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Managing the tension between performance measurement and strategy: Coping strategies

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Research paper

Managing the tension between performance measurement and strategy: Coping strategies

Structured abstract

Purpose

The aim of this paper is to explore an important but relatively uncharted territory: the actual functioning of performance measurement systems (PMS) in their organisational context. The objective of the paper is to document the ways in which managers go about aligning operational measures with their organisation's strategy in practice.

Methodology/approach

This research adopts an interpretive multiple-case approach in order to gather rich data on the strategies used in managing operational performance measurement systems. Data were collected from detailed interviews with managers and supervisors in four government agencies.

Findings

Our expectations were that the operations managers would adjust their performance measures to support the changes in strategy. This was not the case. All the interviewees employed one or more tactics to cope with the tensions between strategy and performance measures. The ten tactics identified are collected into three strategies; do-nothing strategy, pseudo-realigning strategy and distracting strategy.

Research limitations/implications

This paper casts some doubt on the practice, rather than the principle, of strategy-aligned performance management. More work needs to be carried out to ascertain how other, both for profit and public sector, organisations deal with these tensions in practice.

Practical implications

From a practitioner point of view it raises the question as to whether senior managers are exerting sufficient control over the alignment issue or providing suitable tools, methods or indeed incentives to bring alignment about.

Originality/value of paper

The paper highlights a gap between theory and practice and suggests that the way to ensure implementation of 'modern management methods', might be to deal firstly with the issues of relevance, timeliness, structure, integration and symmetry.

Keywords

Performance measurement, performance management, alignment, strategy, operational measures, coping

Managing the tension between performance measurement and strategy: Coping strategies

Introduction

Performance measurement is seen as a critical activity for operations management in order to control and improve operations, report progress and ensure alignment to strategic objectives (see, for example, Amaratunga et al. 2001, Franco-Santos et al. 2007, Leandri 2001, Lebas 1995, Neely 1998, Neely et al. 1997, White 1996, Wholey and Hatry 1992, Wouters and Sportel 2005). In terms of alignment with strategic objectives Wickham Skinner (1969 and 1971) was one of the early pioneers in the operations field to recognise the need to link operational measures to strategic intentions. He stated "Criteria for judging a factory should not be limited to efficiency and cost, for these criteria ignore the fact that in the context of a particular company's competitive strategy, other criteria may be vastly more important" (Skinner 1971, p66).

A substantial body of knowledge has developed over the last 30 years on performance measurement and management systems and strategic alignment in both the for-profit/business sector (see for example McAdam and Bailie 2002, Bititci et al. 2006, Ittner and Larcker, 2003) and the not-for-profit/public sector (see for example Atkinson and McCrindell 1997, Behn 2003, Greatbanks and Tapp 2007, Kaplan 2001, Moxham and Boaden 2007).

Much of that literature is concerned with developing conceptual models and frameworks, or investigating the characteristics of performance management systems. However, over the last few years "there appears to have been a subtle shift in focus from developing models and frameworks … through the implementation of such models and frameworks, to how measures, derived from balanced models and frameworks, are actually used in practice" (Greatbanks and Tapp 2007, p846, see also Franco and Bourne 2003). The aim of this paper is to explore an important but relatively uncharted territory: the actual functioning of performance measurement systems (PMS) in their organisational context. The objective of the paper is to document the ways in which managers go about aligning operational measures with their organisation's strategy in practice. Our assumption was that, although there would be inherent operational difficulties in responding to changes in strategy, nevertheless operations managers would work at adjusting their performance measures to support the strategic intent of the organisation. As it transpires, this was not the case. In practice the operations studied appeared to do nothing of the sort but employed a set of coping strategies to mitigate the tensions between measures and strategy. This paper reports on these strategies.

The first sections provide an overview of the literature about the alignment between performance measurement and strategy, the benefits of alignment, the process of alignment and the tension between strategy and measurement. The description of the methods used is followed by the findings and discussion. The conclusion section outlines the limitations of the research and provides the implications for academics and practitioners.

Alignment between performance measurement and strategy

There appears to be an underlying assumption in the performance measurement and management literature that an organisation's performance measures should be regularly reviewed to ensure alignment with strategy. If this is not done then changes in priorities resulting from changes in strategy may render performance measurement irrelevant or even counterproductive (see for example Dyson 2000, Kaplan and Norton 1996a, Kuwaiti 2004, Neely et al. 1997).

While Skinner (1969 and 1971) was one of the first in the manufacturing literature to contend that the operational performance measures used should reinforce the organisation's strategic objectives, more recent studies of world-class manufacturing organisations have found evidence of a consistency between performance measures and systems with manufacturing and organisational objectives (see for example Lockamy III and Spencer 1998).

There now appears to be a clear view that operational measures need to be derived from, and support, an organisation's strategic intent (Neely et al. 1995, 1997, Wouters and Sportel 2005). Wouters and Sportel, for example, stated "A performance measurement system aims to support the implementation and monitoring of strategic initiatives. The definition of performance measures and the setting of targets for these measures are concrete formulations of the firm's strategic choices" (2005, p1063). Following their review of the literature Wouters and Sportel concluded "performance measurement systems need to be clearly linked to the operational strategy of the organization" (p1064). Hudson et al. (2001) also noted that a congruence of measures and objectives helps an organisation to link its operations to strategic goals. However, there is also a view that not all operational measures will necessarily be linked to strategy or strategic objectives "there are measurement systems within businesses that will only have operational goals, which may or may not be implicitly or explicitly linked to strategy" (Franco-Santos et al. 2007, p796).

On the other hand, it has been suggested that a lack of alignment between measures and strategy is inappropriate, even dysfunctional (Sussland 2003). Indeed "The lack of alignment between performance measurement and business strategy in traditional models has been found to be one of the main obstacles to achieving the expected results from a PMS" (Garengo et al. 2005, p31, see also Kaplan and Norton 1992, Lynch and Cross 1991, McAdam and Bailie 2002, Neely et al. 1995).

The recent introduction of causal models and strategy maps provide a means by which strategy may be linked to performance measures (Ittner and Larcker 2003, see also, for example, Cobbold et al. 2004, Kaplan and Norton 2004). These models and maps attempt to lay out the plausible cause-effect relationships that may exist between the chosen drivers of strategic success and outcomes and the performance measures underpinning them.

