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PERFORMANCE MANAGEMENT:
ASSESSING THE GAP BETWEEN THEORY AND PRACTICE IN AN SME

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Acknowledgements

Abstract

This study seeks to assess issues which may prevent performance management theory being applied effectively in practice. In particular it is interested in performance management in an SME.

A single case study was used to test the author's theoretical propositions and assess them against previous academic research. Findings were validated through a multi-method approach.

Many issues found in prior performance management research were present in the study organisation, with behavioural factors, management capabilities and past experience of performance management as potential barriers to a successful PMS.

Although this research is based on a single case study and therefore not generalisable, it can be concluded that for a performance management system to be effective companies must be clear about their goals, develop a coherent PM strategy and show commitment at each stage of the process.

This study was based on a privately-owned micro-organisation in the service sector and adds to previous research conducted into performance management issues in SMEs.

Declaration

As the 'owner ' of the research and this submission you must assert its originality - in other words you must declare the work as original and that you have not submitted it for any other academic purpose. Similarly you must declare that the work is yours and that all references to previous work - either by yourself or other authors - are fully referenced.

The following statement, signed and dated, **MUST** appear at the appropriate place in each copy of your submission

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Chapter 1 - Introduction

Much has been written about Performance Management, its aim, value to organisations with careful design and implementation, causes of failure, and why it should be part of any organisation's strategic planning. In considering performance management, many organisations think of employee performance with its annual appraisals, reviews and target setting. Indeed the literature reflects this with numerous publications dedicated to employee performance by such authors as Bacal (1999), Armstrong (2006), Hunt (2007), and others. Researching performance management literature tough, it soon becomes apparent that performance management is far more than managing employee performance. Indeed this is only a small fraction of what organisations need to do to manage effectively and gain competitive advantage. Performance management starts with measures and informs strategy. This study therefore is about how to manage performance through measures for the benefit of the organisation.

1.1 Background to the Research

The author started this journey into performance management by researching employee performance as it was her organisation's intention to introduce a sound employee performance management system. In-depth exploration of the subject transformed the assumption that organisational performance depended on employee performance into a realisation that organisational performance means just that: it is not about people performance alone; every part of the business must be subject to measurement to achieve the company's goals.

This research explores performance management in a small private organisation. Whereas performance may be more easily measured in the manufacturing industry, and much of the literature seems to examine performance in that sector, this research involves a service sector organisation, Galina International Study Tours –hitherto referred to as Galina – a Tour Operator specialising in educational tours. One of the objectives, therefore, will be to explore the extent to which performance management can be successfully applied to this organisation which offers both a product - i.e. the tour and its various components, the experience, the relevance to a particular study area, and a study pack – and a service from the organisation of the tour to its delivery by the organisation's suppliers (coach companies / drivers, guides, hoteliers, venues). It is worth noting too that this particular industry has so far been largely self-regulated, with

little benchmarking and companies setting their own standards, with the exception of the transport element which follows strict EU regulations.

In the twenty years that the organisation has been trading, performance has been measured in terms of traditional financial records now deemed inadequate in today's environment as reviewed in Chapter 2, and of tour targets. Furthermore, it has so far been run as a family-type business with a high level of employee empowerment to achieve annual targets. Recent internal factors (redundancy, capability issues, and a succession process) and external factors (the current recession, government changes in the approval of educational tours leading to the introduction of new industry-related accreditation, and a commitment to achieve a widely recognised business award, the Investors in People award) have focussed the senior management's attention on the business model and the way the organisation manages performance and quality. A case study of the organisation will highlight in Chapter 4 how changes introduced as part of this re-assessment have impacted on the way the organisation currently manages performance. In addition, the research proposes to look at other aspects of performance management in the organisation such as resources and its customer focus.

1.2 Research Issues

The organisation employs two owners and seven staff. Up until the end of December 2009 it was a two-brother partnership (it has since become a private limited company[1]) with a clear vision but few hard and fast rules and policies, informal individual performance assessment and no strategic performance management system, a characteristic of SMEs according to Kotey (2005) cited by Vichitdhanabadee, Wilmshurst & Clift (n.d., p. 3). The research will take into consideration the feasibility of implementing a strategic performance management system (SPMS) as reviewed in the literature and with the modest means of a small business. It is felt for instance that the more limited resources of SMEs – as exemplified by this particular research organisation - create a gap between theory and practice; the combined literature review in Chapter 2 and case study in Chapter 4 will aim to define the nature of this gap to try and offer solutions for reducing it in order to get closer to achieving effective performance management with a strategic focus. The proposed research question therefore is as follows:

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[1] For the purposes of this research project started in 2009 when the business was still a partnership, the change to a private limited company will not be taken into account unless deemed relevant.

"Performance Management: assessing the gap between theory and practice in an SME"

This central issue also draws on other topics such as management of change following the introduction of formal measures in a previously informal setting, Human Resource Management issues such as the preservation of the psychological contract and good employee relations in an increasingly formal environment, effective communication, and quality management.

1.3 Justification of the Research

This research finds its justification not only in the value to the case study organisation, but also as a contribution to the literature on performance measurement/management issues relating to SMEs such as Galina, where top and middle managers hold several roles and are pulled in different directions, resulting in a lack of strategic focus. A major problem is the amount of time that small organisations dedicate to Human Resource (HR) matters and employee performance. Marchington & Wilkinson (2007, p. 122) suggest that HR and performance management are neglected due to various factors such as line managers' work overload, conflicting requirements and lack of reward in that area. Indeed, Galina's strategy has mostly been concentrated on marketing and product development whose ROI is more easily quantifiable. It is hoped that the focus of this case study on small organisations supported by the wider literature will make a contribution to knowledge in this area.

The timing of this research coincides with recent changes at Galina. In the past couple of years it has undergone some transformation on several fronts, restructuring from a two-tier business model with management and employees to a three-tier hierarchy in September 2008 with a middle management team (see Figure 1.3 below):

Figure 1.3. Galina's three-tier business structure.

It has invested in new technology to improve its marketing and administrative tasks; it has changed its focus from the mere provision of school tours to curriculum-relevant study tours with a view to gaining competitive advantage; it is also winding down its operations in a failing part of the business, its military group tours, as part of its overall growth strategy, concentrating instead on its innovative study tours. The introduction of the new IT and telephone systems in the summer of 2008 and the downturn in its military department in 2008/09 brought about two redundancies within 12 months of each other and highlighted the issues of individual capability and organisational performance: the ageing IT system had necessitated an almost full-time maintenance post which the new system does not require; when reflecting on the downturn in military groups it was suggested that a decline in the quality of administrative tasks may have been a contributory factor, although this is difficult to quantify as external factors such as the conflicts in Iraq and Afghanistan and the associated reduced army budget for study tours have affected many Tour Operators who also offer battlefield tours to military groups (data inferred from the response from potential clients to Galina's quotation follow-up procedure). Galina is now measuring the return on investment of this restructuring in financial terms, a difficult task in a recession which is probably distorting the true benefits of the changes. Nevertheless senior management have concluded that performance must be measured at individual, team and organisational levels to try and prevent what was termed by the senior partner as "haemorrhaging money" and to emerge from the current recession with an organisation-wide strategy for growth.

1.4 Methodology

In order to assess the gap between performance management theory and its practice in SMEs, the research includes a case study of Galina, which compares and tests the theory against a set of theoretical propositions and data collected through observation, documentary evidence, archival documents and interviews with Galina's management and staff. It explores its existing strategy, how performance is measured in terms of output, quality, employees, suppliers, and customer satisfaction. Findings will be supported mostly by analysis of qualitative data as well as quantitative data from customer feedback.

1.5 Study plan

As mentioned earlier this research project is about assessing what performance management theory can offer a small private organisation such as Galina. It is clear from the literature, however, that performance management cannot exist without first of all determining performance measures specific to an organisation, so measures are the starting point, the management of which forms a second phase in the implementation of a performance management system. The literature review which follows in the next chapter looks at the historical background to performance management, the modern approach, performance measurement frameworks, the shortcomings of performance management theory and how to apply it successfully, the strategic nature of performance management and finally issues relating specifically to SMEs, which category the case study organisation belongs to.

Chapter 3 details the methodology employed, with justification of the use of a case study approach supported by research methods literature.

Findings from the case study will follow in Chapter 4 whose analysis in Chapter 5 will synthesise the research and attempt to address the problem posed by the research question, which is to assess the gap between the theory reviewed in Chapter 2 and the case study findings of Chapter 4.

The analysis and the conclusions drawn from it in Chapter 5 will inform specific recommendations in Chapter 6 for developing a workable, effective and strategic performance management system at Galina.

1.6 Definitions

The performance measurement/management literature uses various acronyms, but the same ones are given different meanings by different authors. 'PM' is used for "Performance Management", for instance in Page & Prescott (2005), or "Performance Measurement" as in Olsen, Zhou, Lee, Ng, Chong, & Padunchwit (2007, p. 563). Thus 'PMS' means either "Performance Management System", according to authors such as Tangen (2004), de Waal (2007), Elzinga, Albronda & Kluijtmans (2009) or "Performance Measurement System", according to Olsen et al. (2007, p. 563). Other acronyms used in the literature include 'SPM' for "Strategic Performance Measurement" followed by the word 'system' as in Franco & Bourne (2003).

The various meaning of the letter 'M' can lead to confusion as a study of the literature reveals that although interlinked, measurement and management are not entirely interchangeable: measures need to be designed before their implementation can be managed. For this reason this paper, like most research papers, will avoid the use of acronyms where it might confuse the reader. When used the letter 'M' will mean 'management', in combination with 'performance': 'PM', 'system: 'PMS' and 'strategic: 'SPM'.

This paper refers in places to 'CSF' (critical success factor) and 'KPI' (key performance indicators), both of which pertain to performance measurement/management literature.

'SME' is used throughout instead of 'Small to Medium Enterprise'. These are defined by the European Commission (2009) as employing less than 50 people and with a turnover of less than 50,000,000€ Within SMEs is also a 'Micro' category of businesses which employ less than 10 people and with a turnover of less than 2,000,000€ Galina currently falls within this category, although in addition to its nine employees it also employs a dozen or so guides on a casual basis. For the purposes of this dissertation and with reference to performance management literature Galina will mostly be referred to as an SME.

Other acronyms used in relation to Galina are: IiP (Investors in People), LOtC (Learning Outside the Classroom), STF (School Travel Forum), and AITO (Association of Independent Tour Operators). All are government or industry-related accreditation/memberships which Galina is hoping to obtain by the end of 2010 and are relevant to this study.

1.7 Summary

To summarise, this dissertation is a study of the applicability of performance management theory and frameworks to SMEs. This will be tested through a case study approach based on a small, successful private organisation in the service sector, Galina International Study Tours (Galina). One outcome of this research will be to offer recommendations to the company for an organisation-wide strategic approach to performance management for the purpose of gaining competitive advantage. It is hoped that the findings would also be of benefit to other SMEs wishing to implement a strategic performance management system.

Chapter 2 - Literature Review

2.1 Historical background to performance measurement

Performance measurement/management has been much researched and discussed since the early 1990s. The equivalent of one article every five hours of each working day was published between 1994 and 1996 according to Neely (1999, p. 207) who also mentions the proliferation of conferences on the topic since 1994, as do Bourne, Mills, Wilcox, Neely & Platts (2000, p. 754). De Waal (2007, p. 5) citing Marr and Schiuma (2002) quotes a figure of 12 million sites dedicated to the topic by the beginning of this century.

Basic performance measurement has been happening in business for a century according to Chandler cited in Neely (1999, p. 205) when in 1903 in the USA three Du Pont cousins formed one large explosives company from their respective small enterprises, the Du Pont Powder Company, and by 1910 were managing it through 'best practice' and other basic methods of performance measurement. Neely (1999, p. 206) argues, however, that performance measurement has mostly been the realm of financial departments, based on metrics, and that the shortcomings of financial measures is that they encourage short-termism, lacking strategic focus and only providing partial data, missing out quality, responsiveness and flexibility, focussing on local rather than organisational performance, lacking the notion of continuous improvement, largely ignoring customers' opinion and information on competitors' performance.

2.2 The advent of non-financial performance measures

In recent years, there has been a transformation in organisational performance management or what Neely (1999) terms the performance measurement "revolution".

By the 1980s traditional accounting measures were deemed insufficient and inadequate. Kaplan & Norton (1992, p. 71) argue that they worked well in the industrial era but do not now reflect the skills and competencies of businesses today. Neely (1999, pp. 210-221) reviews seven main reasons for this, linked to changes in the nature of business as a whole: automation renders traditional accounting methods of performance measure inaccurate as overheads historically attributed to labour costs shift to the cost of automation; the level of competition is increasing globally with such government measures as deregulation in certain markets; as a consequence, Quality Management, national and international quality awards, industry regulators and accreditation have

been introduced to evaluate and reward performance, which look at the whole organisation rather than output. Furthermore, organisational roles have changed since the 1980s with accounting departments being encouraged to provide information relevant to the business rather than purely financial figures, and Human Resource (HR) departments have also become more prominent, reflecting the necessity for a holistic approach to performance measurement. Finally improvement in Information Technology (IT) has made data collection and analysis for the purposes of performance measurement much easier, more sophisticated and useful. Dixon et al. (1990) cited by Neely (1999, p. 206), and Bourne et al. (2000, p. 754) for example, also argue that accounting methods are historically focused; they report on what has been whereas managers need predictive, forward-looking measures. They lack strategic focus. They are not obsolete, however; instead Kaplan et al. (1992, p. 71) stress that they must be complemented by operational measures and the framework they created to that effect, the Balanced Scorecard (BSC), will be reviewed in more detail in 2.3.6.

2.3 Performance Measurement frameworks

The Du Pont cousins appear to be widely recognised as the founders of modern performance measurement with their Pyramid of Financial Ratios, according to Neely et al. (2000, p. 1124) - albeit that theirs was an accounting measurement system - a fact which seems to be supported by the development in 1993 of a similar framework of financial and non-financial performance measures by the Institute of Chartered Accountants of Scotland (ICAS).

Neely et al. (2000, pp. 1122-1130), Tangen (2004, pp. 728-735) and Neely, Kennerley and Adams (2007, pp. 144-148) review a number of other performance measurement frameworks, summarised below.

2.3.1 The Performance Measurement Matrix

Keegan, Eiler and Jones's Performance Measurement Matrix (1989) – see Figure 2.3.1 - in Neely et al. (2000, p. 1122) combines financial and non-financial elements of the business as well as external and internal factors. Neely et al.'s criticism of this matrix, though, is that it fails to show the relationship between these elements.
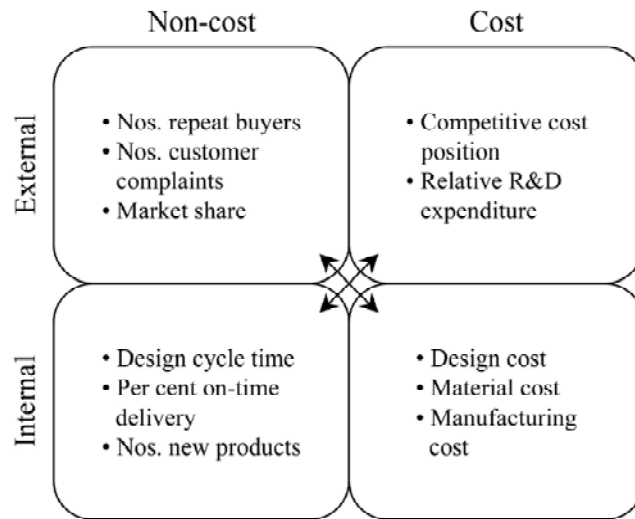
Figure 2.3.1. Keegan et al.'s performance measurement matrix (1989)
Source: Neely et al. (2000, p. 1122)

2.3.2 The Results and Determinants framework

Fitzgerald, Johnston, Brignall, Silvestro and Voss's (1991) results and determinants framework provides an alternative which proposes that performance measurement is based on driving determinants of quality, flexibility, resource utilisation and innovation and the resulting financial performance and competitiveness of the business. Their framework is represented by Figure 2.3.2 below:

Results	Financial performance
	Competitiveness
Determinants	Quality
	Flexibility
	Resource utilisation
	Innovation

Figure 2.3.2. Fitzgerald et al.'s (1991) results and determinants framework
Source: Neely et al. (2000, p. 1123)

2.3.3 The input-process-output-outcome framework

The previous framework highlights the causality between pre-determined measures and their ensuing results. This relationship was further developed by Brown's (1996) five stages of business process: inputs, processes, outputs, outcomes and goal, represented in Figure 2.3.3 below:
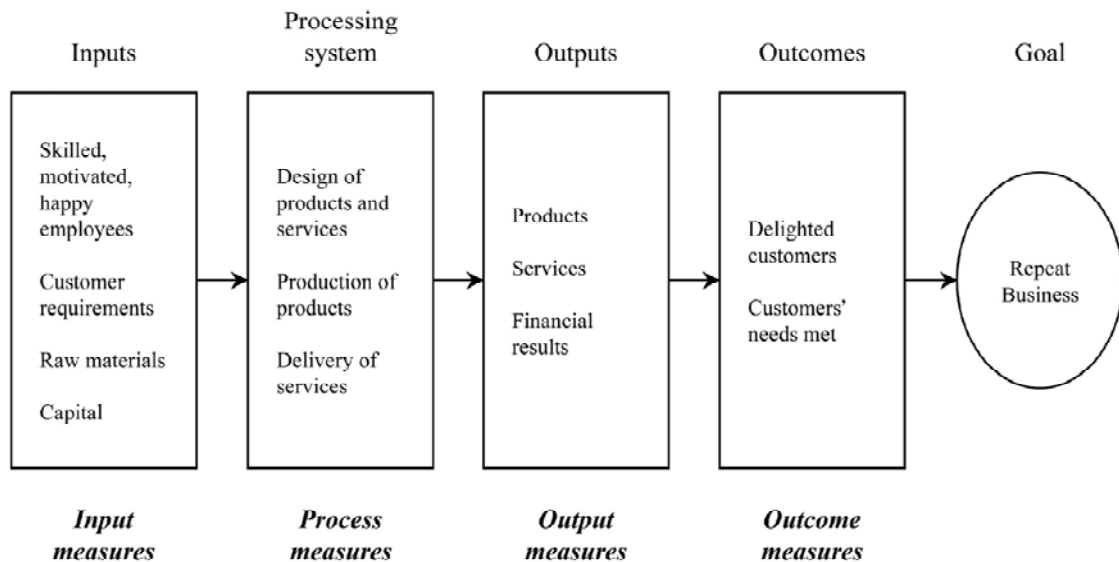
Figure 2.3.3. Brown's (1996) input-process-output-outcome framework
Source: Neely (2000, p. 1125)

Neely et al. (2000, p. 1125) and Neely et al. (2007, p. 147) argue that this process-focused model is useful to distinguish between different categories of measures and has proved popular in public sector companies. Input measures include employee satisfaction, supplier performance and finance; process measures include production and operational matters; output measures look at product and service as well as financial results; outcome measures are concerned with customer satisfaction. The overall aim of these sets of measures is customer loyalty, which marketing literature believes is key to long-term sustainability and growth – see for example Blythe (2007, pp 309-312). Indeed, Dewey (2003) - cited by Page et al. (2005, pp. 4-5) in their examination of performance management in relation to customer satisfaction - purports that the challenge for today's companies is to retain clients as there is now greater choice in terms of quality and price.

