance management and performance-driven behaviour are valued on a scale of 1 to 10 and included in a PMA-radar diagram (see Exhibit 4). The more

attention an organisation pays to elements belonging to a certain aspect, the higher it will score on that aspect. The structural aspects are shown on right in the radar diagram, the behavioural aspects on the left. The radar diagram clearly indicates which side and which aspect(s) require more attention if the organisation is to become (more) performance driven (these are the ‘dents’ in the diagram). The organisation can then decide how much it wants to improve and move up the scale in the direction of the 10. In addition to scoring the organisation along the nine aspects, the comparative competitive performance is generated. This is achieved by comparing the organisation’s own performance relative to their competitors or organisations with similar services (in case of public sector organisations).

What is of particular interest for this study is the PMA-results obtained from Dutch and UK companies (both private and public sector) and to investigate if there are any similarities or differences. In other words, some research questions that could be considered include:

- Is there a correlation between organisational performance and the attention given to performance management (both for the structural and behavioural factors)?
- Do Dutch companies exhibit more performance-driven behaviour than UK companies?
- Do private sector companies have a greater alignment than public sector companies? And is this true for both countries?

The analysis and subsequent answers to these questions will help to develop recommendations and benchmarking between the countries.

	Resp. structure	Content	Integrity	Manageability	Accountability	Management style	Action orient.	Communication	Alignment	Comp. performance
Respons. structure	1	.437(**)	.391(**)	.395(**)	.503(**)	.539(**)	.329(**)	.455(**)	.528(**)	.263(**)
Content		1	.439(**)	.476(**)	.668(**)	.578(**)	.522(**)	.563(**)	.546(**)	.247(**)
Integrity			1	.608(**)	.581(**)	.473(**)	.430(**)	.505(**)	.446(**)	.319(**)
Manageability				1	.572(**)	.493(**)	.400(**)	.441(**)	.495(**)	.197(*)
Accountability					1	.729(**)	.624(**)	.663(**)	.684(**)	.235(**)
Management style						1	.665(**)	.682(**)	.715(**)	.183(*)
Action Orientat.							1	.611(**)	.633(**)	.307(**)
Communication								1	.683(**)	.247(**)
Alignment									1	.272(**)
										.000

Exhibit 3: Correlation between scores on PMA-aspects and organisational performance
 (** correlation is significant at the 0.01 level (2-tailed); * correlation is significant at the 0.05 level (2-tailed))

Correlation performance management – organisational performance

In total 195 organisations were analysed, 170 Dutch and 25 UK companies. The data was obtained in the period 2002 – 2004 during workshops held with companies (both ‘open’ seminars and in-house workshops) and from post-graduate students during performance management courses taught by the authors. The correlation matrix (Exhibit 3) shows strong correlations between the scores on the PMA-aspects and the relative competitive performance for the organisations in the research sample. This means that, as expected, a higher score on the PMA-aspects is related to better performance. It can also be seen that no one PMA-aspect is more important than the other, all aspects are strongly related to performance. The conclusion is that it pays for companies to not only improve the PMA-aspects but to do this in an equal balance for both the structural and behavioural sides of performance management.

Cross-country comparison

The PMA-radar diagram for both UK and Dutch organisations is shown in Exhibit 4.