Although most of the literature has been concerned with the application of performance management models and frameworks in the private sector there has been a long-running debate about their applicability in the public sector (see for example Boyne 1996, Moxham and Boaden 2007, Parker and Subramanium 1964, Ranson and Stewart 1994). There is a body of opinion that believes the difference between private sector and public sector organisations is such that private sector management practices cannot easily be transferred to the public sector (see for example Allison 1979, Pollitt 1986, Sayre 1953). However, more recently, evidence is appearing that confirms the successful application of private sector tools and frameworks into the public sector with a significant impact on performance (see for example Boyne 2002, Carter 1991, Greatbanks and Tapp 2007, Moxham and Boaden 2007). Greatbanks and Tapp (2007), for example, found that balanced scorecards, as a strategy balancing and alignment approach, has been deployed to a considerable degree of success within a public sector environment, albeit with some degree of modification.

The emerging view appears to be that many tools and techniques used in the private sector are applicable in the public sector, though with some care and adaptation. Indeed this activity has become known as New Public Management (NPM) (see for example Bouckaert and Pollitt 2004, Christensen and Lægreid 2001, Halachmi 2005, Hoque 2005). In particular there is a view that there should be alignment between operational measures and strategy or policy, though there may be greater difficulties in achieving it. As Kaplan noted, "Achieving

focus and alignment may be particularly difficult for non-profit organisations" (2001 p358). Though he puts this down more to the philanthropic and confused thinking of staff than a lack of clear strategies or lack of intent to align measures with strategy. In his paper he provided several insights into how not-for-profit organisations can benefit from this approach and suggested a number of areas where the non-profit organisation might need to modify its approach from that taken by a private company. This greater degree of difficulty in achieving alignment in the public sector is also echoed by Franco and Bourne (2003), Greatbanks and Tapp (2007), Wisniewski and Olafsson (2004).

Benefits of strategy-aligned performance measurement

The benefits of strategy-aligned performance measurement have been identified by many authors (see for example Atkinson and McCrindell 1997, Bititci et al. 1997, De Toni and Tonchia 2001, Dixon et al. 1990, Dyson 2000, Ghobadian and Ashworth 1994, Goold and Quinn 1990a, 1990b, Ittner and Larcker 2003, Kaplan 2001, Kaplan and Norton 1996b, 1996c, 1996d, Lockamy III and Spencer 1998, McAdam and Bailie 2002, Mendibil et al. 2002, Neely 1999, Neely et al. 1995, Parker 2000, Simons 2000, Tapinos et al. 2005b). These include:

- Informing the organisation about strategic direction
- Communicating strategic priorities
- Creating a shared understanding
- Monitoring and tracking the implementation of strategy
- Aligning short-term actions with long-term strategy
- Encouraging behaviour consistent with strategy
- Making both goals and means visible
- Making clear the links between the performance of individuals and sub-units, and sub-units and overall organisational performance
- Promoting integration among various organisational processes
- Limiting overemphasis on local objectives, thus reducing sub-optimisation
- Focusing change efforts
- Permitting and encouraging organisational learning.

The need to align performance measures and systems with strategy is at the core of most performance measurement and management methodologies (Tapinos et al. 2005a and 2006). Many of the well-known tools and frameworks have been developed to help managers understand the relationship between performance measurement and strategy, as Tapinos et al. (2005a, p189) reported "Significant progress has been made in the area of linking the design and development of performance measurement systems with 'organisational direction', through the employment of particular approaches such as the balanced scorecard and other frameworks" including:

- The performance measurement matrix (Keegan et al. 1989)
- The balanced scorecard approach (Kaplan and Norton 1992)
- The results and determinants framework (Fitzgerald et al. 1991)
- The performance pyramid (Lynch and Cross 1991)
- The integrated performance measurement system reference model (Bititci et al. 1997)
- The performance prism (Kennerley and Neely 2003; and Neely et al. 2001)
- Strategy maps and 3rd generation balanced scorecards (Kaplan and Norton 2000 and 2004, Cobbold et al. 2004)

Despite the popularity and wide acceptance of some of these tools, some "emerging literature suggests that the use of performance measurement systems, such as the balanced scorecard, does not make any difference to business performance" (Bititci et al. 2006,

p1326, see also Ittner et al. 2003, Neely et al. 2004). An alternative view is that the impact of performance measurement is contingent upon the way it is used (Bititci et al. 2006, Braam and Nijssen, 2004).

Alignment – a continual process

The underlying assumption in the literature appears to be that performance measures need to be regularly reviewed and adjusted to ensure alignment with strategy. As strategy changes, whether deliberate or emergent (Mintzberg et al. 1998), whether driven by changes in the external environment or internal changes in senior personnel or profit requirements for example, performance measures need to be reviewed and if necessary changed, to ensure alignment with strategy (Bourne et al. 2000, Parker 2000).

Kuwaiti (2004) observed that the development of an organisation's performance measurement system is an on-going process (see also Niven 2002, Wouters and Sportel 2005). Wouters and Sportel (2005, p1078), for example, found that "the revision process is a continuous activity rather than a periodic review with the PMS being frozen in between those official reviews".

The need to continually adapt appears to be an important factor in the success of performance management systems (Bourne et al. 2000, Kennerley and Neely 2003). Sussland (2003 p108) commented on the impacts of not adapting: "Waves of restructuring have left enterprises with a patchwork of processes, and ultimately in a strategic quandary. The ensuing misalignment of style, strategies, systems and structures causes dysfunctions inside and outside the organization, and sub-optimizes the effectiveness of the whole enterprise".

Many organisations' environments, both in the private and public sectors, are dynamic requiring constant modification to strategies thus to their operations and performance measures in order to reflect these changing circumstances. Despite this, "few organisations have systematic processes in place to manage the evolution of their performance measurement system to ensure that it continues to reflect the organisation's context" (Kennerley and Neely 2003, p216).

One might then argue that a state of misalignment between strategy and performance measures is a frequent and indeed naturally occurring state as a result of 'alignment deterioration' (see also Pongatichat and Johnston, 2008). We would contend that alignment deterioration, in both private and public organisations, is a natural phenomenon resulting from either continuous change in the external environment and/or frequent, or at least occasional, changes in the internal environment (see for example Bourne et al. 2000, Miles and Snow 1984). Indeed recent research has identified several potential benefits of misalignment (Pongatichat and Johnston, 2008). Importantly, the process of alignment requires management attention, time, effort and commitment, which are not always available, resulting in tensions between strategy and measurement. Indeed Powell (1992) suggested that alignment skills are one of the essentials in organisational management to deal with this tension.