2.3.4 The SMART Pyramid

Lynch & Cross's (1991) SMART (strategic measurement and reporting technique) pyramid (Figure 2.3.4) is a hierarchical model described by Neely et al. (2000, p. 1125) and Neely et al. (2007, pp. 145-146) as showing the need to include both internal and external measures and how they should cascade through the whole organisation to achieve its goals. Tangen (2004, p. 736) and Murdoch (1997) cited in Page et al. (2005, p. 2) view it as an excellent example of strategically-driven PMS. It is also described as a useful tool to cascade objectives to lower levels of the organisation by the Practick Company (2004) with the vision defined at the top by corporate management according to Murdoch (1997), both cited in Page et al. (2005, p. 2). A disadvantage of this framework, tough, according to Neely et al. (2000, p. 1125-1126) is that the terms are so broad and open to interpretation that it is difficult to put into practice.
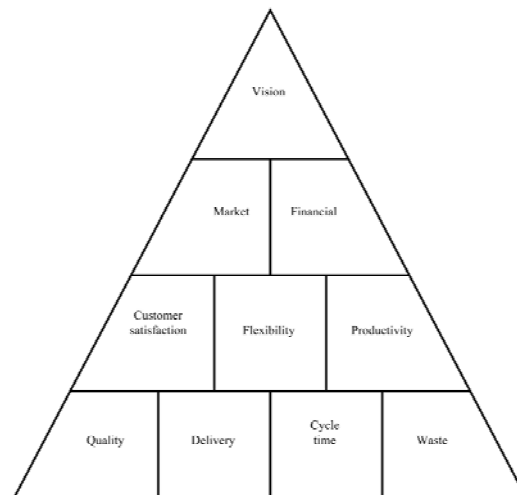
Figure 2.3.4. Lynch & Cross's (1991) performance pyramid
Source: Neely et al. (2000, p. 1126)

2.3.5 The Performance Prism

In 2001, Neely offered his own performance measurement framework, the "performance prism", described as "stakeholder-centric" by Neely et al. (2007, p. 151). According to them (pp. 151-156) and Tangen (2004, p. 734) this framework considers first the wants and needs of all of a company's stakeholders (employees, customers, suppliers, partners, intermediaries) as well as what they will contribute to the organisation so strategies derive from measures relating to the wants and needs of stakeholders, although Neely et al. (2007) stress that not all stakeholders have the same importance. They also explain that this model aims to create stakeholder value and goes

beyond the common understanding of the psychological contract between employers and employees to encompass psychological contracts between an organisation, its customers and suppliers as well as its industry's regulators. It is based on five questions which they suggest organisations must address:

1) Key stakeholder satisfaction: who are they and what are their wants and needs?

2) Strategies: what strategies should be put in place to satisfy stakeholder wants and needs?

3) Processes: what critical processes are needed to fulfil the strategies?

4) Capabilities: what capabilities are needed to operate and enhance those processes?

5) Stakeholder contribution: what contribution is required from stakeholders to maintain and develop the necessary capabilities?

This is represented in the performance prism model below (Figure 2.3.5):

Figure 2.3.5: Neely et al.'s (2001) Performance Prism
Source: Tangen (2004, p. 734)

Tangen (2004, p. 734) argues that the strengths of this framework are that it questions an organisation's existing strategies before selecting measures and it also considers other stakeholders previously neglected in performance management. However, it does not clearly explain how to achieve the measures or consider how it might fit in with other PMSs that companies may have already implemented.

2.3.6 The Balanced Scorecard

Although the balanced scorecard (BSC) comes before the performance prism chronologically, it is being reviewed here at greater length than the other frameworks as it is more widely used. As a measure of its success Franco et al. (2003, p. 698) quote

that 60% of the USA Fortune 500[F2] companies have implemented or manage their business through a balanced scorecard, a figure still accurate in 2008 according to an online article by Jonathan A. Garrell. In the UK, recent figures in another online article show that approximately 50% of companies use some form of balanced scorecard although 70% of those claim to be dissatisfied with their implementation (Leisure Report, February 2007); the reasons for this will be assessed in 2.4.

Many authors view the BSC as the basis of a strong PMS. It was devised by Kaplan and Norton in 1992 following a year-long research project with twelve companies at the forefront of performance measurement, according to Kaplan and Norton (1992, p. 71) who describe it as complementing traditional financial measures with operational measures of internal processes, customer satisfaction, and innovation and learning. It links measurement to strategy, or as Kaplan and Norton (1993, p. 139) state, it *"provides executives with a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures"*, and they view it as a *"strategic management system"*.

The BSC is a set of four perspectives to measure an organisation's performance and is set out as a table which also shows the relationship between the different perspectives – see Figure 2.3.6 below.
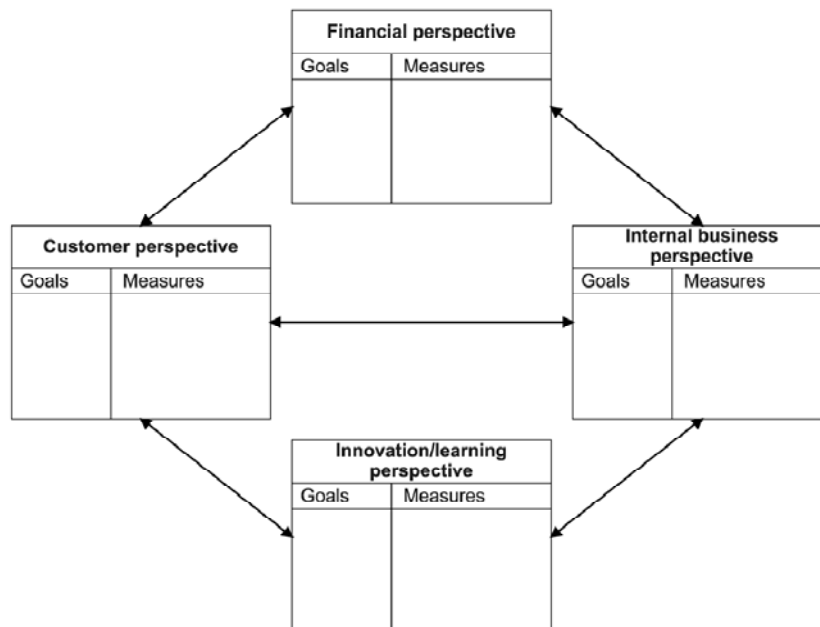
Figure 2.3.6: The balanced scorecard
Source: Kaplan & Norton (1992)

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[2] A list of the top 500 US companies

It is recommended that companies set approximately four corporate goals or objectives per perspective, which need to be monitored by performance indicators - known as critical success factors (CSF) or key performance indicators (KPI) – with specific, achievable targets, as explained by Proctor (2006, p. 403). This way measures are kept manageable and specific. Furthermore Proctor advises that people responsible for achieving the targets should put in place action-plans for each perspective in order to ensure their success.

The literature appears to be divided as to the role of the scorecard. According to Tangen (2004, p. 731) it finds its strengths in the fact that it *"minimises information overload by limiting the number of measures used"*, forces managers to focus on a small number of critical measures, and reduces sub-optimisation through the evaluation of measures in all areas to ensure that improvement in one is not detrimental to another. Criticism of the framework includes Ghalayini et al., cited in Tangen (2004, p. 731), who describe the framework as not being suitable for factory operations, concentrating instead on an overall view of operations, and they see it – as does Zingales (2002) cited in Witcher and Chau (2008, p. 102) - as a monitoring and controlling tool rather than an improvement tool, an opinion which conflicts with Kaplan et al.'s (1992, p. 79) who claim that *"the scorecard puts strategy and vision, not control, at the center"*. Neely et al. (2000, p. 1127) suggest that the original BSC in 1992 was too theoretical but in 1993, Kaplan and Norton sought to address this by including in their paper an eight-step process to enable managers to implement the framework. The BSC was further developed by Kaplan and Norton (1996) to become a strategic rather than a performance management tool.

Mooraj et al. (1999) cited in Witcher et al. (2008, p. 102) consider it a planning tool, and demonstrate its adaptability through two case studies of EDF Energy and Tesco. According to Bourne & Bourne (2007, pp. 4, 6 & 200), it is also flexible enough that any organisation of any size and from any sector can use it, either for the whole organisation or for certain parts that need particular scrutiny. What is crucial for its success are its design, implementation, how it is used and updated.

2.4 Causes of PMS failure and success factors

Bourne et al. (2000, p. 754) and Tangen (2004, p. 726) for example suggest that there is considerable interest in performance measurement from both academics and practitioners, and yet according to Tangen many organisations still rely on traditional

accounting methods to measure their performance. So this section will attempt to establish reasons for this apparent lack of application of performance measurement systems and how this can be addressed.

A review of the literature reveals a number of causes of PMS failure and authors have also devised frameworks for success. Failure can occur at the design, implementation, use or reviewing stages with people or organisational behaviours as contributing factors. Indeed, according to de Waal (2007, p. 5) 56 percent of PMS implementations fail, largely due to the fact that behavioural factors are ignored.

The following sub-sections will look at the various stages of a PMS – design, implementation, use and review - in relation to failure and success factors. A further section will review behavioural factors that influence the success or failure of PMSs and section 2.4 will then conclude with frameworks for success.

2.4.1 Design stage

Section 2.3 presented some performance measurement frameworks available and the design stage is well-documented in the literature. However, failure can occur at this stage for various reasons: Bourne et al. (2000, p. 762) observed open resistance at the design phase from a senior manager at one of the organisations they researched and suggest this may have masked more latent resistance from others. Olsen et al. (2007, p. 561) claim that the linkages between performance measurement and strategy appear to be weak in practice, possibly as a result of the classification of measures into financial, customer, internal processes, and learning and growth, according to Schneiderman (2006), who believes that a company's strategy should be obvious when looking at its measures.

Measures themselves are a problem. Authors such as Meyer (2007, pp. 115-119) report that organisations have too many measures – he quotes a figure of 117 measures in the worst case he came across - and are unable to distinguish between those that will drive performance and those that won't. According to Schneiderman (1999, p. 7) this results in a loss of organisational focus and he suggests limiting the number of measures to 7 to 10 for balanced scorecards, with a ratio of 6:1 non-financial to financial measures. As seen earlier, Kaplan et al. (1992, p. 73) themselves suggest limiting the scorecard to "a handful" of key measures for each of their four perspectives. Meyer (2007) suggests that

to limit measures companies should become *"activity-centric"*, considering activities before identifying costs and revenues from them.

2.4.2 Implementation stage

Much has been written about PM theory and frameworks but researchers such as Bourne et al. (2000), Neely et al. (2000), Tangen (2004) have attempted to address what they view as a lack of guidance and practical advice at the design and implementation phases. Neely at al. (2000) developed a PMS design process, grounded in performance management theory, and from their study they produced a workbook available to companies to help them design their own PMS. Bourne et al. (2000) developed a framework for analysing the implementation of a PMS and propose a process to continually align measurement and strategy to ensure its success.

2.4.3 The use stage

As mentioned earlier resistance to measures was cited by Bourne et al. (2000, p. 762) as a reason for slow progress in the use of a PMS at one of their case study companies – Bourne et al. (2007, pp. 30-31) also found that waning commitment at the use stage contributes to failure when measures are not reviewed properly or used consistently.

As well as people, technology is also a factor cited by Bourne et al. (2000, p. 763) when computer systems are either too sophisticated and people not trained to use them to their full potential, or companies are too small to have IT experts who can make full use of them.

Linked to computer technology is the issue of data, cited by several authors as a contributing failure factor. Franco et al. (2003, p. 698), Neely et al. (2000, p. 1142), Elzinga et al. (2009, p. 510) have found that managers and organisations are swamped with data which they are then unable to analyse. This creates a situation which Pfeffer and Sutton (1999) cited in Franco et al. (2003, p. 698) call the "knowing-doing gap" and is referred to by Cohen (1998), also in Franco et al. (2003, p. 698), as the "performance paradox" whereby potentially useful performance data is wasted unless management understand how to act on it. Whilst Pfeffer et al. (1999) explain the "knowing-doing gap" as being caused by the fact that those tasked with collecting, storing and analysing information are not in tune with those who actually use knowledge in their jobs, Cohen's "performance paradox" views the problem as managers acting against their instincts and what the data tell them. In either case there is a mismatch of information

and action. The issue of technology and data analysis is of particular interest to this research in a small organisation that does not have specialist IT provision or data analysis-trained staff and will be discussed further in Chapter 4.

2.4.4 Review stage

In research conducted by Franco & al. (2003, p. 707) 63% of the PMS practitioners they interviewed mentioned reviewing measures as a factor of great impact when managing through measures. According to Meyer (2007, p. 114) and Neely et al. (2000, p. 1142) performance measures change continually and lose variance, which makes it difficult to discriminate the good from the bad. Other measures are simply added rather than existing ones reviewed and discarded if obsolete. The problem of having too many measures, mentioned earlier in relation to the design stage, is therefore compounded by an inadequate review of those measures. Franco et al. (2003, p. 707) conclude that PMSs require continuous improvement and that measures must maintain their relevance to the organisation.

It is worth stressing that causes of failure, which can apply to any PMS framework, are not easy to fit into the four phases above. Some factors involve people and behaviours, as summarised in the next section, and cut across all phases of a PMS.

2.4.5 Behavioural factors

Within this context of the performance measurement process, organisational and people issues have been identified as causes of failure. Following de Waal's (2007) research into successful performance management and twenty behavioural factors which he identified as playing a key role in this, Elzinga et al. (2009) conducted additional research to validate de Waal's findings and establish a ranking of the behavioural factors according to their relative importance. The most influential behaviours relate to managers' understanding of the importance of KPIs, CSFs and BSCs, their acceptance of a PMS, their involvement, and past experience.

Chau (2008, p. 115) reports that senior management is often so far removed from daily activities that there is a "disconnect" between this level and the rest of the organisation. He believes that leadership is critical in promoting effective performance management. According to Franco et al. (2003) and de Waal (2007, p. 8) for example, organisations need to establish a performance culture and improve their communication of performance measurement. This may be difficult to promote as de Waal (2007, p. 7) and

Bourne et al. (2000, p. 762) also list individual, team and organisational resistance to measurement in the design and use phases as one obstacle to its successful implementation. Finally one common problem in organisations appears to be business pressures which side-track the implementation of PMSs. Neely et al. (2000, p. 1141) found that lack of time due to day-to-day issues was cited by a majority of managers as a cause of poor performance measurement design, preferring instead to use *"simple, pre-packaged solutions"*. This issue will be considered in Chapter 5 in relation to the case study organisation in this research.