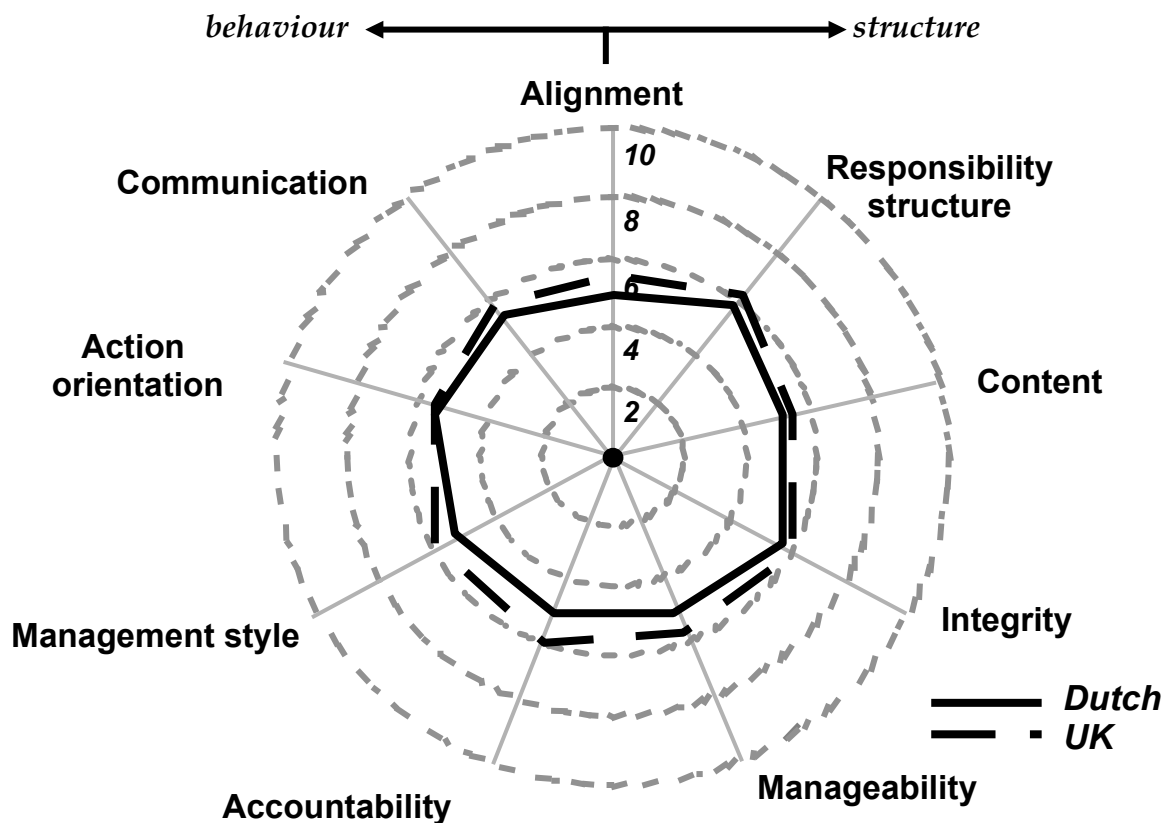


Exhibit 4: PMA- radar diagram with the scores of 170 Dutch and 25 UK organisations

As the diagram shows, UK organisations have better scores than Dutch organisations on all PMA-aspects although the difference is not statistically significant except for the aspect of Manageability. This is further illustrated by a comparison of the means (Exhibit 5).

PMA-aspect	Netherlands	UK	T-test	Sig. (2-tailed)	Mean difference	Std. error difference
Responsibility structure	5.75	6.27	-1.88	0.06	-0.52	0.28
Content	5.35	5.6	-0.91	0.36	-0.25	0.27
Integrity	5.78	5.95	-0.64	0.52	-0.17	0.26
Manageability	5.24	5.81	-2.08	0.04	-0.57	0.28
Accountability	5.67	6.01	-1.36	0.18	-0.35	0.26
Management style	5.67	5.89	-0.79	0.43	-0.22	0.28
Action orientation	5.66	5.7	-0.12	0.90	-0.03	0.28
Communication	5.47	5.56	-0.34	0.74	-0.09	0.28
Alignment	5.29	5.6	-0.99	0.33	-0.30	0.31

Exhibit 5: Comparing means on all PMA-aspects for UK and Dutch organisations

There could be several possible explanations for this difference in scores. Firstly, the Dutch sample contains many more organisations than the UK sample which can lead to a smoothing effect. Secondly, the majority of the UK questionnaires were completed by senior management/director level personnel (whilst the Dutch questionnaires were completed by people from all management levels), who can be proved to score higher, generally, than people from lower management levels. Finally, UK organisations are known to adopt management techniques which are American based earlier and faster than other countries in Europe, leading to a longer period of experimentation and improvement which in this case is strategic performance management systems.

Profit versus public organisations

The research sample contained 153 private companies (144 Dutch, 9 UK) and 37 public sector and non-profit organisations (26 Dutch, 16 UK). The latter are defined as organisations which provide or support the provision of public services e.g. education, health, fire, police, local and central government. In exhibit 6, the PMA-scores for Dutch and UK profit and public organisations are compared.

PMA-aspect	Public	Private	T -test	Sig. (2-tailed)	Mean difference	Std. error difference
Responsibility structure	5.81	5.85	-0.21	0.83	-0.04	0.20
Content	5.29	5.39	-0.53	0.60	-0.10	0.20
Integrity	5.30	6.01	-3.91	0.00	-0.72	0.18
Manageability	5.00	5.44	-2.22	0.03	-0.44	0.20
Accountability	5.32	5.85	-2.94	0.00	-0.53	0.18
Management Style	5.09	5.89	-4.09	0.00	-0.81	0.20
Action orientation	5.07	5.86	-3.92	0.00	-0.79	0.20
Communication	5.03	5.70	-3.45	0.00	-0.67	0.19
Alignment	4.68	5.67	-4.64	0.00	-0.99	0.21

Exhibit 6: Comparing differences between private and public organisations

Analysis of the mean differences indicates that there is a significant difference between private and public organizations. Further analysis shows that this difference is mostly due to differences in the Dutch dataset (Exhibits 7 and 8). It is interesting to note that in the UK, the PMA-scores are almost identical for private and public organizations with the exception of the score on

Alignment where public organizations score significantly less. In the Netherlands, public organizations score significantly less on almost all aspects.