Strategy-measurement tension

Melnyk et al. (2005), in an empirical study into one organisation based on 45 interviews, confirmed the existence of "tensions" between "top line" strategic metrics and "bottom line" operational metrics. Newton's third law states that forces occur in pairs, one called the action and one the reaction. Tension is a reaction force as a result of the distortion between the two objects, in this case strategy and operations performance measures; the magnitude of the tension being a function of the distance between the two 'objects'. Our research is

interested in the mechanisms that organisations use, in practice, to deal with the tension between the lack of alignment between operational performance measures and strategy.

Intuitively there are two ways in which this tension can be dealt with; either change the strategy to fit with the measures or change the measures to fit with strategy. While both are possible, the second is more likely than the first as strategy tends to be the driving force, indeed a review of the literature by Neely et al. (1997) suggested that performance measures should be derived from strategy.

Consequently, our expectations were that the managers would adjust their performance measures to support the changes in strategy. This was not the case. Indeed all the managers interviewed had developed a number of tactics to cope with the tensions created that meant they did not have to change their performance measures at all. There is some limited literature support for this 'approach'. O'Mara et al. (1998), in their case study research, found that managers had no formal recognition of a link between performance measurement and strategy, so that key performance measures were seldom linked to strategic decisions. Ittner and Larcker (2003) also highlighted the frequent failure of business managers to link performance measures, on the basis of causal models, to an organisation's strategy. Indeed Tapinos et al. (2005a) in a detailed study of one organisation, a university, found there was limited influence of the performance measurement system on the organisation's long-term goals and strategic direction.

Summary of key themes from literature

The topic of aligning performance measures to strategy appears to be an important issue for both public and private organisations. There are many benefits of having strategy aligned performance measures and several tools have been developed to help managers understand the relationship between performance measures and strategy. Furthermore, the alignment tools developed in the private sector may, with some degree of adaptation, be suitable for the public sector and indeed are used in the public sector.

It has been suggested that the tensions between measures and strategy are a naturally occurring phenomenon due to alignment deterioration thus management time and attention is required to assess and deal with any misalignment. Thus the objective of this study is to document the ways that operations managers go about aligning operational measures with their organisation's strategy in practice.

Method

A case study approach was chosen as the research method because the objective was to gather rich data on the strategies used in managing performance measurement systems in a real-life setting (Voss et al. 2002). This research adopted an interpretive multiple-case approach (see for example Eisenhardt 1991, Yin 2003).

While this research could have focused on private sector organisations we have chosen to study public sector bodies. Neely (1999) suggested that having strategy-aligned measurement is especially important for those organisations whose strategy is continually changing, often resulting from operating in highly dynamic environments. Such organisations will need to be able to adapt rapidly their performance measures to support new deliberate or emergent strategies (Mintzberg et al. 1998). Both private and public sector organisations are subject to changes in strategy. Private sector organisations are characterised by external changes in competition and markets, mergers, takeovers and alliances; and internal changes such as changes in the CEO, directors, senior management, and organisational structures for example. While public sector organisations may have similar internal strategy drivers they may not face changes in external competition though

they could, and do, face changes in markets, and customers' expectations and indeed occasional mergers and alliances may happen between and within such organisations. Importantly, it could be argued that they may encounter higher levels of political volatility. With three or four tiers of government and elections for each tier every three or four years, new and sometimes distinctly different political agendas may be suddenly forced upon the organisation. Indeed a change in the political domination in a council (city, borough, county, region or central) may lead to the complete reversal of some policies which will not only affect that level but also all the tiers below it.

It is possible, therefore, that public managers are subject to alignment tensions, to an equal or greater degree than private sector managers. Public managers, especially those in the public agencies whose strategy seems to be volatile, are likely to encounter more alignment tensions because strategy can be changed frequently. For these organisations, more frequent adaptation of the performance measurement process is needed, in order to maintain its relevance (Niven 2002). Our working assumption is that such public sector bodies may well be prepared for such major policy swings and may therefore be particularly adept at managing any tensions created between its frequently changing 'strategy' and its internal performance measures and measurement systems.

The case sites selected were central government agencies in the Thai Government. The reasons for selecting the central government agencies included:

- The results from the literature reviews revealed that there exists no research into the topic within a central government context. The focus of the existing public sector performance measurement literature have been mostly on public service providers and/or local governments, thus leaving the topic within the central government context uncharted.
- The performance of central government agencies seems to have wider consequences to society in general than those of a particular public service provider or a local government. It was, therefore, considered interesting to study the phenomenon within this context.
- Central agencies are often self-contained and situated in one location. It is, therefore, easier to gain insights into the phenomenon studied from an organisational holistic view of these agencies than to study the phenomenon in public sector organisations that have several branches situated in several locations.

The reasons for selecting the Thai public sector included:

- The Thai public sector is active in strategic management and performance measurement, due in part to the country's recent Public Administration Reform. Results from this research might yield immediate practical implications to Thai public sector management.
- And, most importantly, the Royal Thai Government was the sponsor of the research.

Thirty managers from four central government agencies were interviewed, including senior executives, managers, supervisors and officials. A semi-structured interview format was used (see Appendix 1). The interviews were tape-recorded, transcribed and checked back for accuracy. Data were also collected from a range of documentation, including both internal documents (for example reports, correspondence, memoranda, and other records) and external documents (for example legislation and regulations, newspaper reports, and newspaper editorial columns).

Interpretational data analysis (Gall et al. 2006, Yin 2003) involved several readings of the transcripts and documents, theme identification, coding and thematic analysis. A first cut

analysis identified eight broad themes; strategy/plans, performance measurement, alignment, operations, approaches to management, changes, coordination and communication, and culture.   Further reading of the transcripts identified, and modified, topics and categories which, after several iterations, were used to code all the data on an excel spreadsheet (around 50x800 cells). Coding was done by dividing the data into meaningful units. An iterative process, referred to by Gall et al. (2006) as "constant comparison", involved studying the data segments, determining if they were in the most appropriate category, rearranging the segments, and refining and amending the categories. The purpose of the constant comparison was to clarify the meaning of each category, and create clear distinctions among them until reaching "theoretical saturation" (Gall et al. 2006). Intra-case and inter-case comparisons were then conducted (Eisenhardt (1989). All the analysis was conducted manually since existing qualitative data analysis packages could not cope with the Thai language and it would have been too expensive/time consuming to translate.