Elzinga et al. (2009, p. 518) conclude that negative behavioural factors encompass the design, implementation and use stages of a PMS.

2.4.6 Frameworks for success (Strategic PMS)

Following research into causes of PMS failure, de Waal (2007, p. 5) suggests a three-stage "performance management development cycle" – reproduced in Figure 2.4.6 - which consists of designing a management model, a reporting model and a performance-driven behavioural model so that the whole organisation knows who is responsible for what, progress is monitored systematically and adjusted, and a culture of performance and excellence is established (de Waal, 2007, pp. 5-6). Thus the whole organisation is involved and works towards the same goal. This performance management development cycle is supported by a project plan for applying the cycle (de Waal, 2007, p. 7).
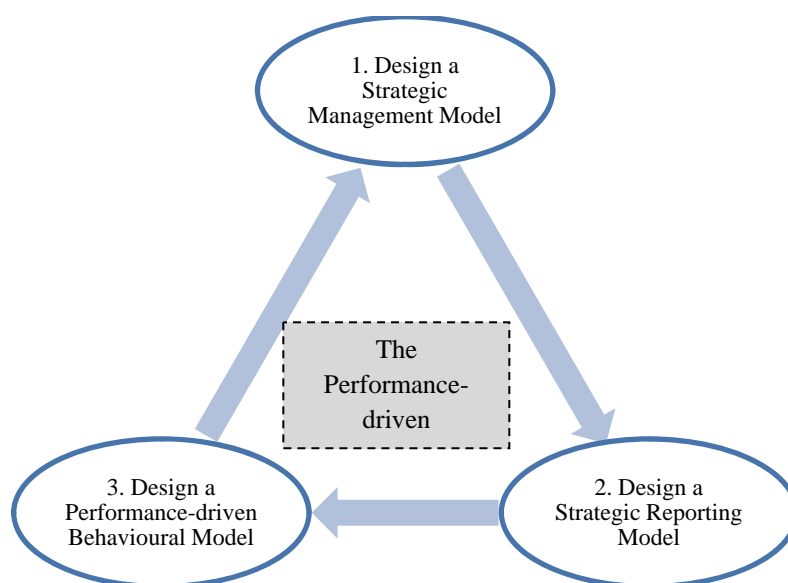
Figure 2.4.6: Performance Management Development Cycle
Adapted from de Waal (2007)

From academic and practitioner literature they reviewed, Franco et al. (2003, pp. 699-702) identified a number of factors that facilitate the use of SPM systems out of which nine have a greater impact on success (p. 703):

1. Organisational culture
2. Management leadership and commitment
3. Compensation
4. Education and understanding
5. Communication and reporting
6. Review and update of the SPM system
7. Data process and IT support
8. A structured SPM framework
9. The environment (industry and business related issues)

Neely (1999, p. 212) and Bourne et al. (2007, p. 21) stress that measures must be aligned with strategy, whilst Chau (2008) examines the role of team involvement and the relationship of strategic performance management to team strategy, company performance and organisational effectiveness concluding that teams are crucial to the overall company performance, strategy and effectiveness.

Finally it is worth mentioning that despite the seeming lack of guidance in the academic literature, companies could turn to professional bodies such as the Chartered Management Institute (CMI), who publish 'checklists' that offer practical advice to improve performance, or use business consultancy. Indeed successful implementation described in case studies such as in Neely et al. (2000) seem to have been due in part to the involvement of the researchers as facilitators of the process.

2.5 The small business perspective

2.5.1 Definition of SME

Performance Management in Small to Medium Enterprises (SMEs) does not seem to be widely researched, a view shared by Atkinson (2007, p. 506), this despite the fact that in Europe 99 percent of private enterprises are SMEs according to the European Commission (2009), out of which 90 percent are micro-businesses – fewer than 10 employees – the category Galina falls into. SMEs are mostly the result of entrepreneurship, usually run by an owner-manager who may be the sole employee, and

the diversity in variables that influence performance, as well as owner-managers' definition of performance and success would appear to make the study of SME performance diverse with researchers studying different aspects of it. Articles reviewed here include studies in different countries and continents as examples of various issues which are of interest to compare and contrast with performance management at Galina: the influence of owner and SME characteristics, resources including time constraints, innovation & improvement, employment relationship, the customer focus and the alignment of operational systems with organisational capabilities.

2.5.2 SME characteristics

A study conducted by Reijonen & Komppula (2007) amongst Finnish micro-organisations determined that performance means different things to different businesses but that mostly entrepreneurs were not over-concerned with financial success beyond making a living, and therefore performance was likely to be measured by other criteria such as customer satisfaction, quality, or work-life balance for example. Although this could be typical of Finnish organisations there are parallels with other research, particularly in terms of customers and quality.

Furthermore Vichitdhanabadee et al.'s (n.d.) research into Thai SMEs found that personality characteristics of the owner-manager as well as SME characteristics are closely related to business performance. Higher perception of business performance is linked to the greater size of the business (bigger budget, better infrastructure) and/or the owner-manager's background and education. Cragg and King (1988, p. 60) found a correlation between the owner-manager's age and their success rate, with younger owners performing better.

Resources and management capabilities

Poor planning, measurement and control were found to be issues which may be detrimental to growth and therefore Vichitdhanabadee et al. (n.d.) advise that SMEs maintain adequate resources in terms of information, employees and tools. Overall they found that although owner-managers understood the necessity for day-to-day performance management time constraints detracted from giving adequate consideration to performance management issues - as seen in 2.4.5 though, this issue is not exclusive to SMEs. The need for business planning in SMEs is supported by Gibson & Cassar (2002) whose review of the literature combined with their longitudinal study of

Australian SMEs describe planning as good management practice which demonstrates more efficient management. This, however, is questioned in earlier research by Cragg et al. (1988) who tested, among others, previous findings that planning activities were linked to financial performance. They suggest (p. 60) that instead further research may be needed into managerial practices, e.g. employee management and relationship with suppliers and customers. SMEs tend to concentrate too much on operational matters to the detriment of organisational and managerial issues, which leads to a lack of coherence between strategy, structure and process according to Garengo & Bernardi (2007) who believe that performance management systems (PMS) could help SMEs improve their organisational capabilities and meet customer demand, and to manage and develop staff effectively. Although traditionally small business growth is measured in figures (turnover and number of employees) they conclude that qualitative growth through a PMS would enhance their competitiveness.

Impact of industry-related accreditation

Oke, Burke, & Myers (2007) point out the "dearth" of studies regarding innovation in SMEs and its impact on performance. Their research, however, concludes that innovation is important to improve SME performance. They found (p. 750) that policy and government initiatives encourage radical innovation – a criterion for growth and success. An example of such initiatives would be Quality Improvement (QI) through schemes such as ISO certification, Total Quality Management (TQM), Kaizen, Investors in People (IiP) and Six Sigma. Galina is committed to IiP and sector-related initiatives, and their impact is assessed in Chapters 4.8 and 5.3.5. Oke et al. (2007) found that SMEs in their sample preferred incremental to radical innovation as it enabled them to respond to customer needs (p. 749).

The customer focus

Two points of particular interest to the Galina case study, from Kumar & Antony's (2008) study of the impact of Six Sigma on SMEs in the UK manufacturing industry are how those companies identify customer issues and the importance of Critical Success Factors (CSFs): although CSFs were deemed important to improvement in performance this was not reflected in practice; customer problems were identified through customer complaints (89.1%), delivery time (60.9%) and customer surveys (59.4%). Dessi & Floris (2010, p. 106) warn that in order to develop customer loyalty managers must

ensure they are in tune with their customers and determine whether their perception of why customers choose to use their firm is aligned to the customers' reasons.

Employee relationship

As for employee relationship Atkinson's (2007) research into three organisations disputes the traditional generalisation that SMEs tend to be superior workplaces due to their informality. She suggests that the psychological contract between employer and employee – transactional or relational – seems to depend on the type of business and management style more than the size of the business and that it is not possible to link its impact to performance outcomes.

Some of the points in this section will be compared with the findings from the study of Galina in Chapter 4 and discussed in Chapter 5.

2.6 Conceptual framework

A review of performance management literature combined with the practitioner-researcher's first-hand experience of the case study organisation led to a set of theoretical propositions and the development of a conceptual framework (Figure 2.6 below).
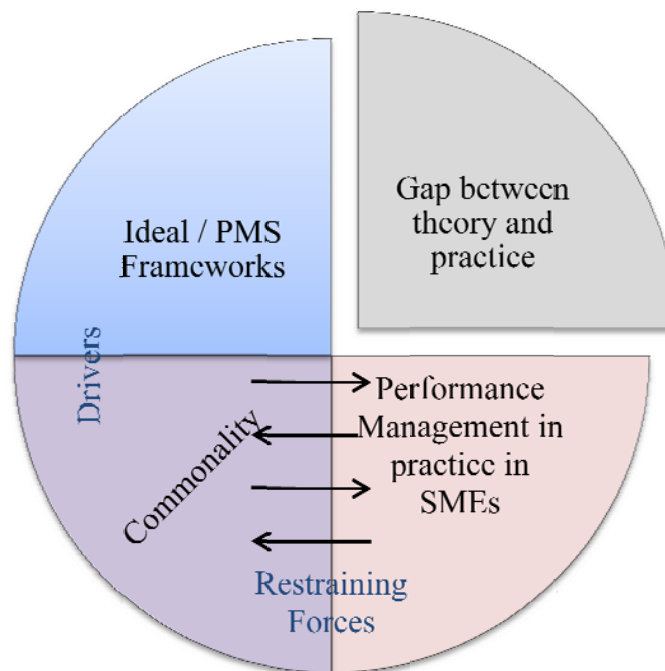
Figure 2.6: Conceptual framework for the analysis of the gap between PM theory and practice in SMEs

The diagram shows the commonality which must exist between theory and practice both with drivers and restraining forces. A wedge sits outside which represents the gap between theory and practice assessed in Chapters 4 and 5. The relative impact of drivers and restraining forces is also assessed.

2.7 Conclusions

From a review of the literature it would appear that PMS frameworks have some common points in that they address internal and external factors, consider internal and external stakeholders, involve the whole organisation, have a customer focus, view finance records as a result, not a driver. Performance measurement needs a holistic approach and a strategic purpose. The end goal is growth.

Neely (1999, p. 218 and p. 223) states that in organisations performance measures are usually an integral part of performance management systems. It is necessary for management teams to design an appropriate measurement system for their organisation and measures must be limited to a few critical success factors. However, measures in themselves are not sufficient and need to be managed, a skill which demands application, planning, monitoring in order to achieve results. This systematic approach is demonstrated in Franco & al. (2003), de Waal (2007) and others who set out stages in performance management to ensure success. Whilst the benefits of modern performance measurement frameworks are not disputed, there would still appear to be a need for more guidance as to their implementation and use, which may be found on professional bodies' websites, such as CMI's. The BSC was considered with greater depth than other frameworks. This reflects the amount of literature dedicated to it, and its popularity.

The single case study which forms part of this research will examine the extent of theory applicability to performance management in SMEs by testing a series of theoretical propositions and academic research on SME performance. This should inform recommendations for the development of a PMS framework tailored to the study organisation, a success factor cited by Franco et al. (2003, p. 703), based on one or more theoretical frameworks. The chapter which follows details the methods employed to assess the gap between theory and practice in an SME.

Chapter 3 - Methodology

This chapter explains the methods employed to investigate the issues surrounding performance management (PM) in SMEs and at Galina in particular, in relation to the theory reviewed in Chapter 2.

3.1 Methodology overview: a single case study approach

This empirical investigation into issues surrounding the applicability of performance management theory in practice in SMEs is based on a single embedded case study approach of performance management at Galina. Yin (2003) and Robson (2002), both cited in Saunders, Lewis & Thornhill (2009, p. 145), and Yin (1994) cited in Fisher (2007, p. 60) identify the characteristics of a case study as investigating a contemporary phenomenon within its real life context (in this case, performance management at Galina); based on a single organisation it must nevertheless have many variables; it uses a variety of methods and can include both quantitative and qualitative data. Finally the theory is usually researched prior to the study being undertaken, as is the case here where the literature informed the research. The case study approach is further supported by Fisher (2007) who states that case studies are adaptable to any issue, either in the whole organisation or part of it. This case study investigates the issue of performance management in relation to the whole organisation but cannot verify that a well-designed and implemented PMS has a positive impact on organisational performance as this would have necessitated a longitudinal study approach which time constraints did not allow here. Although findings in single case studies cannot be generalised they *"represent a significant contribution to knowledge and theory building"* according to Yin (2009, p. 47).

3.2 Research philosophy

This single case study approach is based from an interpretivist point of view. It followed a review of the literature which enabled the researcher to explore further and then explain the issues surrounding performance management in small organisations. According to Fisher (2007, pp. 47-48) and Rowlands (2005, p. 83) interpretivism assumes that reality is subject to people's interpretation influenced by their own knowledge, values and relationship with each other. Context plays a part so that people with different roles within an organisation may have different views of the same topic - hence interviews with Galina's management and employees as detailed in the research

methods section in 3.4.3. As an example Fisher cites staff appraisals where people's views may depend on their expectations of an appraisal, their role in the organisation and in what capacity they are being researched (e.g. appraiser or appraisee). Without anticipating the outcome of the research an interpretivist researcher would explore this complexity of opinions, a major strength of case studies according to Yin (2003) cited in Rowlands (2005, p. 83).

3.3 Selected approach and justification

3.3.1 A multi-method qualitative study

The researcher conducted a multi-method qualitative study, defined by Saunders et al. (2009, p. 152) as a combination of qualitative data collection analysed with non-numerical (qualitative) techniques. Qualitative data and analysis was deemed the best method in this particular research based on interviews, observation, documentary evidence and archival documents. These according to Silverman (1993) cited in Fisher (2007, p. 62), are common methods, typically - but not necessarily wholly - based on qualitative material. Due to the type of data collected and the small size of the organisation (nine people in total) statistical analysis would not have been possible. The issues raised by the topic are also of a qualitative, soft nature rather than quantifiable entities.

Two exceptions to this qualitative approach are:

- A CMI motivation questionnaire (n.d.)[A7a] which produced quantitative data, for the sole purpose of assessing the importance of compensation for Galina's employees against findings in the literature. The questionnaire was not conducted for generalisation. It was distributed to Galina's employees only (7); 6 were returned and 1 was spoilt so results emanated from 5 questionnaires only. The relative importance of the criteria is shown in a pie chart (Figure 4.4.3).
- Statistical data (Table 4.5.2) from client feedback questionnaires was used to support findings on Galina's customer focus. The sample examined was 52 questionnaires returned to Galina between 1st July and 27th August 2008 from groups who had travelled between May and July 2008. The results are presented in Table 4.3.4 in the next chapter.

On the whole, however, this research remains a qualitative one.

3.3.2 A descriptive approach

A descriptive approach was used for this investigation, based on a variety of data collection methods within the research organisation as mentioned above, i.e. observation, semi-structured group interviews, and documentary evidence, to enable triangulation – defined by Saunders et al. (2009, p. 146) as a synthesis of different data collection techniques necessary to validate findings.

3.3.3 Combining inductive and deductive approaches

The methodology applied involved both an inductive and a deductive approach. Saunders et al. (2009, pp. 590 & 593) define a deductive approach as:

> *"involving the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing"*,

and an inductive approach as:

> *"involving the development of a theory as a result of the observation of empirical data"*,

both of which were used here.

Theoretical propositions

As a Galina employee for over eight years, the researcher had already observed company practices in various capacities and from that formed theoretical propositions which were then tested through the various data collected. These theoretical propositions (below) were factors that may influence PM systems with points 1 and 2 judged to be characteristic of SMEs, points 1 to 4 deemed on balance to create barriers to success and points 5 and 6 considered drivers:

1. Resources (e.g. people, multiple roles of managers, time constraints, technology)
2. Management capabilities and experience of PMSs
3. People's behaviour towards new measures
4. The relationship between employer and employee
5. The impact of accreditation and membership (external influences)
6. The customer focus

It would be difficult for a practitioner-researcher to employ a purely inductive approach to develop a theory, ignoring prior knowledge and observation, but the author also recognises that the deductive approach influenced the data collection techniques so subjectivity and bias are limitations of this method. According to Whetten (1989) cited in Rowlands (2005, p. 86) it is acceptable to combine both deductive and inductive approaches. Rowlands believes it was justified in the example he gives of a relatively un-researched topic, as is the case of SME performance according to Atkinson (2007) – see Chapter 2.5.1.

The influence of these six propositions was recorded in the case study (Chapter 4) and the nature of their impact (barriers or drivers) assessed in Chapter 5.3.

3.4 Sources of data

3.4.1 Observation

Observation of performance measurement/management practices at Galina took place throughout the research and the researcher's past experience as a practitioner in the company was also drawn upon. Particular occurrences were logged to support or test the theoretical propositions in 3.3.3 above. An account of what was observed at Galina features in Chapter 4.