PMA-aspect	Public	Private	T-test	Sig. (2-tailed)	Mean difference	Std. error difference
Responsibility structure	6.43	6.06	0.63	0.53	0.37	0.58
Content	5.64	5.53	0.21	0.84	0.11	0.53
Integrity	5.99	5.88	0.2	0.85	0.11	0.58
Manageability	5.82	5.79	0.05	0.96	0.02	0.52
Accountability	5.92	6.14	-0.41	0.69	-0.22	0.55
Management Style	5.82	5.99	-0.28	0.79	-0.17	0.61
Action orientation	5.63	5.78	-0.22	0.83	-0.15	0.68
Communication	5.44	5.72	-0.52	0.61	-0.29	0.55
Alignment	5.03	6.35	-2.32	0.03	-1.32	0.57

Exhibit 7: Comparing differences between UK private and public organisations

PMA-aspect	Public	Private	T-test	Sig. (2-tailed)	Mean difference	Std. error difference
Responsive Structure	5.46	5.81	-1.42	0.16	-0.35	0.24
Content	5.26	5.36	-0.41	0.68	-0.10	0.25
Integrity	4.93	6.02	-5.04	0.00	-1.09	0.22
Manageability	4.67	5.38	-2.92	0.00	-0.71	0.24
Accountability	5.09	5.82	-3.33	0.00	-0.73	0.22
Management Style	4.98	5.84	-3.7	0.00	-0.86	0.23
Action	4.88	5.88	-4.37	0.00	-1.00	0.23
Communication	4.76	5.66	-3.8	0.00	-0.91	0.24
Alignment	4.42	5.54	-4.26	0.00	-1.11	0.26

Exhibit 8: Comparing differences between Dutch private and public organisations

A possible explanation for this difference between UK and Dutch public sector organisations is that in the UK the drive for New Public Management over the past twenty years has led to significant awareness of, and improvement in, strategic performance management systems (Pollitt & Bouckaert, 2000). However, it could be argued that there has been a whole range of systems implemented (e.g. Comprehensive Performance Assessment, Best Value Framework, Performance Assessment Framework, Charter Mark, Beacon Scheme) which are basically not aligned leading to the lower score on the aspect of Alignment (Radnor & McGuire, 2004). However, the Dutch programme of implementing performance management in the public sector is relatively recent, it started in May 1999 (Ministerie van Financiën, 2002; De Waal & Kerklaan, 2004). The main focus of this programme until now has been on improving the structure and content of the strategic performance management systems but less on the management side of strategic performance management.

Discussion

Taking into account the results presented above the research questions can now be considered. There is a clear and strong relation between organisational performance and the attention given to performance management (both for the structural and behavioural factors). In the research sample, UK companies exhibit more performance-driven behaviour than Dutch companies. It is felt that this is because the UK has a longer history of implementing strategic performance management in the public sector than the Netherlands. Finally, for both UK and The Netherlands, private sector companies have a greater alignment than public sector companies. It

could be argued that this is because the private sector has a longer history of implementing strategic performance management. Therefore they have realized the importance of aligning all the performance management systems in the organisation, so what is critical to the organisation's success is regularly evaluated and rewarded.

The PMA-research among 170 Dutch and 25 UK organisations has some limitations. First, the research population does not necessarily fully represent 'the' Dutch or UK organisation. Secondly, the respondents of the questionnaire may have scored their own company more favourably than an outsider, thus more objective researcher, would have done. Thirdly, it is possible that there are other aspects of importance to performance driven behaviour, which have not been included in the analysis set-up. Fourthly, the UK research sample is much smaller than the Dutch one, which leads to a non-equal comparison. Despite the limitations, this research gives an interesting picture of the relation between organisational performance and performance management and of the performance drive of Dutch and UK organisations. Further research is to increase the sample of UK organizations. Also, carrying out similar comparative analysis in non-European countries would be interesting to see if a relation exists between organisational performance and performance management in those countries.

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