Findings

The four agencies, in common with all the other Thai Government agencies, submitted an annual strategy document and an operating plan to the Bureau of the Budget (the government's department of finance) and made their requests for budgets for the following year. The strategy documents included statements of the agencies' visions, missions and strategies and their key performance indicators (KPIs). The operating plans took the form of a schedule, or calendar of activities, with start and completion dates together with their operational objectives.

The findings that emerged from the analysis of the data were that:

1. the operations managers and supervisors clearly understood the notion that measures should align to strategy
2. strategy changed frequently
3. there was some degree of misalignment between measures and strategy
4. there were two types of strategy-alignment tensions
5. there were three main strategies to 'manage' the tensions.

1. Recognition of the need for alignment

The review of the literature suggested that there was a clear view that operational measures should support the organisation's strategic intent. This appeared to be the case in practice. All the respondents, senior managers, managers and supervisors understood and recognised that their measures *should* align with strategy.

2. Strategy changed frequently

It was suggested in the literature that both private and public sector organisations are subject to changes in strategy in response to changes in policy or environmental changes. In this case the agencies' strategies (as reported in their strategy documents) did change, primarily in response to changes in government policy. However their strategies remained without major changes for between two to five years, but they were usually adjusted, amended or updated each year when they submitted their strategy documents.

3. Misalignment between strategy and measurement

The state of misalignment between strategy and performance measures was suggested, in the literature, to be a frequent and naturally occurring state as a result of 'alignment deterioration'. In order to assess the degree of alignment between the measures in place in

the four agencies and their strategies we applied two tests: is there semantic concurrence between the strategy as stated in their strategy document and 1) the KPIs and 2) their operating plans and measures. For example, if the strategy contained the word 'improvement' and there were one or more measures that measured 'improvement', such as percentage increase or decrease in a variable, then alignment was said to exist. We are not in a position to suggest whether the strategies are 'correctly' formulated or the measures were 'right' or 'wrong', we simply attempted to identify alignment.

In terms of the link between strategy and the KPIs, the analysis showed that indeed few measures corresponded with the agencies' strategies. In one agency, for example, three measures out of their ten KPIs corresponded with their strategy, in the second it was one out of seven, in the third, zero out of three and the fourth, one out of eight.

Each agency had a planning division whose role was to 1) collect plans from all departments/divisions in the agency and 2) ensure that the activities specified in these plans support the organisational strategy: However, some respondents stated that there was not always a clear connection between the two.

Although all the operating plans and the activities within them were expected to be derived from the strategy and to focus on the same direction, many respondents also noted that the planning process was not derived from the strategy. Instead, operating plans were sometimes more concerned with the activities that had always been carried out and whether operation targets had been met.

While a number of officials noted that the agencies' strategies had become more influential in the planning process, there was evidence of a gap between measures and operational objectives. Managers reported that they actually paid little attention to the strategy, focusing predominantly on operational issues and objectives.

4. Strategy-alignment tensions

The literature suggested that there would be a tension between 'top line' strategic metrics and 'bottom line' operational metrics. While we found a degree of misalignment, and therefore tension between, strategy and operational performance measures, there emerged two 'higher order' tensions; the tension created by the sometimes conflicting requirements of government and other stakeholders, and the tension created by the difference between short-term and long-term objectives (see Figure 1).

Figure 1 – Alignment Tensions
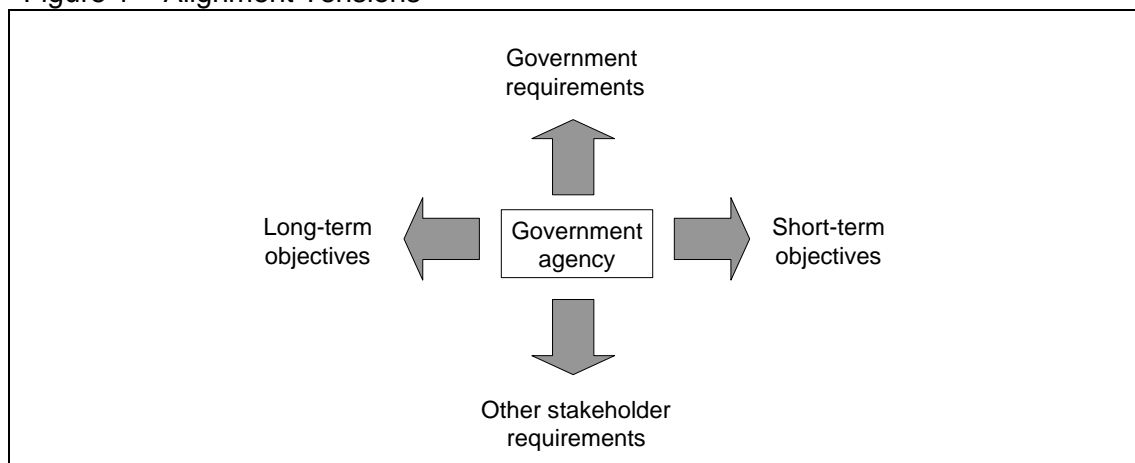
a) Stakeholder alignment tensions

There was pressure put on the agencies by their senior managers and the Bureau of the Budget to demonstrate alignment between their measures and their strategy. It was important that the government was seen to be adopting 'modern management' methods and practices. Agency managers were, therefore, expected to demonstrate that they were meeting the agency's and the government's strategic objectives

There were some opposing pressures from other stakeholders which encouraged the agencies not to align (all) their measures with the government's strategic intentions. Indeed the agencies believed they were accountable not just to the Bureau of the Budget (and the government) but to other stakeholders, including the public, whose interests may not be directly articulated in the organisations strategic objectives. Managers argued that if their performance measures were directly, and exclusively, aligned to current strategy they would not be able to provide performance data regarding other requirements not included in the strategic objectives. For example one of the agency's strategies was concerned with preventing and suppressing corruption in both the civil service and politics. One of its KPIs was the number of public relations events organised. While this did not directly support its strategy, managers felt that they had to demonstrate their activities to a wider audience.