3.4.2 Documentary evidence

Documents were used to compare and support the findings from observation and interviews. Access to those documents was not a problem as Galina's management fully supported their examination for the purpose of this research.

A number of records were examined and discussed to determine their effectiveness in relation to the company's performance measurement (e.g. sales conversion, retention and financial records).

Client feedback questionnaires[A8] were used as evidence of the organisation's customer focus and of its commitment to improving its service and retaining its clientele.

3.4.3 Archival documents

Employee annual appraisal summaries and documentation relating to Galina's preparation for IiP assessment[3] were used to triangulate data collected from semi-structured interviews and to test resonance or dissonance of Galina's management and employee perceptions of performance measurement. The CMI motivation questionnaire[A7a] referred to above, completed by Galina employees between 10th and 12th March 2010, was included to correlate with findings in the literature on the impact of compensation on performance.

3.4.4 Semi-structured interviews

As part of the case study, semi-structured group interviews were conducted with management and employees on 1st and 10th March 2010 to test the researcher's theoretical propositions and performance management theory as reviewed from the literature. They also enabled triangulation with other data collected through observation and documentary evidence. These focussed semi-structured interviews were chosen over questionnaires as they were deemed to add to the depth of information gathered by enabling the researcher to probe if necessary. They were conducted in groups, albeit small in numbers due to the size of the organisation as it was felt this would be less inhibiting, provide a greater number of volunteers[4] by taking the focus away from individuals and individual performance. This also seemed to best fit the organisational culture where consultation is encouraged.

The questions[A4a & A5a] differed slightly according to the interview-group to reflect the different level of involvement in performance management but the headings were comparable so as to enable correlation between some responses. The interviews aimed to test people's perceptions of performance measurement/management at Galina, its nature and effectiveness in order to highlight possible drivers and restraining forces within this context.

Acronyms, specific vocabulary pertaining to performance management theory and business management "jargon" were avoided for clarity, as advised in MSP Resource Portal (n.d.).

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[3] Appraisal summaries and IiP self-assessment documents are not appended to preserve confidentiality.
[4] Six out of eight people took part in the interviews.

To comply with ethical considerations and to improve the validity of data, as advised on the Minnesota State University (MSU) website (n.d.) interviewees were made aware of the purpose of the interviews, that participation was voluntary and anonymity would be preserved. Although audio-recordings of such interviews are recommended for accuracy - e.g. Fisher (2007, p. 168), the researcher felt that it would inhibit interviewees as this is not a method experienced at Galina, so note-taking by the interviewer was used instead. The reports[A4b, A5b &A5c] composed following the interviews were made available to participants to check their accuracy[5].

The interviewer was aware of the need to remain objective despite her in-depth knowledge of company practices. Saunders et al. (2009, p. 150) and Ackroyd and Hughes (1981, p. 108) warn of the disadvantage of researchers who are also practitioners or observers in the study organisations as assumptions and pre-conceptions can prevent them from being objective, receptive to related issues or, according to Fisher (2007, p. 58) because participants may modify their behaviour knowing their viewpoints are being recorded. It is felt that the Galina interviewees were sufficiently reassured about the reasons for the research and the confidentiality of their responses to ensure the discussions were honest and candid. Galina staff also enjoy a good and trusting relationship.

3.5 Analytical tools used in this research

The data collected for this research was analysed almost entirely through qualitative methods.

A table of Galina's performance measurement records[A2] was produced which shows how they are used and for what purpose. Individual records are referred to in Chapter 4 to support particular points.

All evidence from this empirical study was coded[A1] and this coding used in-text to indicate the source.

A pattern-matching matrix was used in section 4.9 to demonstrate correlation between practice at Galina, the author's theoretical propositions, Franco et al.'s (2003) findings and SME theory on factors that influence the success of performance management systems. This was followed by an evaluation of the findings from these various data

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[5] Appendices 5b & 5c were then put together to form one employee interview report, Appendix 5d which is subsequently referred to in the text.

sources. Tables and matrices are two types of useful analytical manipulation in qualitative analysis, advocated by Miles & Huberman cited in Yin (2009, p. 129).

Findings from the study were then synthesised in a forcefield diagram (Chapter 5.4, Figure 5.4b) to demonstrate visually drivers and barriers of PMSs leading to an assessment of the gap between performance management theory and what appears to happen in reality in SMEs through the Galina example.

Finally a SWOT analysis of findings was produced[A11] as a basis for recommendations to the company in Chapter 6 for the future development of a strategic PMS.

It was felt that CAQDAS analytical software would not be of greater value than human manipulation due to the small scale of data to be analysed. This is supported by Saunders et al. (2009, p. 481), Yin (2009, p. 129) and Ryan (2008, p. 99) as case studies are usually about complex events and behaviours generating data that computer software cannot easily handle, or prevents the researcher from seeing the sorting processes and outcomes. It is therefore recommended that researchers develop their own analytical strategies. However, Microsoft Excel was used where numerical data was needed for the motivation and client feedback questionnaires mentioned in 3.3.1.

3.6 Limitations of this case study

As reported earlier findings from case studies cannot be generalised but make a contribution to the body of knowledge within a particular area of research. Subjectivity as a researcher-practitioner should also be considered.

Due to the very small nature of the study organisation the results could not be generalised without the same theories and methods being replicated in other organisations. It may also be that the industry that Galina belongs to and the demographics regarding management and employees made this research even more specific and therefore less generalisable. Further research based on multiple case studies would address these limitations.

3.7 Conclusion

The methodology employed based on a single embedded case study of the research organisation was seen through an interpretivist lens to support and test the researcher's theoretical propositions in relation to performance management theory, and to discover

factors that would influence the successful implementation of a performance management system at Galina.

The flowchart below (Figure 3.7) summarises how the methodology was constructed and its chronology. The findings were further tested against the theoretical propositions to identify their accuracy and for a possible extension to this research. A match could entail a replication of the research to test the validity of the findings; a mismatch may suggest further research was needed as to its possible causes.
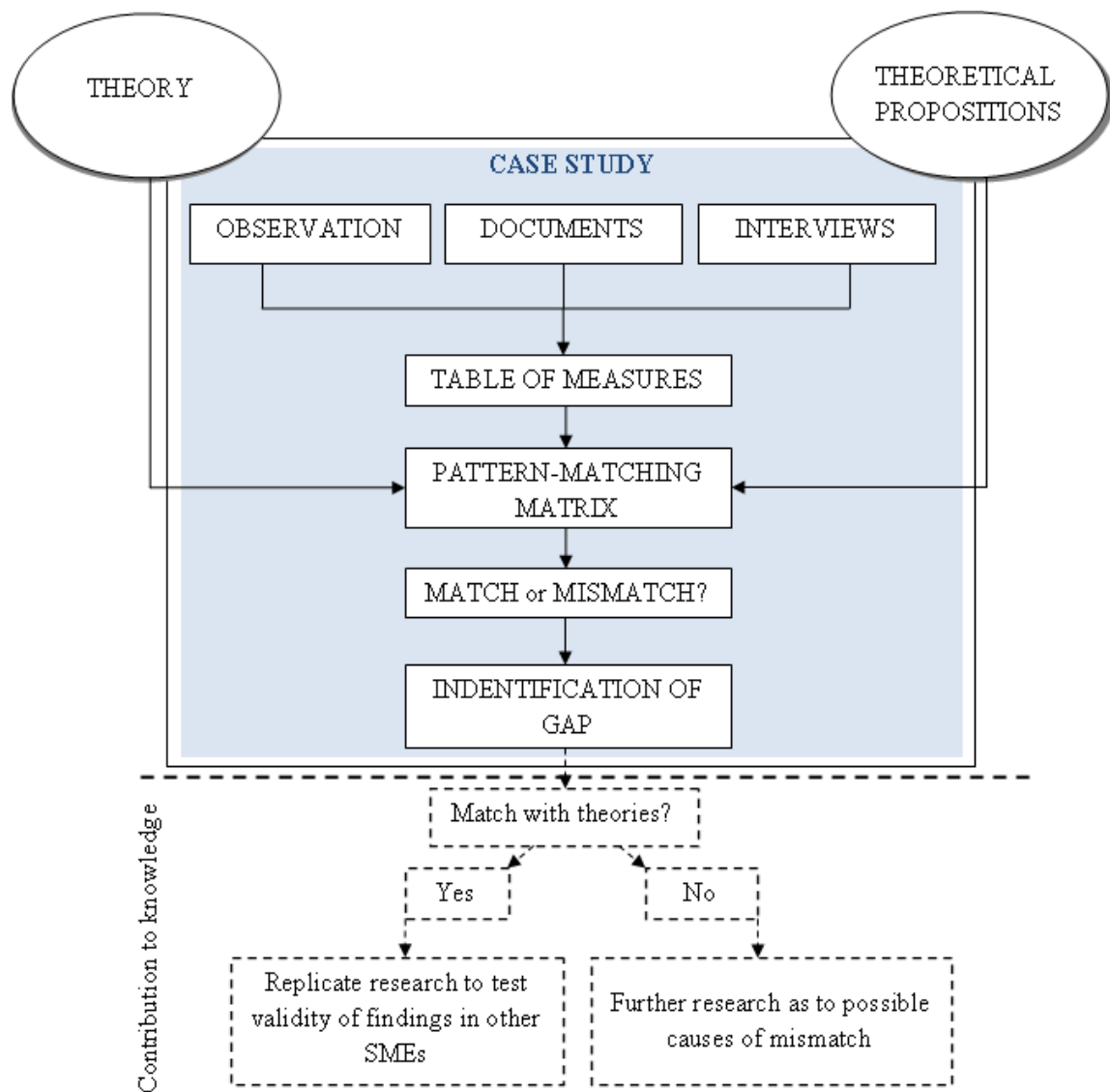
Figure 3.7: Methodology flowchart with qualitative analysis

The qualitative method approach was deemed to best fit the research topic which again involved qualitative, human, behavioural factors rather than numerics.

Despite its limitations in terms of generalisability and objectivity this methodology was deemed to reflect accurately and provide a typical example of performance management issues in SMEs.

Chapter 4 - Findings from case study

4.1 Introduction

The Performance Management theory reviewed in Chapter 2 investigated PMS frameworks, the development of frameworks in practice, success factors for implementation of PM systems and the SME perspective on the topic as this research involved a case study in a micro-organisation, Galina. The case study was conducted to identify issues regarding the applicability of theory in practice in the organisation as an example which may be replicated elsewhere.

This chapter details outcomes of the study in relation to theories and the researcher's theoretical propositions listed in Chapter 3.3.3 to assess any gap between theory and practice. As explained in Chapter 3, the study was almost entirely qualitative, based on documentary evidence, archival records, observation and semi-structured group interviews.

In this chapter reference to the data collected will be shown in [ ] after citing the relevant appendix.

4.2 Brief company history

Galina was set up in 1989 by the Senior Director as a single-person enterprise providing freesale and school tours to the battlefields. His brother, now Galina's MD, joined the venture as a Partner in 1992 to help develop the company's school tour programme. Both have managerial experience as former Heads of Department in schools.

In January 2010 the company rebranded and also became a limited company. As well as the two owners it currently employs seven staff, two of whom were made directors in early 2010. The Executive Director will retire in December 2010 when his brother will become the Senior Director.

4.3 How performance is measured at Galina

4.3.1 Performance Management structure

Performance is measured and managed by a four-strong management team with some overlap of roles due to a recent restructuring of the company as part of the succession process and the nature of small organisations where one person often holds several roles, as noted in chapter 2.5. The diagrams below represent Galina's management

structure[6] – top two levels with relationship to each other and with employees (Figure 4.3.1a), and the distribution of roles within that team (Figure 4.3.1b).

Figure 4.3.1a: Galina hierarchy and relationships
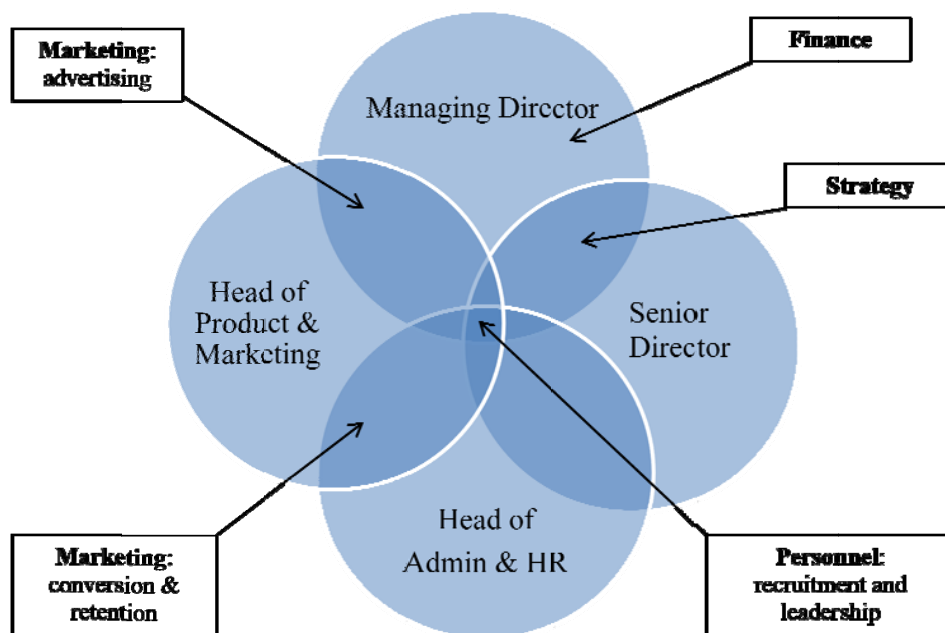
Figure 4.3.1b: Management team role distribution and overlap

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[6] Galina's business structure is also shown in diagram 1.3.

4.3.2 Key performance measurement records

The documentary evidence was selected to show what Galina measures, the records it keeps, how those records are used and what they achieve in terms of performance management. Galina's key records, which have been coded [R*x*], are summarised in Appendix A2. The table shows that Galina clearly knows what it measures and for what reason. The purpose of these measures is developed in this chapter and assessed against theories in Chapter 5.

4.3.3 Financial records

The Profit and Loss (P&L) accounts [R1] are what theorists (see Chapter 2) call a historical document, which is produced for external reasons - as required by law – and used internally to determine the company's past financial performance as well as make projections for its future performance. At a recent meeting (09/04/10) for the purpose of this research, Galina's MD stated that P&L accounts inform strategy for future growth and their analysis shows where savings can be made or where spending could benefit the business.

Projected marketing costs and general expenditure are based on the previous year and reviewed quarterly and annually. Strategic marketing decisions are made following analysis of ROI. For example, a review of marketing trends last autumn showed that certain school departments never enquire at certain periods during the academic year and therefore mailouts[7] to those departments are now targeted when there is evidence that they will respond to advertising.

4.4 Employee performance

Galina introduced formal annual staff reviews (A2 [R3]) in December 2009 as part of a new performance management strategy. There had been one previous attempt at this in December 2004 which was then deemed unnecessary for the size of the organisation as the employers were confident they could monitor performance through other measures such as conversion records and client feedback.

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[7] Galina produces flyers by school subject which are mailed to all secondary schools in Britain nine times a year.

4.4.1 Impact of employee performance issues on organisational performance

In 2008, while the company was enjoying a period of rapid expansion, it reviewed organisational performance and concluded that in order to grow further it needed to:

- Move to larger premises for the well-being of its employees and spare capacity,

- Modernise its IT and telephone systems,

- Launch a new website to enhance its marketing.

The second point resulted in the position of IT technician being redundant as the new integrated computer and telephone system had to be provided externally and would not necessitate the high level of maintenance required by the old IT system. The third point highlighted the company's poor employee performance monitoring system: the IT technician had been required to build a new website, which never developed from the initial proposal, due in part to the management's lack of understanding of what the project entailed and the failure to set clear deadlines. This lack of understanding is cited as a behavioural factor which acts as a barrier to effective performance management in the SME literature reviewed in Chapter 2.

In 2009 the recession and other external factors (e.g. a decline in army funding for battlefield tours) caused the senior management team to make the decision to phase out their adult battlefield tours department - resulting in a further redundancy – but in reviewing the causes of the downturn in that department it later raised the possibility that poor standards of accuracy and presentation in that department may have been a contributory factor.

Those events which occurred within 12 months of each other focussed the attention on the link between employee and organisational performance and led to the introduction of annual employee performance reviews, within the bigger context of organisational performance management. A greater team culture is also in evidence (A4b [A1b, B4e, C7e, D8a, D9a]) and seen by management as a major drive of future success and growth, although communicating this clearly to employees should be addressed as some employees stated that they do not feel part of a team (A5d [B5b, B5c, C (note)]), due to the size and structure of the organisation.