The managers appeared to struggle in dealing with this alignment tension. Their dilemma was that on the one hand, if they chose to align performance measures exclusively with strategy, they might not have sufficient performance data to satisfy other requirements not included in the strategic objectives. On the other hand, if performance measures were to be aligned with all requirements, the agencies might be at risk of having performance measure proliferation, a situation that could result in managers spending too much time managing performance measurement, and not enough time on completing their key tasks.

b) Short-term and long-term alignment tensions

Managers also reported that measuring long-term strategic objectives was often difficult because they were often vague as well as taking a long time to achieve. As a result managers tended to use existing short-term measures as proxies for their long-term objectives despite unproved cause-and-effect relationship between the short-term measures chosen and the long-term strategic objectives. For example, one of the strategic concerns of one of the agencies was the promotion of morality. This was seen to be a particularly vague objective and also difficult to measure.   The agency had several measures in place that might give an indication of the rise or fall in morals, for example, the number of audited units, and the number of financial statements audited, though whilst these were primarily measures of activity, there was no understanding of the relationships between them and their strategic objectives. Another agency's strategy included the prevention and suppression of corruption, but as a supervisor noted it was not possible to evaluate whether corruption had been reduced or not.

Furthermore, since strategic objectives, or outcomes, take years, or even decades, to accomplish, they tended to be subject to more uncontrollable factors (such as changes in governmental requirements and available resources). In contrast, shorter-term objectives (known as milestones or intermediate objectives) were more achievable, allowing managers to feel they had more control over their performance.

Managers reported that they had more control over their short-term outputs, for example the number of pieces of work to be done (short-term performance) than the eventual desired outcomes (long-term performance). Indeed most of the measures they had in place were measures of short-term performance, creating a tension between what they did and what they measured and their stated strategic objectives. Moreover, performance measurement tightly aligned with strategy may not be relevant from a short-term focused operational

perspective because strategy-aligned performance measurement focuses instead on long-term performance.

5. Managing the tensions

The literature had little to say about *how* operations go about the process of aligning measures to strategy. The assumptions appear to be that they would change, amend or add metrics as strategy changed. This, however, was not the case. Indeed all the operations managers had developed a number of approaches to deal with the tensions created that meant they did not have to change their performance measures at all.

It is important to state, at this point, that all the operations managers had the ability and authority to choose most of their own performance measures. However, when questioned, contrary to the assumptions in the literature, the respondents admitted that they did not actively seek to align their measures with the strategy or adjust them as strategy changed.

Three approaches emerged for the coding and thematic analysis. Each of these strategies comprised several tactics; several of the tactics were often employed, usually one after the other, as pressure from managers to demonstrate alignment increased.

- *Do-nothing strategy*
  Operations managers who used a do-nothing strategy took no action to alleviate alignment tensions, thus leaving the tensions to continue.

- *Pseudo-realigning strategy*
  In this strategy, operations managers made attempts to reduce the tension by appearing to align measures with strategy.

- *Distracting strategy*
  In the distracting strategy operations managers directed attention away from the alignment issue. Although the tensions remained, senior managers' attention was diverted from them.

In all cases, the misalignments between measures and strategy continued. Table 1 provides a summary of the strategies and the tactics employed within them.

Table 1   Summary of the strategies and tactics

Do-nothing strategy *Take no action to align measures to strategy*	**Ignoring tactic**	*Ignore the misalignment, report progress without demonstrating the link between strategy and measures.*
	Assuming-and-believing tactic	*Assume that the measures used support the strategy*
	Avoidance tactic	*Avoid discussing the misalignment of measures and strategy.*
Pseudo-realigning strategy *Appear to take action to align measures with strategy*	**Nominal plan-changing tactic**	*Make symbolic changes to the measures in order to appear to be responsive.*
	Story-telling tactic	*Use the existing measures to 'demonstrate' that they supported strategy.*
	Alignment-obscuring tactic	*'Demonstrate' alignment with strategy, objectives or vision – all of*

		which were different.
Distracting strategy *Distract people's attention from the alignment issue altogether*	**Short-term success tactic**	*Demonstrate success in achieving short-term objectives (which were assumed to support longer-term strategy).*
	Target-adjustment tactic	*Change targets to distract attention away from the impact and effectiveness of operational activities*
	Blaming tactic	*Blame lack of knowledge, lack of management, changing requirements or the performance of other units/agencies*
	Deflecting tactic	*Change the subject to other management 'fads'.*

Do-nothing strategy

Managers following this strategy did nothing to deal with the alignment tensions. Three main tactics within this strategy were the *ignoring tactic,* the *assuming-and-believing tactic* and the *avoidance tactic.*

1. Ignoring tactic

The simplest tactic employed was to ignore the issue of strategy-aligned performance measurement. While all managers and supervisors worked hard to meet operational targets using operational measures in line with their operational plans, some of them simply ignored the strategic goals and objectives as stated in their strategic plan. They diligently reported, every six months, their operational measures by completing standard forms which were used for operational reporting and controlling purposes. Furthermore by completing this information managers and supervisors were seen to be performing correctly or at least adequately. Additionally providing they could complete the annual strategic planning report setting out their vision, mission, strategy and objectives (without any demonstration of the link between their strategy, their measures and achievements) again they were seen to be performing adequately.

Using this tactic managers and supervisors simply ignored the strategic objectives and continued with their operations, and their reporting and controlling activities. Likewise senior managers ignored the agencies' stated strategies and made little or no attempt to check or understand the relationship between them and the performance measures and activities reported.

2. Assuming-and-believing tactic

Because strategies were usually concerned with long-term desires and requirements and were usually less than precisely formulated, having measures that were tightly aligned to them was often seen as not feasible. So managers simply assumed and believed that the measures they had were reasonable indicators of strategy, despite no proven cause and effect relationships. This was an easier position to take than questioning the relationship and having to work to explain the relationship, which would be a difficult thing to do. One agency had several measures in place that *might* give an indication of the rise or fall of corruption, for example, the number of audited units, and the number of financial statements audited, though as measures of activity they might be quite appropriate, they assumed that

they provided an adequate representation of their attainment of strategic objectives, despite there was no understanding of the relationships between them and their key strategic objectives. Managers felt that their measures would, by some 'natural' process, align with their strategy, despite any active attempts to understand or explain the relationship.

Using this tactic, managers assumed that performance measurement was aligned with strategy by nature. In other words, the alignment between performance measurement and strategy was believed to happen naturally and automatically without management intervention, furthermore it could not be improved because of the vagueness of some of the strategies.

3. Avoidance tactic

This tactic, employed by some managers, involved avoiding any discussion of alignment. Even though the problem of performance measurement misaligned with strategy was known, managers tried to avoid mentioning it. There was a view that if they did discuss it the problem would be highlighted and that would result in questions being asked and criticisms being made of their abilities.

Pseudo-realigning strategy

In contrast to those managers who used the do-nothing strategy, some managers attempted to subdue alignment tensions by making performance measurement appear to align with the organisation's strategy. In so doing, public managers employed three tactics, the *nominal plan-changing tactic,* the *story-telling tactic,* and the *alignment-obscuring tactic.*

1. Nominal plan-changing tactic

Respondents reported that the policy changes that were influencing the changes to the agencies' strategies were sometimes substantial but often not so, and indeed on occasions merely symbolic. As a result managers were reluctant to make changes to their operational performance measures and so they made it appear as though changes had been made simply by making adjustments to the titles and sub-headings in their plan to make it appear as though the plan had been changed to take account of the change in strategy. The managers thus simply superficially revised operations plans, in order to appear responsive to the strategy changes. This behaviour supports the notion of strategy disconnection in public agencies, for the agencies could still carry on the same operations, even when the strategy had changed.

2. Story-telling tactic

Managers and supervisors were well aware of the need to align measures with strategy, but they were also concerned with 'doing their jobs' which, on a daily basis, was concerned with meeting work schedules. Should senior managers ask about the relationship between what they were doing and the measure in place with their strategy they would use the existing measures to demonstrate that they were, in fact, supporting strategy.

To do this managers would create a story that linked their existing measures of performance to the current strategy. Take, for example, the case of the agency whose strategy was to prevent and suppress corruption in both the civil service and politics. If the issues of alignment between operational measures and strategy were raised by superiors, managers would be able to point to one of their key measures of performance, the number of cases investigated, and show that the number of cases investigated had fallen over the last year, indicating that corruption was on the decline. What managers may fail also to point out is that they might have reduced the target for the number of cases to be investigated.

3. Alignment-obscuring tactic

When challenged on alignment some managers, while agreeing that alignment was indeed a sensible idea, raised the question about what performance measures should be aligned with. For example, some informants claimed that performance measures should support the vision, others claimed it supported the mission; others claimed that it should align with objectives, outputs or strategy instead. (Others even noted that performance measurement was a stand-alone process that did not need to align with anything.)

Agency strategy documents provided information about each agency's vision, mission, strategy and objectives and managers argued that for alignment to exist, their existing performance measures could align with any of these. Given there was an expectation that the vision, mission, strategy and objectives as contained in their strategy documents should be different, this gave them much wider scope to argue the existence of alignment.

By obscuring the relationships between performance measurement and other organisational processes/activities, managers were able to claim the existence of some kind of alignment, including the alignment between performance measurement and strategy. As a result, alignment tensions could be subdued, at least to some degree, by use of this tactic.

Distracting strategy

In addition, managers also dealt with alignment tensions by distracting people's attention from the alignment issue. In so doing, the managers used four tactics, which can be classified as a '*distracting*' strategy. These tactics were the *short-term success tactic,* the *target-adjustment tactic*, the *blaming tactic,* and the *deflecting tactic.*

1. Short-term success tactic

Since public agencies' strategies were often vague and required many months or even years for their realisation, it was sometimes difficult to measure their achievement. The managers, therefore, measured shorter-term performance instead because shorter-term measures were assumed to be (see *assuming-and-believing tactic*) milestones to the longer-term objectives.

By demonstrating success in short-term performance managers could subdue concerns over the achievement of long-term objectives. Furthermore, demonstrating success in short-term objectives was a key criterion used when considering a civil servant's promotion and salary increase in her or his annual or biannual (short-term) performance appraisal. It was, therefore, to be expected that civil servants would attempt to make their short-term performance appear as good as possible because it would determine their career prospects.

Therefore, by aligning performance measures with short-term performance, managers appeared to be able to demonstrate the relevance of the performance measures used. This *short-term success tactic* could, therefore, subdue, at least to some degree, alignment tensions.

This tactic was sustainable because if challenged further they would ask the senior manager for ideas for better measures. And given the long-term and often vague nature of the strategies, senior managers would struggle to come up with a suitable set of metrics.

Furthermore senior managers were able to choose their own measures, so if they managed to choose a measure that both supported strategy and reflected their own activities and concerns (including promotion) that would be a win-win. If there was any difficulty or trade-off they would tend to come down on the side of their own operational measures – to

demonstrate their ability to manage the activities of the agency rather than assess its contribution to strategy.

2. Target-adjustment tactic

Because the operational focus was on the completion of operational tasks on time, target adjustment was used as a way of distracting senior management attention from the effectiveness of their activities.

The number of the agreed work outputs was pre-specified in the agencies' annual planning documents and was used as supporting data for a budget request proposal to the Bureau of the Budget. The agencies would be regarded as being successful and efficient if they could produce the outputs as specified in their planning documents. Therefore, producing fewer outputs but keeping to the plan would be considered better than producing more outputs but being behind the plan.

However, since the level of pre-specified outputs was used as a criterion for budget allocation, the agencies were tempted to specify high output levels in the hope of getting larger budgets. Additionally, since the agencies were able to adapt their target outputs later, the manipulation of target setting was not uncommon because they would be able to set high target outputs, in order to get a greater budget, and then lower the targets later to appear as if they were achieving their targets.

All this manipulation was used with three objectives in mind, first to try to secure additional funding, second to ensure they were seen to be (operationally) successful and thirdly to distract attention away from the actual impact and effectiveness of their activities.

3. Blaming tactic

Once alignment concerns were raised some managers appeared well prepared to blame several factors for hindering such alignment. These factors included 1) underdeveloped knowledge, 2) lack of management attention, 3) scarce resources, 4) changing requirements, and 5) the performance of other units/agencies.

Underdeveloped knowledge

The notion of strategy-measurement alignment was seen to be a notion put forward from the for-profit business sector rather than the public sector, and as such managers argued that the body of performance measurement knowledge for the public sector had been comparatively underdeveloped and did little to offer guidance for measurement practice in reality. Performance measurement practice for the public sector was seen as not as easy or straightforward as that in the for-profit sector. For example, in business, it was commonly accepted that a company's performance could be measured in financial terms. Financial measures such as profit, sales or stock price were considered readily measurable. In contrast, in the public sector, it was claimed that there were no such sound representative measures for the performance of public sector organisations.

Lack of management attention

In practice, performance measurement activities in the government agencies were used primarily for controlling and reporting purposes. It appeared that monitoring the progress of work in terms of the outputs produced in comparison to the plan was sufficient for serving these purposes without considering whether the measurement was aligned with strategy.