4.4.2 Employee well-being

Prior to and in support of annual appraisals, mini-reviews (A2 [R4]) were introduced to discuss employees' issues and concerns, e.g. workloads. The purpose of this consultation is to identify improvements to procedures and processes for the benefit of individuals, teams and the organisation as a whole. As a small business which was traditionally run as a "cottage industry" as one employee phrased it, with little standardisation of work practices, individuals are sometimes resistant to change which requires that they now follow certain procedures. For example, since the autumn of 2009 when it was introduced, there has been resistance from some tour administrators to work-patterning for leaner processes, a behavioural factor cited in the literature reviewed in Chapter 2, and assessed in 5.3.3 & 5.3.4. The mini-reviews are part of the company's change management; they present an opportunity for the managers to involve employees in decision-making and to explain the benefits of these changes for individuals and the organisation.

On an operational matter, Galina addresses employee well-being through an equalisation of the tour administrators' workload (A2 [R8]), whilst retaining one of its strengths, i.e. a dedicated tour administrator throughout the organisation of a client's tour and in most cases for several years. This is a difficult exercise which involves negotiation with all members of the team in order to maintain continuity for the client whilst taking into account the sense of ownership the initial tour administrator feels towards the tour. As well as showing concern for its employees' well-being, this is an example of Galina's consideration for its clients and the quality of its service – which will be examined further in 4.5.2. The issue of well-being was also addressed by the introduction of work-patterning (A2 [R9]) in September 2009 to offer tour administrators quality, uninterrupted time to concentrate on important administrative tasks, thus relieving stress. As stated above, there has been resistance to this which is viewed by some as interference and lack of trust (A6 [c]).

4.4.3 Compensation

The results of the job motivation survey[A7b] conducted at Galina to test the theory that compensation influences performance contradicts Franco et al.'s (2003) findings. As explained in Chapter 3.3.1, this method is not generalisable as the sample is very small and only relates to Galina employees, with its particular demographics which could be

significant to the results. The pie chart below (Figure 4.4.3) shows the relative importance of compensation for Galina employees.
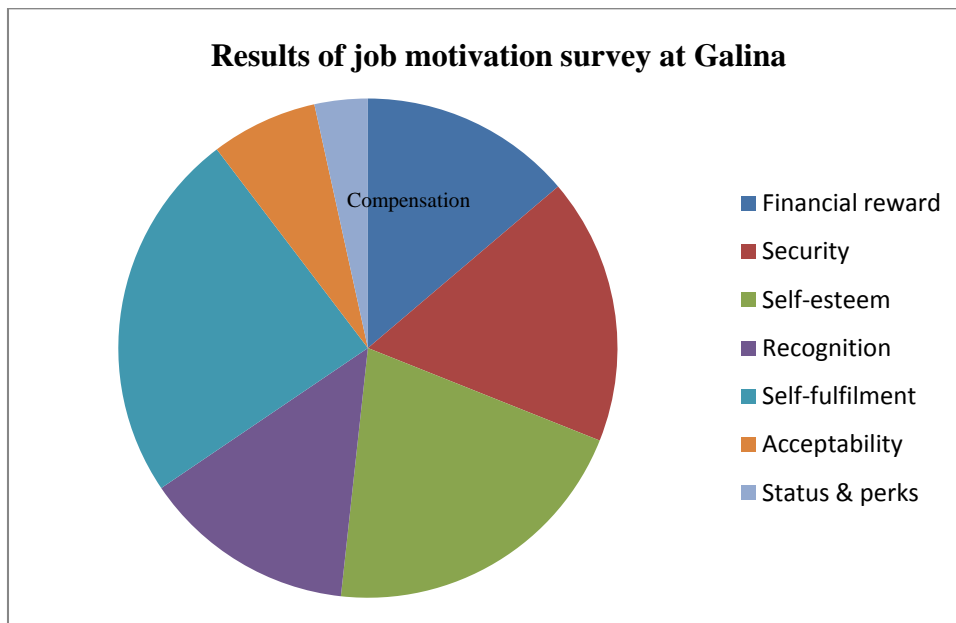
Figure 4.4.3: The relative importance of compensation as a motivating factor at Galina

4.5 Organisational performance

4.5.1. Performance measurement metrics

Galina's measurement of organisational performance centers on its output, i.e. the number of tours booked annually. Each booking, in the form of a group deposit, is 'celebrated' and booking figures shared weekly with staff as they represent the future of the company. Sales are a reflection of the company's marketing, staff development and quality of the initial service provided by the tour administrators' team.

Booking figures (A2 [R6]) are regularly compared to the previous years' and any downward trend addressed, which can result in more advertising, getting in touch with previous clients, a change in pricing policy, a different marketing strategy for a particular subject, or even the development of new products and the search for new markets. When the economy started to slump in 2009, the downward booking trend signalled the impact the recession would have on Galina and steps were taken to try and counteract this downturn.

Quotation figures (A2 [R2]) are recorded weekly and analysed in a similar way to bookings to inform Galina's marketing. Quarterly and annual conversion percentages are then compared to the previous years' and used for marketing analysis.

Both the booking and quotation figures are also broken down by subject so analysis tracks the success of each subject and influences product development or cessation, and marketing.

Finally Galina is well-aware of the benefits of client retention; those figures are monitored monthly and analysed annually. In order to retain clients Galina has a policy of seeking feedback to improve its service and gauge future intentions, re-quoting clients within weeks of their tour for the following year, a policy which seems to work well with retention figures usually around 70%[8].

4.5.2 The customer focus

The customer focus which the above retention monitoring includes, is a major area of performance management reviewed extensively in the literature. Five out of the six PMS frameworks reviewed in Chapter 2.3 include the customer perspective (need/satisfaction/retention) and the customer focus is also stated as a success factor in SMEs by Kumar et al. (2008) and Dessi et al. (2010) in Chapter 2.5. Galina seeks client feedback on quality of service, standard of vehicle and accommodation and overall satisfaction, through a qualitative questionnaire[A8] sent after each tour (A2 [R10]).

Statistics based on 52 of those questionnaires, returned between 1st July and 27th August 2008[9], showed 65% of overall satisfaction. 61% of those clients re-booked for 2009 or 2010[10], i.e. 94% of satisfied customers repeated their tour – see Table 4.5.2 below.

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[8] From management figures
[9] Most recent statistical data available which would show retention in 2009 and 2010.
[10] As some clients travel 2 yearly only it was deemed acceptable to include retention figures over both years.

Number of questionnaires returned	Positive response (overall)	% overall satisfaction	Repeat business in 2009/10	% repeat business	% repeat business from satisfied clients	Issues raised	Issues investigated	% of issues investigated
52	34	65%	32	61%	94%	27	20	74%

Notes:

1. Galina has a policy of always responding to client feedback.

2. Despite overall satisfaction, some groups may have raised issues with varying degrees of importance.

3. Issues seemingly not investigated were deemed minor and/or referred to suppliers used on a one-off basis at busy times, or because it resulted from a misunderstanding between Galina/client/supplier, or because the issue was deemed unreasonable. The client will nevertheless have had a response from Galina.

4. There is not always a correlation between (dis)satisfaction and repeat business: some clients with a poor experience may repeat the tour because overall they were satisfied with the study experience and Galina responded to their concerns in a satisfactory manner. They may also have been a previous client with an otherwise excellent experience of Galina tours (2 in above sample). Conversely, clients very satisfied overall may not be able to repeat the tour for internal reasons (change of policy, new tour organiser), personal circumstances (new job), a less enthusiastic year group; it may have been a one-off tour, and in 2009 the recession meant fewer parents were able to finance the tours. Those reasons were all cited by clients in follow-up enquiries from Galina, or deduced from observation.

Table 4.5.2: Galina's client satisfaction record 01/07-27/08/2008

4.6 Issue of employer-employee relations

The theoretical proposition that employer-employee relations can be a barrier to effective performance management was supported by comments about consultation and control in staff reviews in December 2009 (A2 [R3]), during the preparation for IiP assessment in the early part of 2010 (A9 [3e]) and in the semi-structured group interviews conducted for this research (A5d [B5a, B5b, B5c]). They pointed to a misalignment of management and employee views where some measures are seen as excessive control and staff believe they are not consulted on matters which concern them. This denotes a misconception about consultation and a lack of effective communication of measurement, and affects the relational psychological contract between employers and employees.

4.6.1 Communication

Employees felt communication was not totally effective and needed to improve (A5d [G18a]), that it was *"not perfect yet"* (A5d [B4f]), and that *"there could be greater consultation between management and staff on certain matters as Galina is such a*

small organisation" (employee performance review summary, December 2009[11], (A2 [R3]). Management, however, can list a number of amendments that have been made to processes and documentation following consultation with staff, e.g. Saturday work rota[12] (January 2010), quotation templates (February 2010), contracts (April 2010), so consultation and review does occur. As for daily communication, the installation of the new IT/phone equipment has enabled people to communicate verbally or by internal email so that information can be transmitted immediately and to everyone as applicable, including being able to ring home-workers (the employers) via an extension number. One employee suggested that the feeling that communication could be better may be a characteristic of small businesses where *"people expect to know everything that goes on because of the size"* (A5d [B5d]). So the issue here seems to be effective communication rather than communication itself, and perhaps the lesser visibility of the owners who now work mostly from home.

4.6.2 Control *vs.* organisational efficiency

The issue of control was raised following procedural changes such as conversion and retention meetings, and work-patterning. Staff comments in the December 2009 reviews (A2 [R3]) ranged from *"not keen"* to *"should be able to schedule their own tasks according to importance and urgency"* or *"need some flexibility"*, whereas the management view in its IiP self-assessment document[13] was that it *"enable[s] staff to organise their workload more efficiently so that administration does not marginalise marketing role"* and was *"aimed at maximising effective use of time"*.

In conclusion, the case study highlighted two issues in Galina's relationship between employer and employee where viewpoints differ: effective communication and control, which are noted here due to their recurrence in various data collected. This raises the question of the impact on performance of being in tune with one's employees, and will be considered in Chapter 5.

4.7 Impact of SME characteristics

In order to address the research question in greater depth, to further test the validity of some theoretical propositions, and for the purposes of triangulation, the author observed

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[11] These archival documents are not appended in this dissertation to preserve confidentiality.
[12] Most employees work 13 Saturday mornings a year in accordance with their contract of employment.
[13] This archival document is not appended in this dissertation due to its confidential nature.

practices relating to time constraints, lack of resources, and lack of coordination between measures.

4.7.1 Management experience and capabilities

The term 'management' is considered here in the broader context of owners as well as appointed managers. Most of the management team have prior experience of managing teams and all since working at Galina have acquired new skills through coaching or formal training. The varied capabilities and skills of the management team were deemed adequate in the semi-structured management interview (A4b [C6b, C7, D9a]). Furthermore, the fact that the management team have multiple skills and roles means that gaps can often be filled by another manager when work displacement occurs, for example when projects, business trips or holidays take managers away from their tasks.

The benefit of teamwork was highlighted in the management interview (A4b [C7e]), an example of which would be Galina's weekly conversion and retention meetings with the tour administrators. Originally set up as separate weekly meetings, it became apparent that these were not totally effective for several reasons: two meetings a week seemed excessive and detrimental to the smooth running of the organisation, as staff and middle managers agreed; there was also an overlap between those two meetings, with retention being a part of the overall tour conversion. This measurement was therefore reviewed and a new approach adopted of one weekly team consultation to improve effectiveness, with joint planning by the two managers in charge and cohesion in terms of strategy to increase performance in that area. This change of approach is included in the case study as it appears to contradict SME theory about organisational capabilities, although there are also instances at Galina which would support this theory, e.g. the lack of reporting strategy.

The table in appendix A2 shows that Galina has implemented a recording system for the purposes of growth. However, during this case study the lack of systemic reporting was noted and commented on (A5b [C6b]). The management team each keep and monitor records according to their role but reports are not systematically produced or discussed to inform strategy. This is an aspect of performance management which will be considered in the next two chapters for its implication leading to recommendations.

4.7.2 Time and people resources

One of the author's theoretical propositions also reviewed in the literature is time and people resources, which appear to be issues that go hand-in-hand in small organisations. Owners and managers have varied roles, handle several projects, perform routine managerial tasks as well as 'shop-floor' tasks when the need arises. This certainly occurs regularly at Galina where even the Directors will do quotations if necessary. Some employees have complained of being stretched (A6 [i]) as the employers are cautious about recruiting while business recovery is uncertain in the current recession. The impact is obvious when staff are absent due to illness or holidays, and this causes unhappiness amongst employees (A5d [D11a, 11c, 11d, 11f]). Any new procedure introduced is then a cause for further resistance (A6 [b, c] & A5d [C8a, 8c, 8e, 10b]), and stress (A5d [C8d]).

From a management team point of view their varied roles impact on project management as observed recently at Galina. The organisation is handling a number of projects in 2010 which are necessary if it wants to remain competitive. A review (A2 [R3]) with one of the managers in December 2009[14] pointed out the need for better project management due to the size (employee numbers) of the organisation and therefore the time that can be dedicated to projects:

> *"It sometimes feels like we have too many projects on the go with not enough dedicated time and perhaps too many people being involved in their development. Should we plan projects for the year and set a timetable for them as far as possible?"*

Project management seems poor and fails to consider the varied roles of managers so timescales are sometimes unrealistic and can therefore cause a displacement of other regular work, which could be detrimental to achieving the company's objectives. A recent example of this would be the involvement of two directors in the creation of the company's new website where the deadline for its launch to coincide with the summer term's first mailout to schools took precedence over the monitoring of sales conversion. Furthermore lack of cohesion between the different parties involved resulted in major changes being made to this website after its launch when the design phase should have been over. Other instances of the issue of time and people resources, which have been

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[14] This archival document is not appended in this dissertation due to its confidential nature. However, a quote has been included in the text.

observed regularly by the researcher, include product development conducted in-house by one of the directors where their other non-transferable duties have in the past been deferred causing bottlenecks; the launch of new products has often preceded the completion of the project, e.g. no prior staff training on the new product, missing itineraries or study pack; and more recently, since January 2010 the company's rebranding and change of status resulted in chaos whilst documentation was being updated. Prior consultation and planning should have alleviated this situation.

These observations link with theoretical barriers cited in the literature review in Chapter 2, e.g. Bourne et al. (2007) and specifically to SME characteristics as reported by Vichitdhanabadee et al. (n.d.). Their implication is discussed further in the next chapter and form the basis of recommendations in Chapter 6.

4.8 Impact of accreditation

As part of its growth strategy, Galina is currently seeking accreditation through government initiatives: Investors in People (IiP), which is widely recognised by its clients, and industry-related membership, the 'Learning Outside the Classroom (LOtC) badge and membership of the School Travel Forum (STF), which go hand-in-hand. Whereas IiP would demonstrate organisational best practice – encompassing employees and suppliers - LOtC and STF are necessary in order to grow within the educational visits industry, as their membership will demonstrate compliance with quality and safety policies and influence schools in their choice of operator.

Although it is too early to judge the impact on sales of these awards, which Galina hopes to gain by the end of 2010, they have focussed the company's attention on their internal and external customers, its policies, processes and procedures, all of which show a commitment to improving as an organisation, as reference made in section 4.6 to documents and meetings in preparation for IiP demonstrates.

The influence on growth of accreditation is a factor cited as in the SME literature (see Chapter 2.5.3) as having a beneficial influence on those organisations' performance.

4.9 Criteria for successful Performance Management

The case study unearthed a multitude of evidence – tabulated and coded in appendix A3 - which was tested against performance management theory in general, and in SMEs in particular. Sections 4.2 to 4.8 examined the main factors that may influence

performance management. Tables 1 & 2[A10] detail those and other findings from the case study. Data sources were coded and referenced and the evidence is analysed in the next chapter. Matrix 4.9 below demonstrates the match between the findings from the case study (C-1 to C-9) with theories in the literature ('CSF' and 'SME') and the author's theoretical propositions ('ThP').

	C-1	C-2	C-3	C-4	C-5	C-6	C-7	C-8	C-9
ThP		∗	∗	∗	∗	∗	∗		
SME	∗	∗		∗	∗	∗		∗	
CSF	∗	∗	∗	∗	∗	∗			∗

(Theories) — Case study success criteria

Matrix 4.9: Pattern-matching between the Galina case study and performance management theories

The matrix shows that criteria C-2, C-4, C-5 and C-6 all play a key role in performance management. There is evidence of all 6 theoretical propositions, four of which also match with the literature. No evidence was found at Galina, however, that compensation plays a major role; a possible reason for this may be linked to the results of the motivation questionnaire[A7b] and is discussed in Chapter 5.4. Although employee behaviours (Matrix 4.9, C-7) were deemed to influence performance at Galina, this does not appear amongst the top critical factors in the literature.

4.10 Conclusions from case study

This chapter aimed to compare the theories reviewed in Chapter 2 and the researcher's theoretical propositions in 3.3.3 with the findings of the case study to inform the assessment in Chapter 5 of any gap between them. A variety of data was collected to triangulate findings and which best exemplified the theories or propositions with regards to performance measurement/management in organisations, the function of historical records, managing employee performance including the influence of the employer/employee relationship, the impact of the customer focus, and SME characteristics including management skills and capabilities. The object of the next chapter is to assess drivers and barriers of performance management at Galina as an example of an SME.

Chapter 5 - Conclusions and Implications

5.1 Introduction

This study proposed to assess performance management issues in SMEs to compare theory and practice. Through a search of the literature on performance measurement and management various frameworks were reviewed to examine different approaches to PM, their strengths and weaknesses, and to inform a design for Galina's own PMS. Of particular interest was research conducted in SMEs and the author was keen to test some theoretical propositions about performance management which she had developed from over 8 years of working for this small organisation. It was felt that PMS theory was an ideal which may not be achievable by SMEs due to their particular characteristics - fewer resources, owner-entrepreneur capabilities and background. A methodology was developed to collect evidence through a case study of the organisation, which would support or question theories and theoretical propositions. Those conclusions are detailed in section 5.3 below.

5.2 Critical evaluation of methodology employed

As described in Chapter 3 a qualitative approach was used in this social sciences study due to the soft nature of the research topic, involving people, and the objectives of the study. Theories were tested through a qualitative, single case study in a micro-organisation. With only nine employees this would have rendered statistical data analysis inconclusive.

The practitioner-researcher's inside knowledge of the organisation had the advantage of not requiring prior background research, and the company did not feel under observation so it is felt that the data collected through observation was more genuine than it may otherwise have been.

The data collection method seemed to work well. Access to documentation was not a problem as the research was fully supported by the employers as a project which will help the organisation to improve. The semi-structured group interviews were readily accepted by staff as part of the continuous review of work practices and they were happy to volunteer. The management team saw their interview as an opportunity to discuss and review performance measurement at Galina.

While data was easily accessible, qualitative data analysis is by nature more subjective than numerical data as it involves human interpretation, and objectivity can be a challenge for a practitioner-researcher. It also requires experience and skills which a team of researchers may have been better equipped to provide, resulting in increased validity.

With a longer timescale, better triangulation could have been achieved by testing certain theories in SMEs, or in departments of comparable size in larger organisations, in areas such as resistance to change in processes, employees' views of and attitude towards performance measurement, the impact of relationships between employer and employee or line manager and subordinates. This would have made the findings more generalisable.

Objective analysis was at times a challenge for the practitioner-researcher with the occasional temptation to 'jump to conclusions' due to the years of experience at the company but the semi-structured management interview and the discussions with the Managing Director deepened her understanding of the organisation.

In conclusion, the scope of this research was limited by its timescale and the type of study (single case study), but may present an opportunity to support previous research and inform similar studies in SMEs.

5.3 Conclusions about the research objectives

This research aimed to assess some of the challenges faced by SMEs in trying to apply performance management theory in practice in order to achieve growth, and the extent to which theories could be applied considering the characteristics of small organisations. Through a case study it reviewed Galina's current performance measurement and management system, and tested theoretical propositions against performance management literature, both general and SME-specific. Furthermore this study reviewed some PMS frameworks for consideration in the development of a PMS framework suitable for Galina.

The researcher proposed to test six theories - listed below - derived from her experience of Galina, which may influence the success of a performance management system as drivers or barriers. Points 1 and 2 were also deemed to be characteristic of SMEs.

1. Resources (e.g. people, multiple roles of managers, time constraints, technology)
2. Management capabilities and experience of PMSs
3. People's behaviour towards measures
4. The relationship between employer and employee
5. The impact of accreditation and membership (external influences)
6. The customer focus

The following sections deal with each theoretical proposition as well as other findings from the case study in relation to the literature reviewed in Chapter 2.

5.3.1 Resources

Time was cited as an issue by both management and employees in the semi-structured interviews and seems to be linked to the size of this organisation: few (but multi-skilled) people with a heavy workload to compete with both similar-size and larger organisations. As discussed in Chapter 4.7.2 this causes pressure, bottlenecks, displacement of tasks, which may result in loss of focus on the company's goals.

In the specific context of SMEs, authors such as Vichitdhanabadee et al. (n.d.), Gibson et al. (2002) and Garengo et al. (2007) cited in Chapter 2.5.3 seem to agree that lack of time and other resources detract from successful business planning and performance management for increased financial performance. This, however, is disputed by Cragg et al. (1988) who found little evidence that planning is linked to financial success but suggest that other managerial practices such as employee management and relationship with suppliers and customers may have an impact. From the study of Galina there is evidence that relationships with internal and external stakeholders play a key role in performance despite the lack of formal PMS (A3 [ARC], A4b [A2k A3d3, D8a, D10a, D10b, D10c, D10d], A5d [E15a E14a, E14b, F16a]). As seen in section 4.7.2 some poor project planning can be an issue which impacts on daily operations.

Of the six PM frameworks reviewed in Chapter 2.3.2, Fitzgerald et al. (1991)'s would appear to be the only one to specifically include resource utilisation, which they class as a determinant factor to be considered by companies in order to grow and remain competitive.

5.3.2 Management capabilities

Here both 'management' and 'capabilities' should be considered in a broad sense. The more general PM literature covers organisations of any size where there is more scope to recruit managers with particular skills and experience of performance management, but this paper is concerned with SMEs where 'management' encompasses owner-managers as well as appointed managers. Specifically the nature of SMEs and probably to a greater extent micro-organisations, means that owners/managers perform varied tasks, strategic, managerial and even operational, so 'capabilities' should also include background and experience of PMSs. Vichitdhanabadee et al. (n.d.) found a link between this and definitions of business performance in SMEs (Chapter 2.5.3) and this is the context in which it was considered in the Galina case study with its two-tier management (owners and managers). However, this lack of understanding of PM systems and their benefits on financial and competitive growth is not limited to SMEs; it was also found to be the case in de Waal's (2007) study and corroborated by Elzinga et al. (2009) (Chapter 2.4.5). In the context of SMEs 'management capabilities' links in with the above issue of resources in terms of people and desirable skills. Of the six PMS frameworks reviewed in Chapter 2, Neely's (2001) Performance Prism (Chapter 2.3.5) aims to address this by considering capabilities as one facet of performance management.

In the Galina case study the management team capabilities were found to be adequate and complementary (Chapter 4.7.1) with the beneficial impact of teamwork at management level (Chapter 4.7.2). The lack of analytical tools and systemic reporting was thought, however, to be an issue which needs addressing (Chapter 4.7.2). Indeed the literature found that companies can be swamped by the amount of data they collect without knowing how to process it to make efficient use of it (Chapter 2.4.3), citing Franco et al. (2003), Neely et al. (2000), Elzinga et al. (2009).

It is difficult to dissociate resources (Chapter 5.3.1) and capabilities (Chapter 5.3.2) where resources include people and their skills as well as tools. For this reason, Neely's (2001) 'Performance Prism' defines capabilities as people, practices, technology and infrastructure, while Fitzgerald et al.'s (1991) 'Results and Determinants' framework must include those in its 'resource' category (Chapter 2.3.2) and it is assumed that Browns' (1996) 'Input-Process-Output-Outcome' model includes them in its 'inputs' under 'skilled employees' and 'raw materials' (Chapter 2.3.3). In Kaplan and Norton's

(1992) 'BSC' (Chapter 2.3.6) they should be considered in the 'Internal business perspective' scorecard.

5.3.3 People's behaviour towards measures

According to de Waal (2007) cited in Chapter 2.4, behavioural factors are responsible for 56 percent of PMS failure. This can occur at any stage and can be caused by people in any tier of the organisation. For example, Bourne et al. (2000) cite senior management resistance at the design phase (Chapter 2.4.1).

De Waal identified twenty behavioural factors which play a key role in the successful implementation of performance management, which was then supported in further research conducted by Elzinga et al. (2009) who ranked those factors in order of relative importance. At the top were managers' understanding of the importance of KPIs, CSFs and BSCs, acceptance of a PMS, involvement and past experience (Chapter 2.4.5). Whilst Galina has no written PMS there was evidence in the case study that the organisation is aware of its CSFs and that it is committed to performance management (A4b [Ab1, Ac1, E13]). Furthermore it does not believe in adopting an "off-the-shelf" framework but would consider developing its own PMS so that it is relevant to, and appropriate for, the business (A4b [C6a, E12d]). This decision would seem to place Galina in a minority as Neely et al. (2000, p. 1141) found that most managers prefer to use *"simple, pre-packaged solutions"* to save time (Chapter 2.4.5).

The case study also highlighted resistance from employees to measures which are meant to address their workload and time management issues. As seen in Chapter 4.4.2 and in Table 4.3.2, Galina attempts to equalise the number of tours that each administrator will be responsible for over the year by keeping a record of tour allocation, booking forecast and through discussions with employees. In order to maintain a good workflow and to minimise stress at busy periods, the company also introduced work-patterning of certain key tasks in September 2009. From an organisational performance point of view, Galina asks Tour Administrators to log the quotations they send to enable the managers to monitor and try and improve conversion and retention figures. Archival documents used in the case study have shown, however, that record-keeping and work-patterning are not popular with staff: instead of being viewed as key to performance or employee well-being they are seen as a time-consuming exercise and an indication of the employers'

lack of trust in their employees to do their job well (Chapter 4.6.2)[15]. As discussed in Chapter 2.4.5, Franco et al. (2003) and de Waal (2007) recommend that organisations establish a performance culture and improve their communication of performance measurement, although de Waal (2007) and Bourne et al. (2000) recognise that this is difficult to promote at individual, team or organisational level. De Waal (2007) suggests a three-stage "performance management development cycle" reproduced in Chapter 2.4.6 with the third stage – the performance-driven behavioural model – designed to enable an organisation-wide culture of performance and excellence to achieve the same goal.

5.3.4 Employer/employee relationship

The issue of behavioural factors seems to be linked to employee relationship. Although it is widely assumed that employee relationship is better in small organisations because they tend to be more informal, Atkinson (2007) found no real evidence of this in her study of SMEs, as discussed in 2.5.3, and suggests instead that this may have more to do with management style and the size of the organisation. A company's maturity may also play a part: this evolution of performance measurement processes from informal to formal was mentioned in Galina's management interview (A4b [Conclusion A]) and as necessary for business growth. Maturity is mentioned in Franco et al. (2003), but as one of the lesser factors of PMS success (ranked 31/34). Nevertheless from observation and judging by employee comments in reviews (below), this aspect seems to have affected employer/employee relationships at Galina and what Brown's (1996) model (see Figure 2.3.3) refers to as "happy employees":

"The previous cottage industry type worked better" (A5d [C8d])

*"Formality looks good but is not always appropriate" (*A5d [C8e])

"Not to pile on frustrating rules, processes and procedures" (A5d [D10b])

"Imbalance between number of people in management and those organising tours" (A6 [h]).

Those comments seem symptomatic of staff adjusting to new measures with difficulty, despite evidence that they aim to address levels of stress as well as organisational performance. Yet the company reviews all procedures regularly, and often following

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[15] As stated in Chapter 4.6.2, these comments were found in staff annual reviews which are not appended for confidentiality reasons.

staff consultation, for continuous improvement to processes, organisational performance (Chapter 4.6.1) and 'best practice'. What this means is that employer/employee relationships must be addressed as they impact on the acceptance of performance management.

5.3.5 External recognition

As discussed in Chapter 4.8, Galina's application for government and industry-related accreditation and membership (IiP, AITO, LOtC, STF)[16] has focussed its attention on 'best practice' and quality, resulting in noticeable improvements in its internal and external procedures over the past few months. Furthermore these awards should enhance the company's visibility and credibility with its customers resulting in growth and customer loyalty in the long-term. Indeed many schools have IiP status, LOtC and STF membership relate specifically to educational visits, and AITO is a bonding scheme more widely recognised than Galina's current arrangements and required to obtain STF membership. Galina's example would seem to corroborate findings by Franco et al.'s (2003), reviewed in Chapter 2.4.7, and specifically noted in SME research by Oke et al. (2007), summarised in 2.5.3 about the impact of recognition and the influence of the environment on success.

5.3.6 Customers and other external stakeholders

The customer focus is at the core of Galina's strategy for competitive advantage and is approached on several fronts. Customer conversion and retention take the highest priority as demonstrated by the records kept and the monitoring of these activities (see Chapter 4.5.2). Galina is pro-active in its approach, researching the educational need of its clients (the students, via their tour organiser), putting the necessary processes in place in terms of product, training and employees (including its self-employed guides). Feedback is sought systematically upon the return of a tour and comments, good or bad, taken into account. This is summarised in Table 4.3.4.

The literature makes ample reference to the need for this customer and external stakeholder focus: five of the six frameworks reviewed in Chapter 2.3 specifically include this perspective - Keegan et al.'s (1989) matrix, Brown's (1996) model, Lynch et al.'s (1991) SMART pyramid, Neely's (2001) prism, and Kaplan & Norton's (1992) BSC). Brown's framework is considered again in Chapter 6 in relation to PMS models

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[16] See 'Definitions' in Chapter 1.6

which may be suitable for Galina. In addition to this, Dessi et al. (2010) suggest that companies should seek to find out why customers choose them over others as a means of developing customer loyalty by aligning a company's perceptions to its customers' criteria, an aspect Galina does not currently monitor.

5.3.7 Other influential factors found in the case study

Besides the six theoretical propositions tested, the case study highlighted other factors pertaining to performance management that were also found in the literature reviewed in Chapter 2. This section is based on Franco et al.'s (2003) nine critical factors as these researchers themselves reviewed and tested theories from other authors through a series of interviews to validate their findings.

As summarised in Matrix 4.9, evidence was found of a match between the nine success criteria which emerged from the Galina study and seven of Franco et al.'s (2003) nine critical factors, seven of eight SME success factors reviewed, and all six theoretical propositions. Three categories which did not form part of the author's theoretical propositions - organisational culture, alignment between measures and strategy, and commitment to a performance management system - were nevertheless found to be significant in the case study. The correlation between this and previous research strengthens the validity of all findings and should inform the development of a successful PMS at Galina.

5.3.8 Summary of the analysis of the research objectives

The research proposed to assess the viability and applicability of performance management theories in reality considering challenges faced by organisations and SMEs in particular. All six of the author's theoretical propositions arose from observation and several years' experience of the organisation as issues which were either viewed as possible barriers or conversely as drivers in managing performance to achieve growth. These objectives found support both in the literature and in the case study, and underpin the implications which follow in the next section about the research question.

5.4 Conclusions about the research question

Research was conducted from an SME perspective and whilst there was evidence in the literature and the case study that some SME characteristics play a role in the efficient management of an organisation's performance, most issues were found not to be

specific to size. Indeed research conducted by de Waal (2007) and Franco et al. (2003) seems to suggest that size is not the real issue (ranked 34/34 in Franco et al.'s (2003) findings) with culture and commitment ranked 1/34 and 2/34 respectively and therefore having a greater impact overall. For example in large organisations agreement on a PMS and its implementation may be a problem – as suggested by Bourne et al. (2000) in 2.4.1 - whereas in SMEs and micro-organisations in particular, the structure is such that it should be easier to ensure that all parts of the business pull in the same direction through control mechanisms.

From a review of the literature in Chapter 2.5 it seems clear that SME issues are varied and dependent on industry, cultural background, owners' characteristics and possibly even business maturity.

Following an analysis of the case study findings and of the literature, it can be concluded that:

- Resources in terms of time and people can be an issue in any organisation and not specifically in SMEs, although the more modest means of SMEs may have an impact on data processing technology.

- Management capabilities, competencies and skills influence the effectiveness of performance management. However, varied roles and skills are an advantage as tasks can be performed by others.

- Behavioural factors and employer/employee relationships apply in any organisation – the literature reviewed made no size distinction. The introduction of measures and changes in operational systems or organisational structure are often met by resistance. Evidence of this was found at Galina with the development of formal measures as indicated in 4.4.2 and 4.7.2, new systems and a new hierarchy. These barriers should be addressed through change management and driven by the management team's evident commitment to PM.

- In 2010 what the literature calls the 'environment', i.e. external influences such as government or industry-related initiatives, are likely to drive performance forward at Galina, as discussed in Chapter 4.8. Whereas it has shown a commitment to Investors in People practices for several years, gaining other, industry-related accreditation is more of a necessity if it is to remain competitive in the medium- to long-term. However, the result of the planning process should be an immediate improvement to internal systems and 'best practice', quality of

service, recognition and status, and ultimately growth. The importance of external influences was noted by authors such as Franco et al. (2003) whose research ranked it 9/34 success criteria (see 2.4.7), while Oke et al. (2007) found that government initiatives encouraged innovation in SMEs which boosted growth and success (see 2.5.3).

- As discussed in Chapter 4.5.2 and further analysed in 5.3.6 above, the customer focus is at the centre of Galina's vision. Again this positive influence is not specific to SMEs and features explicitly in most PMS frameworks (see 2.3), although some of the research in SMEs, by Kumar et al. (2008) and Dessi et al. (2010) for example (see 2.5.3) stresses the importance for small organisations of knowing one's customers and developing strategies that will increase their loyalty in order to grow. It is well-known in marketing that client retention is more cost-effective than seeking new clientele and this has always been paramount at Galina whose annual targets include 70% retention as seen in 4.5.1.