The lack of management attention to the alignment issues also resulted in managers' inactivity in using performance measurement for other purposes, such as for improving and developing. Agency managers were required only to gather and report the data on, for example, the number of reports prepared, number of meetings held, and amount of budget spent. Since the provision of these raw performance data met the management requirements, further use of it was deemed unnecessary.

Scarce resources

Public managers claimed that performance measurement could be too burdensome, since they were already swamped with regular tasks. These managers claimed that due to the limitations of available resources (e.g. money, time and staff); they could not afford to further measure work performance.

Using a Thai expression, one manager referred to the use of performance measurement as comparable to *riding an elephant to catch a grasshopper*, meaning that the cost incurred from measurement activities may not be worth the benefits resulting from the measurement (because alignment is a naturally occurring phenomenon – see *assuming-and-believing tactic*).

Changing requirements

A common perception about public agencies' working environments was their ever-changing requirements. Factors generating the requirements could be either external or internal to the agencies themselves. It was noted that while the most influential external factor appeared to be change in government policy, the most influential internal factor was changing of the agencies' work directions, due mainly to changes in top management.

On the one hand, public agencies, especially government agencies, were required to support government policy. Frequent changes in government policy resulted in the constantly changing requirements that would make it difficult for public managers to adapt. On the other hand, the changes in requirements could also come from within the agencies themselves. For example, the agencies' top management appeared to be able to change the agencies' required work directions. These changes were sometimes based on political rather than operational reasons.

Changes in government policy, when coupled with changes in organisation strategy, resulted in frequent changes in work requirements. Therefore, if performance measurement was to be in line with strategy (work direction), then the change in work direction would inevitably affect the alignment between performance measurement and strategy. Public managers blamed the frequently changing requirements for making it difficult to maintain the alignment.

Performance of other units/agencies

It was noted that the performance of a unit depends on other units within an agency. Similarly, the performance of an agency also depends on how other agencies perform. Public managers regarded these correlative performances as inhibiting the measurement of the achievement of long-term strategic objectives. The managers claimed that since the objectives of individual units (agencies) were often the combination of work results of more than one unit (agency), and that each unit (agency) did not have authority over another, it was unfair to measure a unit's (agency's) performance by measuring the objectives shared among different units (agencies).

By blaming the correlation of performance as an uncontrollable factor, public managers can justify the measurement of their immediate work results which may not be aligned with

strategy. As a result, almost all measures used among public agencies are the measures of what they have done (activities or outputs measures) with the given amount of resources (inputs measures).

4. Deflecting tactic

Over the last few years many new and popular management practices have been brought into Thai public sector management. These imported management practices are almost exclusively those that have gained popularity in either public or business in the developed countries, such as public administration reform, business process reengineering, total quality management, management by objectives, performance-based budgeting system, good governance, and the balanced scorecard

More often the individuals expected to be especially alert to the new management practices were the planning officials who were familiar with the agency's activities and processes both in terms of the 'big picture' and in detail. These officials' in-depth knowledge of the organisation's activities and processes coupled with their up-to-date management knowledge made it possible to help the agency to respond to the demand for modernity, and to defend the organisation's rationale.

In light of this, alignment tensions would be lessened by diverting attention from the alignment issues to demonstration of awareness and acknowledgement of the alignment requirements. Since alignment tended to be difficult to assess, managers who were alert would normally be able to deflect attention away from the alignment issue and talk about other, and more in vogue, management fads making themselves appear more credible at the same time.

Discussion

The literature makes a compelling case for the need for alignment between strategy and performance measures (see for example Neely et al. 1997, Wouters and Sportel 2005), while also recognising that it might also be a difficult thing to do, particularly in not-for-profit organisations (Kaplan 2001). In practice, in this organisation, and we suspect in many others, operations managers avoided changing their performance measures to align with the organisation's strategy. We observed distinct and definable practices (strategies and tactics) which demonstrated that, in practice, in this organisation at least, managers and staff went out of their way to avoid aligning measures with strategy, even though they had the authority and ability to change their measures and they were well aware of the strategic intentions of the organisation. This was not a case of loose coupling between measures and strategy; or confused thinking as Kaplan (2001) suggested, these were direct, positive and structured actions to avoid alignment.

The main theoretical contribution of this paper is the three strategies and associated tactics used to avoid aligning operational measures with strategy. These findings also raise several important questions:

1. Why did the operations managers not align their performance measures with strategy?

The existence of misalignment clearly caused tensions, but these tensions were managed in a counter-intuitive way. One explanation for this might be laziness; it takes time and effort to change things. However, many of the tactics deployed also required time and effort. A more charitable explanation might be that there are other factors at play for example:

Relevance

As O'Mara (1998) suggested there appears to be a formal link between the notion of strategy and the performance measures adopted inside the operation. This suggests that strategy is not seen as relevant or appropriate for operations managers, thus their unwillingness to change their measures. Indeed strategy was seen by some of the respondents in this organisation to be inappropriate to the operational issues they faced, whereas their choice of performance measures supported their day-to-day operational decision making.

Timeliness

A key issues seems to be the disconnect between the time horizons implied in long-term strategy versus the short-term nature of operational activities and decision making, as identified by some of the respondents (see also Tapinos et al. 2005a). This might suggest, despite the application of the balanced scorecard and more recently strategy mapping, that we do not yet have good methods to reconcile long-term organisational views with short-term operational activities.

Structure

There is a mismatch between performance management systems (structures) and practice. This might suggest we need to replace theoretical notions of performance measurement systems with approaches based more on social practices (an idea suggested by Roberts and Scapens 1985). If the performance measurement/management systems are not supported through the actions on the ground, they are hollow rhetoric. So if performance measures do not provide appropriate mechanisms to enact and enable strategy, do new mechanisms need to be developed?

Integration

It could be suggested that there is little integration of theory and practice in this area. Maybe the subject of performance measurement and management has become too theoretical and lacks the development of functioning and robust methods for implementation. The gap between organisational strategy and operational activities is, in theory, linked by the body of knowledge described as operations strategy. Is this not working or are these three bodies of knowledge too distinct and not integrated (with themselves or with practice) to create appropriate operational actions?

Symmetry

The power asymmetries between the senior managers and the operational managers and their activities were seemingly unable to be dealt with by the process of strategy-aligned measurement. The concerns of senior managers in this case did not appear to be seen as legitimate by the operations managers. The autonomy provided to managers, and the lack of integrating mechanisms, meant the imbalance of views were not able to be reconciled. Indeed there appear to be no, workable, mechanisms to deal with this imbalance.