This research about performance management started out with the following objective:

"Assessing the gap between theory and practice in an SME."

The conceptual framework developed for this research shown in Chapter 2, Figure 2.6 reproduced below as Figure 5.4a, showed PM theory as the ideal, practice as the reality with commonalities between both and both with drivers and restraining forces.
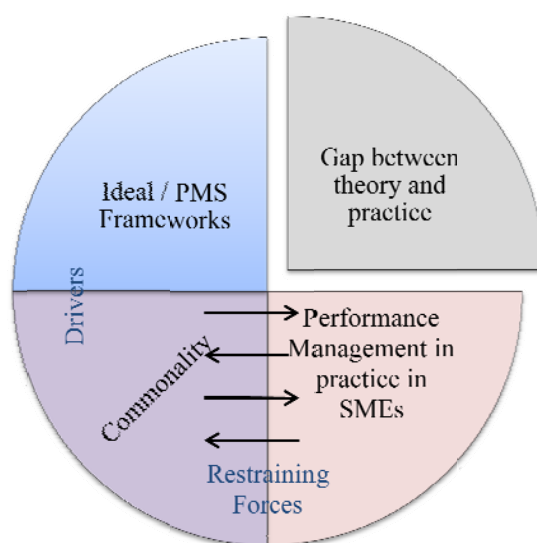
Figure 5.4a: Conceptual framework for the analysis of the gap between PM theory and practice in SMEs

Having analysed findings of the case study, the drivers and restraining forces at Galina can now be defined and are shown in Figure 5.4b modelled on Lewin's (1947) Forcefield analysis:
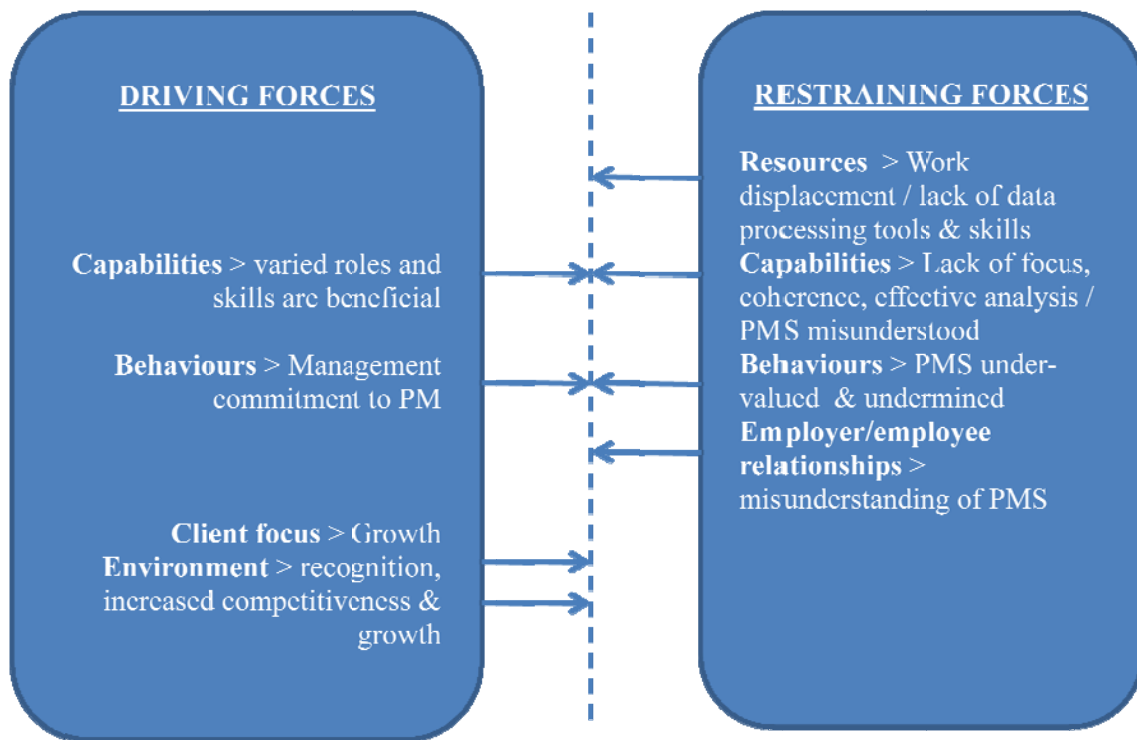
Figure 5.4b: Forcefield analysis of PMS drivers and restraining forces at Galina

This shows that capabilities and behaviours both have a positive and a negative impact depending on their nature, the client focus and the environment are both drivers but resources and employee relationships in SMEs are barriers to effective PM.

The "gap" between theory and practice assessed through the Galina case study would appear to lie in the lack of understanding or knowledge of PM systems, the misalignment of employer/employee views and in the resources small organisations have access to. How these issues can be addressed is the object of the next chapter.

5.5 Overall conclusions

The study of performance management is complex due to the variety of organisations. PM theories are an ideal and the specific study of performance measurement/management in SMEs tries to address the difficulties this presents due to the nature, characteristics and again the variety of small organisations - as seen in Chapter 2.5, this category represents 99% of all European private enterprises.

Researchers in SMEs are also well-aware that characteristics may differ according to size and culture, and therefore conclusions cannot be generalised.

The literature highlighted key issues for organisations to consider when planning, designing, implementing and using a PMS so that it becomes an efficient tool driving business growth. Organisations should determine and define their Critical Success Factors (CSF) and Key Performance Indicators (KPI) in order to create a workable framework specific to their business. This should be communicated to the whole organisation so that everyone is clear about measures and works towards the same goal.

The theoretical frameworks provide an opportunity to reflect on a company's strategic vision and goal for the development of a suitable, organisation-specific PMS framework.

For a PMS to be effective, organisations need to consider and address management capabilities and commitment, and behavioural factors, which could cause a PMS to fail.

The customer perspective including the role all external stakeholders play in business growth should be seen as an important driver.

A balanced and strategic approach to performance management is necessary for growth.

5.6 Limitations

As discussed in Chapter 3.6, this research was limited by the fact that it is based on a single case study of a private micro-organisation in the service industry and therefore not intended for generalisation.

The size of the organisation further limited the opportunity for correlation of findings within the company itself as most of the employees perform different roles. Therefore the semi-structured management interview could not be validated through another, identical interview with other managers. A similar situation occurred with the employee interviews as the four staff who took part hold three different positions: there is only one real team of people with the same role, the tour administrators, with other staff in a supporting role. This means only the group of tour administrators felt comfortable answering questions relating to team or targets.

Another point which may be relevant is the demographics at Galina: all employees including the owners are mature people, most are women with no childcare or

dependant issues, so behaviours as well as responses (e.g. in the motivation questionnaire) may have been influenced by these characteristics.

Overall, however, it is felt that validity was achieved through the variety of methods employed and the involvement of most staff in the case study.

5.7 Opportunities for further research

This research aimed to assess issues relating to the applicability of performance management theory in small organisations, based on the study of Galina. Although the case study approach prevents generalisation of the findings it could form the basis for further research in the following areas:

- Comparative study of SMEs and departments within larger organisations
- Single or multiple case studies in different industry sectors (Galina falls within the service industry)
- Comparative study in different countries and cultures

A multiple case study approach would increase generalisability and provide an opportunity for quantitative data collection and statistical analysis for more positivist results.

It is hoped however that this research will contribute to the existing body of knowledge on performance management issues in SMEs.

Chapter 6 - Recommendations

One of the researcher's objectives for this study conducted at Galina was to assess the company's current performance management system with a view to developing a more coherent, strategic and effective system based on findings from academic research. It highlighted areas which have a positive impact and others of deficiency, summarised in a SWOT analysis[A11].

6.1 Summary of the findings

Although Galina's management is clear about how it measures performance and for what purpose, the distinction between performance measurement and management needs to be understood as this is deemed to be one of the failures of Galina's system. In particular it was noted that:

- The management teams' lack of knowledge of PM systems has resulted in incremental improvements of its measurement management system which may not be totally effective, without for example coherence in analytical and reporting systems.

- Recent measures have met with some employee resistance. This would seem to indicate that communication and change management, which could influence behaviours, are not effective.

- Resources in terms of time, people and skills contribute to task/role displacement and pressure, potentially with a detrimental impact on performance and performance management as managers are engaged in other tasks that at least momentarily upset continuous processes. This would appear to be characteristic of SMEs and although Galina already outsources some specialist areas, further consideration should be given to internal resources, time management and project planning.

There are, however, very positive drivers at Galina conducive to success:

- The importance given to organisational/team performance contributes greatly to Galina's success with employers and employees' varied skills and backgrounds a strength of the business.

- Commitment to performance management was in evidence from both employers and employees, although the softer, 'cottage industry' approach is favoured by

employees while management's growth strategy involves a more formal and systematic approach.

6.2 Action plan

Galina needs to review its current system as a basis for developing a more coherent and effective PMS. The owners/managers are keen to develop a system relevant to the organisation which could be integrated into the existing system so as to preserve the current focus[17].

A model such as de Waal's (2007) "strategic performance development cycle"[18], reproduced below in Figure 6.2a could be used as a basis for developing the company's own system, supported by publications such as CMI's (2009) performance measurement and performance management checklists, which give practical advice.
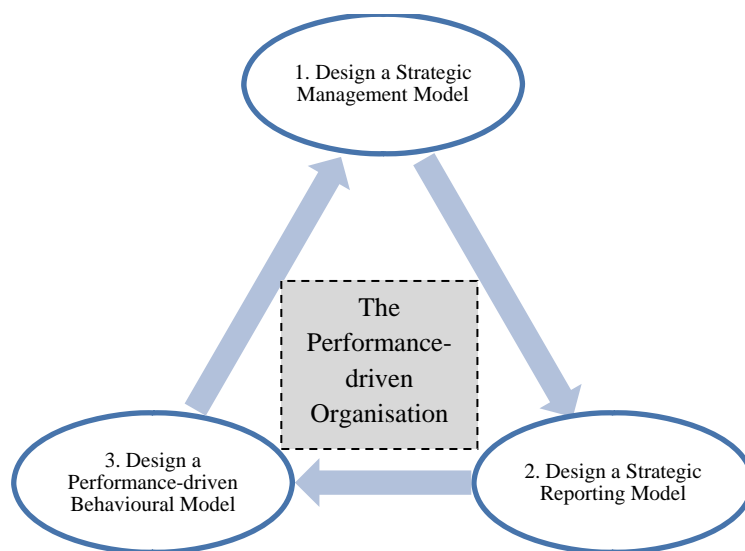
Figure 6.2a: Performance Management Development Cycle.
Adapted from de Waal (2007, p. 5)

This should be followed by a project plan such as de Waal's (2007, p.7) flowchart reproduced below in Figure 6.2b.

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[17] See management interview report: Appendix 4b [E12b & conclusion E]
[18] Model reproduced in Chapters 2.4.6
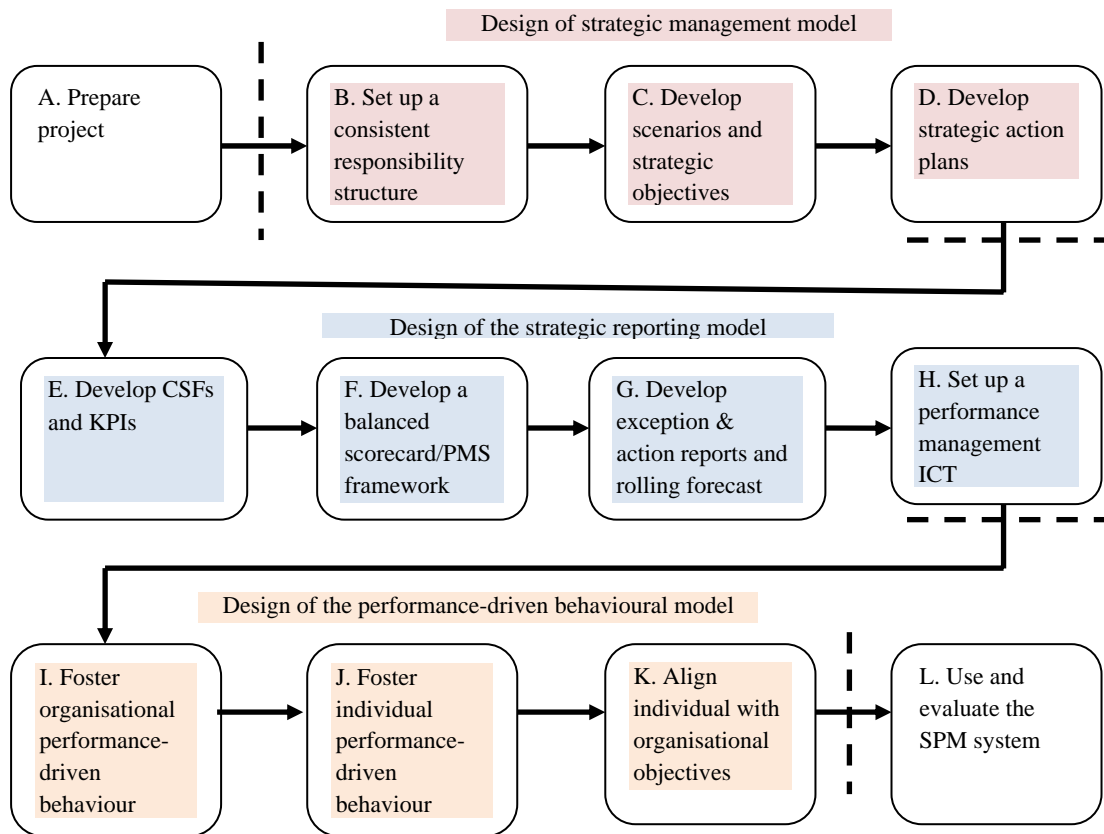
Figure 6.2b: Project plan for applying the strategic performance development cycle.
Adapted from de Waal (2007, p. 7)

The project plan should be adapted to suit Galina's needs and in particular stage F should include an appropriate PMS framework. From those reviewed in Chapter 2.3, it is the author's view that Kaplan & Norton's (1992) Balanced Scorecard, although widely-used, may not be suitable for such a small organisation as Galina. Instead, consideration should be given to Brown's (1996) Input-Process-Output-Outcome model reproduced below in Figure 6.2c as it seems more in tune with what Galina is trying to achieve, with its stress on customer focus (inputs and outcomes), and the final goal being repeat business which has always been core to Galina's strategy. One adjustment to this model though, in view of the case study findings which indicate that staff may not be entirely "happy", would be to begin with a review of employee satisfaction to share views, gain their support and improve well-being.

Furthermore and as advised by most researchers, measures must be limited to key measures defined following a review of the company's CSFs and KPIs (see stage E.)
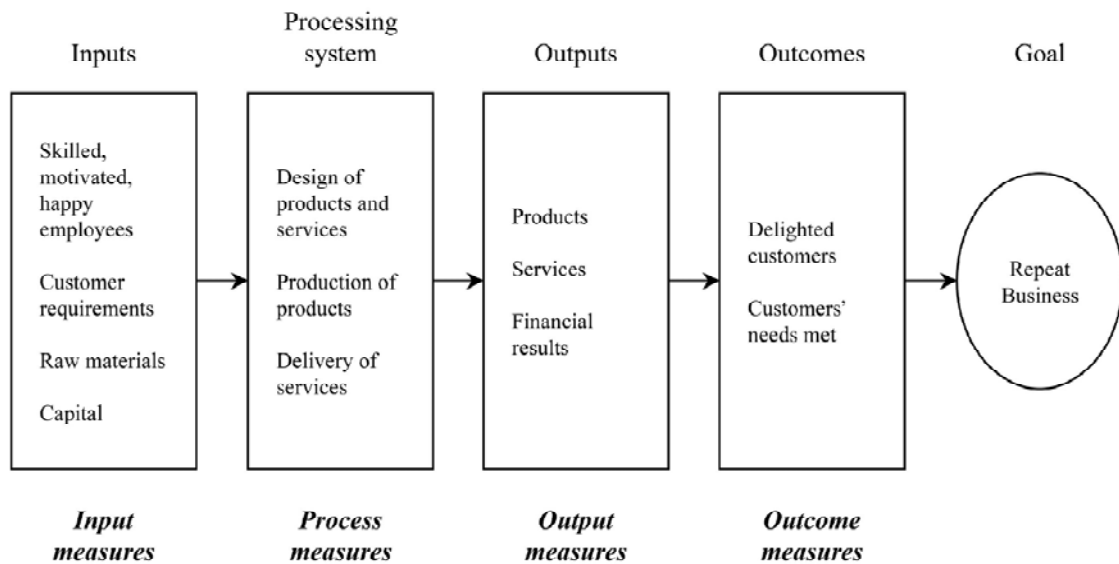
Figure 6.2c: Brown's (1996) input-process-output-outcome framework
Source: Neely (2000, p. 1125)

In conclusion despite its small size, Galina already has a performance management structure it can build on to develop and implement a successful strategic performance management system tailored to its needs, and with organisation-wide commitment to ensure future success and growth.