2. What are beneficial and detrimental consequences of misalignment?

The literature suggested many benefits of aligning measures to strategy. However, the acceptance and continuance of a mismatch by managers in this organisation would suggest there may be many benefits to misalignment. Indeed recent work by (Pongatichat and Johnston, 2008) found that misalignment enabled managers to: 1) balance the strategic focus and the broader requirements; 2) encourage organisational learning; 3) manage the operational realities; 4) create flexibility; 5) enable greater control over activities; 6) enable the measurability of performance; 7) enhance career benefits; and 8) justify poor performance and the need for more resources.

While organisations may benefit from a 'loose' performance measurement and control framework that allows and enables local management, experimentation, learning, and

flexibility, there is an important downside; the strategic intent may be rendered ineffective. This supports the view of organisational information systems recognised by Hedberg and Jönsson (1978, p47) "Current information – and accounting – systems do more to stabilize organizations than to destabilize them. They filter away conflicts, ambiguities, overlaps uncertainty, etc. and they suppress many relevant change signals and kill initiatives to act on early warnings." Furthermore, and importantly, while senior managers and directors may believe that strategy is being delivered, they may be being deceived.

3. Why do organisations adopt a rhetoric of 'modern management' while at the operational level work just goes on regardless?

This paper has implied that the notion of alignment between strategy and performance measurement is little more than theory and rhetoric. Senior managers in this organisation claimed to be adopting modern management methods, but this appeared to involve little more than understanding them and talking about them. Managers appeared to demonstrate their knowledge by using the language but seemed to have little idea as to how to put the ideas into practice as strategy-aligned performance measurement was not implemented. Indeed management 'fads' were used as part of the distracting strategy to move attention away from this particular mismatch. This raises the question whether modern management methods are a reality or, in this case, an illusion created by the three coping strategies. One explanation might be that while the modern management methods provide 'sound' principles and frameworks, they do not come with a recipe for implementation.

The key issue for operations managers appears to be: how can we implement concepts and frameworks, such as strategy-aligned performance measurement, when operational behaviour appears to work to circumvent it? The solution may lie in first dealing with the issues of relevance, timeliness, structure, integration and symmetry.

Conclusion

The aim of this paper was to explore an important but relatively uncharted territory: the actual functioning of performance measurement systems (PMS) in their organisational context. The objective of the paper was to document the ways in which managers go about aligning operational measures with their organisation's strategy in practice, or as it transpired, the ways in which managers went about avoiding aligning their operational measures with the organisation's strategy.   While the literature makes a compelling case for the need for alignment between strategy and performance measures, the reality, certainly in these organisations, was very different. Although the organisations studied were public sector agencies where the application of private sector models is accepted as more difficult and in need of adaptation, this organisation, a major government, was committed to the implementation of New Public Management tools and models and believed it had done so. Yet as their strategies changed the operational performance measures did not. However the operating strategies did change to reflect the organisation's (government's) strategy. The naturally occurring alignment tension between strategy and operational performance measurement was managed using a variety of coping strategies which by themselves did not lead to alignment but managed, or rather coped with, the tension.

Although the paper has many inherent weaknesses, including the interpretative nature of the research and the limitation of the four agencies studied, this paper has cast some doubt on the practice, rather than the principle, of strategy-aligned performance management. More work needs to be carried out to ascertain how other both for-profit and private sector organisations deal with these tensions, and indeed with other 'new management methods', in practice.

From a practitioner point of view it has raised the question as to whether senior managers are exerting sufficient control over the alignment issue or providing suitable tools, methods or indeed incentives to bring alignment about. From an academic point of view the paper has highlighted a potential gap between theory and practice.

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Appendix 1   Semi-Structured Interview Questions

Name, position, time in position, length of time with the organisation, brief job description.

1.   Questions regarding strategy
1.1   How does your organisation (department) set its goals?
1.2   What are the strategies used to achieve those goals?
1.3   How are those strategies formulated?
1.4   How do your department's strategies support the organisation's overall strategies?
1.5   In setting goals and strategies, whose opinions do you need to consider?
1.6   How are those strategies implemented?
1.7   How often do strategies change?
1.8   What are the factors causing those changes?
1.9   How does your organisation (department) make changes in strategies?
1.10   What are the unexpected consequences resulting from the changes?
1.11   How are the changes communicated throughout the organisation/department?

2.   Questions regarding performance measurement
2.1   How do you know if your organisation (department) is working towards achieving pre-set goals?
2.2   For what are the measures/indicators used?
2.3   Where do these measures/indicators come from?
2.4   How do you know those measures/indicators are appropriate??
2.5   What prompts you to reassess the appropriateness of those measures/indicators?
2.6   How often do you assess the appropriateness of those measures/indicators?
2.7   What would you do if the measures/indicators in use appear to be inappropriate?
2.8   On what are those decisions based?
2.9   How do you react to such information?
2.10   How do you make the decision as to the final solution for the change?
2.11   Are there measures/indicators still in use that you consider to be inappropriate? Why are they still in use?
2.12   What do you do in such situations?
2.13   Are the measures/indicators and performance data used for purposes other than telling how well your organisation (department) has been performing?

3.   Questions regarding the consequences of the alignment/misalignment between performance measurement and strategy
3.1   What are the consequences of having performance measurement aligned with strategy?
3.2   In contrast, what would result from misalignment?
3.3   Is it always necessary to maintain tight alignment? Why/why not?
3.4   Can you identify and give examples of circumstances in which alignment is more desirable, and in contrast, misalignment is more desirable?
3.5   Who would prefer alignment and who would prefer misalignment? Why?

4.   Questions regarding the assessment of alignment
4.1   How do you know if performance measurement supports and is aligned with strategy?
4.2   How can you assess the degree of alignment?
4.3   What are your sources of information on alignment/misalignment?
4.4   Is alignment formally assessed? If so, how often? If not, how is it assessed?
4.5   What factors influence the need to assess alignment? Why are they influential?

5.   Questions regarding the creation and maintenance of alignment
5.1   How can alignment be created in the first place?
5.2   What are the factors affecting alignment/misalignment?
5.3   In terms of performance measurement or strategy, which is more often the cause of misalignment?
5.4   How can alignment be maintained over time?
5.5   If misalignment is sometimes more desirable, have you ever intentionally misaligned measures with strategy for any particular reason?
5.6   What made measures formerly aligned with strategy become misaligned at a later date?
5.7   How did you cope with such an emergent-misalignment situation?