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Appendix 1

Document coding

All in-text coding appears in [ ] after reference to the relevant appendix.

Table of measures (Appendix 2): records coded as 'R' followed by a number, e.g. [R1]

Interviews, reviews and minutes of meetings were coded for inclusion in the **Table of SME success criteria at Galina (Appendix 3)** using the date of the event, followed by:

- MGTque or EMPque (management / employee interview questions)
- TASrep or OFFrep (tour administrators / office staff reports)
- MGTrep or EMPrep (management / employee interview reports)
- EMPrev (employee mini-review summary)
- IiPemp (minutes of employees' preparation for IiP meeting)

Semi-structured interview reports (Appendices 4b & 5d): reference to any particular item will follow the multi-level numbering in the relevant report, i.e. interview section (A to G), the question number (1 to 19) and the answer (a to k), e.g. [A1a]

The employee mini-review summary (Appendix 6) and **minutes of the employee IiP meeting (Appendix 9)** also follow a multi-level numbering of numbers and letters, e.g. [1a]

Appendix 2

Table of measures

What Galina measures	Records kept	How records are used	What those records achieve
Finance	P&L Accounts [R1]	Historical record Tour pricing Salaries Bonuses Breakeven figures	Satisfies government requirements (accounts / tax / VAT) Monitor profit. Inform business planning for future profitability, survival and growth Inform recruitment or redundancies
Marketing	Weekly quotation records [R2]	Monitor marketing efficiency Trace quotation life cycle Inform quotation status Enable sales projections	Inform level of marketing Inform follow-up strategy Highlight downward or upward trends
Employees	Annual reviews [R3] / Mini-reviews [R4] / Discussions [R5]	Review employee performance Identify development needs Identify issues which may hinder progress Invite employee suggestions for improved organisational performance	Staff development put in place Job roles reviewed Employee well-being addressed
Bookings (sales)	Weekly booking records by subject [R6]	Measure activity against targets Highlight patterns and trends Percentage of sales conversions by subject, quarterly and annually Comparison with previous years	Track downward or upward trends Inform marketing strategy Inform business plan
Client retention	Client retention records [R7]	Historical record Ensure all existing clients are re-quoted	Track omissions Maximise retention
Workload	Tour allocation [R8] Work patterning [R9]	Historical record of monthly departures and comparison with previous years Record tour distribution Record Tour Administrators' individual workload Scheduling of phone-free sessions according to workload.	Help even out workload between Tour Administrators Highlight need for new processes / recruitment to cope with workload Improve employee well-being Uninterrupted administrative tasks for leaner processes and improved well-being
Client satisfaction	Feedback questionnaires [R10]	Measure administration and supplier performance Highlight service / product efficiency or deficiency	Inform training needs Help to improve quality of service and product Support client retention

Appendix 3

Table of evidence of PMS success criteria at Galina

SMEs success criteria (from literature and theoretical proposition)	Positive influence (drivers) *Sources of data in [ ]*	Negative influence (restraining forces) *Sources of data in [ ]*
(1) Organisation's culture	**Whole organisation pulling in same direction** [010310MGTrep conclusion B] **Team-work** [010310MGTrep 1b, 4e, 7e, 8a, 9a] **Individuals as part of a whole** [010310MGTrep conclusion A]	**Lack of team-feeling** (due to organisational structure and size) [100310EMPrep 5b, 5c, C (note)]
(2) Management characteristics & capabilities (behaviours & skills)	**Multiple roles & skills at management level** [OBS], [010310MGTrep 6b, 7, 9a] **Managerial backgrounds** [ARC (CVs)]	**Some lack of analytical / reporting skills** [010310MGTrep 6b]
(3) Approach to performance measurement/ management	**Record-keeping** [010310MGTrep 2d, 2e, 2f, 2g, 4b, 4d, 8b, 8c] **Staff reviews** [ARC] **Manual analysis of records** [010310MGTrep 3b, 3c, 4a, 4b, 4c, 4d, 6b, 7b, 7d,] **Review of processes** [010310MGTrep 2k] **Identification of CSFs** [010310MGTrep 3b, 3c] **Continuous and evolutionary process** [010310MGTrep conclusion A, 5a, 6a, 6b, 12e] **Client focus** [010310MGTrep 3d3, 8a, 10a], [100310EMPrep 15a] **Client feedback** [100310EMPrep 14a, 14b, 16a] **Supplier contribution** [010310MGTrep 10b, 10c, 10d], [100310EMPrep 16a]	**Record-keeping** (too much for the size of the organisation) [100310EMPrep 8, 19b], [ARC 051009EMPrev b] **Communication of client feedback** [100310EMPrep 14d]

(4) Employer/Employee relationship	**Shared vision** [010310MGTrep] & [100310EMPrep 1a, 1b, 2a, 2b, 3a, 3c, 14a, 14b] **Well-being** (improved environment) [100310EMPrep 13b]	**Mismatch between employer and employee views**, e.g.: **Communication & consultation** [100310EMPrep 4f, 5a, 5b, 5c, 14d, 16b, 18a], [ARC 150210IiPemp 3e] **Client needs** [100310EMPrep 15b] **Well-being** [100310EMPrep 8d, 10a, 10b, 11 a, 11b, 11c, 11e, 11f]
(5) Resources (time, people, tools, information, training)	**IT provision and telecommunication** [100310EMPrep 4e, 13c], [010310MGTrep 10f] **Staff development** [ARC 150210IiPemp 3c]	**Time** [010310MGTrep 5b, 5c], [100310EMPrep 8b, 8c, 8d, 8e] **Staffing** (too few employees, too many in management / management-employee ratio) [ARC 051009EMPrev h, i], [100310EMPrev 11c, 11g]
(6) Impact of external influences (e.g. industry-related government schemes)	**Improving business practices in connection with application for various industry-related memberships & government accreditation** [DOC (company / various)], [OBS]	
(7) Employee attitude towards change (behaviours)		**Resistance to new procedures and activities** [ARC 051009EMPrev b, d], [100310EMPrep 8e, 19b]
(8) Alignment of current performance management system with organisation's characteristics & capabilities	**'Fit for purpose'** [010310MGTrep 11b, 11c, 11d, 11e]	**Excessive** for the size of the organisation [100310EMPrep 3b, 19b]
(9) Employers' commitment to performance management	**Current commitment** [010310MGTrep 13] **Development of tailored PMS** [010310MGTrep 6a, 11c, 12d, 12e]	**Planning** [010310MGTrep 5c] **Reporting** [010310MGTrep 9a], [010310MGTrep 5b, 5c] **Continuity** [OBS]

Data sources coding	
Interviews	Document reference followed by in-text numbering
Documentary evidence	DOC
Archival documents	ARC, followed by document reference and in-text numbering
Observation	OBS

Appendix 4a

Management interview (held 01/03/10):

The management perspective on Performance Management [010310MGTque]

Introduction prior to interview:

The aim of this MBA research is to compare performance management theory with its practice in SMEs, based on Galina (case study).

From reading the literature, I have formed a set of 'theoretical propositions' (which won't be given here so as not to influence interviewees' responses), but those may have been distorted by the theory already researched.

The aim of this management interview is to test performance management theory and my theoretical propositions against Galina's management's responses to see if or how they match up.

As the interviewer I need to remain neutral and therefore will not take part in the debate unless discussion involves the areas I manage.

This is a semi-structured interview to be conducted as a discussion so as interviewees you are encouraged to expand as much as you wish. My role as interviewer will be to ensure that all original questions have been answered during the course of the interview.

This management interview will be followed by employee interviews to get their perspective on performance management, what it means to them, how they think we measure it and how effective they think it is.

A. **Nature of Galina's performance management system (PMS)**

   1. In which areas of the business do we measure performance?

   2. What systems do we have for measuring / monitoring performance?

   3. How do we use our performance measurement: for control or planning? As a diagnostic or strategic tool?

B. **Performance Management Process**

   4. How do we manage these measurements?

   5. Do we have a coherent strategy for the monitoring, reporting and analysing performance which leads to action? If not, what may be the main reasons for not being systematic in the way we monitor performance and use the data?

C. **Skills**

   6. What skills do you think we (the management team) need to devise, implement, monitor and use a performance management system effectively?

   7. As a management team do we have the necessary skills?

D. **Effectiveness**

   8. How effective is our current performance measurement / management system?

   9. Would having one person in charge of overseeing our PMS make if more effective?

   10. Modern Performance Management theory includes areas such as customer wants and needs, external stakeholder contribution, staff's skills, motivation and happiness, product and service design, technology. Do we consider these elements and to what degree?

   11. Having discussed Galina's current performance management system, how would you rate it: very good, good, acceptable, weak?

E. **Commitment to Performance Management**

   12. Would Galina be prepared to look at alternatives based on models from the theory and adapted according to our needs?

(Interviewees were made aware that some models reviewed for the research may be adaptable to suit Galina's purposes and could be discussed at a later management meeting if deemed worth investigating.)

   13. Finally, how committed is Galina's management to performance management?

Overall conclusions

Appendix 4b

Management interview report [010310MGTrep]

A. Nature of Galina's performance management system (PMS)

1. In which areas of the business do we measure performance?

a) *Employee performance*

b) *Team*

c) *Finance*

d) *Marketing*

e) *Suppliers*

f) *Technology*

2. What systems do we have for measuring / monitoring performance?

a) *Staff reviews (currently annual)*

b) *Quality control of documentation sent to clients*

c) *Clients feedback questionnaires (after each tour, dependent on clients returning the document)*

d) *Quotation records (weekly)*

e) *Conversion records (weekly / quarterly / annually)*

f) *Client (including Key Accounts) retention records (weekly / annually)*

g) *Financial reports / Accounts (monthly / quarterly / annually)*

h) *Projections (monthly / quarterly)*

i) *Targets in terms of bookings (annually & weekly average), tours per Tour Administrator (equalised amongst the team), quotations - including re-quotations (weekly / annually). These are informed by the financial reports and include breakeven and desired targets.*

j) *Targets in terms of lean and continuous processes, team work, on-time delivery (e.g. payments made and payments received)*

k) *Review of procedures and processes*

3. How do we use our performance measurement: for control or planning? As a diagnostic or strategic tool?

a) *Control:*

1) *Performance measurement ensures that what is expected of individuals is met to preserve fairness.*

2) *Preservation of quality*

3) *Meeting targets for survival and growth*

4) *Everyone pulling in the same direction*

b) *Planning:*

1) *In areas such as staff development, marketing, product development, processes, staffing*

c) *Diagnostic:*

1) *Informs changes necessary for sustainability and growth, i.e. staffing levels, team targets, outsourcing work, improvement of IT systems, marketing*

d) *Strategic:*

1) *Whereas historically the focus was on the quality of the product, the new emphasis is now on the marketing aspect as a company issue and in particular for the administration team who are being given the means to spend more time discussing clients' needs and our products rather than on purely administrative tasks.*

2) *In order to achieve this, work-patterning was introduced following the installation of a new IT and telephone system which maximises workflow.*

3) *The client focus is seen as vital to gain competitive advantage and grow.*

Conclusion:

In the company's early years performance was initially managed through control but as it has matured planning has become more important. There is an expectation that staff work to the best of their ability to achieve quality of service for the clients. There is a strong culture of ownership and responsibility for one's work but also of support so that problems and issues are viewed as organisational concerns to be resolved as a team. Employees at all levels will also cover colleagues' urgent work in their absence and deal with their clients as necessary for the benefit of the client and the organisation. It is viewed as paramount that employees "buy into" that culture and feel they belong to the organisation.

B. Performance Management Process

4. How do we manage these measurements?

a) *Through weekly meetings with staff (e.g. retention and conversion meetings) to maximise sales.*

b) *Conversion records inform the marketing strategy*

c) *Projected bookings inform financial decisions and staffing levels*

d) *Staff reviews and conversion records by subject help identify training needs*

e) *Different managers in charge of different aspects of performance*

5. Do we have a coherent strategy for the monitoring, reporting and analysing performance which leads to action? If not, what may be the main reasons for not being systematic in the way we monitor performance and use the data?

a) *Initially when the business was set up there was little time for performance management. The focus was on building a product portfolio and a client base, and making a profit. There was little time to consider the issue of performance, a common problem with entrepreneurship. There is now increasing coherence as the company becomes more established.*

b) *In small organisations time is an issue as day-to-day events sometimes detract management from scheduled tasks. On the whole performance is currently managed regularly and systematically.*

c) *Systems tend to be changed as events occur.*

d) *Galina's management team may lack some analytical skills - although they are deemed adequate - or the technology to analyse measurements but a CRM (Customer Relationship Management) system was considered in 2008 and rejected as not being cost effective for the size of the business.*

Conclusion

Galina's performance measurement / management process works well with a team of managers responsible for different areas of the business. Behavioural factors have a huge impact on performance. Organisational culture is more important than facts and figures as employees and suppliers "buying into" the Galina culture and "pulling in the same direction" will have (and is having) a favourable impact on reputation and growth.

C. Skills

6. What skills do you think we (the management team) need to devise, implement, monitor and use a performance management system effectively?

a) *Although Galina has no formal performance management system it has most if not all of the elements it needs to manage organisational and individual performance. Processes are always reviewed and performance management is viewed as an evolutionary process. The company does not believe is adopting an 'off-the-shelf' performance management system.*

b) *Skills are not viewed as an issue apart from perhaps a lack of analytical / reporting skills (few charts or graphs). What is important is that the management monitors performance regularly and understands the figures recorded. A more systematic reporting system at management meetings needs to be introduced.*

7. As a management team do we have the necessary skills?

a) *The recording system needs little skills but a systematic approach.*

b) *An understanding of the purpose of the recording system and an ability for qualitative analysis (e.g. recognising trends and patterns) is viewed as equally important as numerical analysis.*

c) *The management team is deemed to have adequate skills to develop a performance management system and to monitor performance.*

d) *Human (as opposed to technological) analysis is useful and can highlight areas which need attention, e.g. staff development.*

e) *The strength of Galina's performance management lies in having a team of managers.*

Conclusion:

Although the management team may not all have a formal business background, skills are viewed as adequate and company records show that it has been successful in recognising trends and taking action to ensure survival and growth.

D. Effectiveness

8. How effective is our current performance measurement / management system?

a) *A performance measurement system based on team culture and performance is more effective than one based on numerical targets, particularly in the service industry. There is a strong team culture at Galina and client feedback supports this. Cooperation not competition forms the essence of this culture.*

b) *Galina's recording system has improved through categorisation which could highlight poor or outstanding individual performance, e.g. quotation records are recorded by tour administrator and divided into 'new quotations' (for marketing analysis), 're-quotations' (for retention purposes), and 'revised quotations' (which monitors how efficient Galina is at meeting clients' needs and would also reflect poor individual performance if too many revised quotations were sent by an individual by comparison to their colleagues)*

c) *Performance measurement recently highlighted a downward trend in the company's adult battlefield tours which as a consequence is being phased out.*

9. Would having one person in charge of overseeing our PMS make if more effective?

a) *The view is that team work is an advantage with managers' different skills and areas of expertise. It was agreed that reporting more systematically and would however be beneficial.*

10. Modern Performance Management theory includes areas such as customer wants and needs, external stakeholder contribution, staff's skills, motivation and happiness, product and service design, technology. Do we consider these elements and to what degree?

a) *Clients (schools)' needs have always taken priority due to the company's founders and other members of the management team all having a teaching background. Product is based on delivery of the curriculum to improve students' exam grades.*

b) *Emphasis on suppliers' contribution to support the company's product and service.*

c) *Company has established very good links with and communication of values to suppliers who understand its vision and culture.*

d) *Galina understands its suppliers' needs (e.g. pays on time) which improves relationships and ensures support.*

e) *Performance management highlights the need for staff development through reviews, discussions, and analysis of records.*

f) *New technology was introduced in 2008 as a result of discussions with staff and research into how it could advance the company.*

11. Having discussed Galina's current performance management system, how would you rate it: very good, good, acceptable, weak?

a) *Galina's current performance management system was rated as good to very good.*

b) *It is fit for purpose.*

c) *The company is going in the right direction for developing its own performance management system appropriate to its needs and to plan for growth.*

d) *It fits in with the company's culture.*

e) *The management structure works well rather than having one person in charge.*

f) *The current performance management system provides an opportunity to praise / reward individuals and teams according to issues and achievements. It is important to recognise individuals' achievements otherwise this may result in a lack of incentive to improve.*

Conclusion:

Although not perfect Galina's performance management system is effective, it reflects its needs and its culture. It enables the organisation to monitor, praise and reward individual and team performance. The management team is suitably skilled to use the current system and a team approach ensures its effectiveness.

E. Commitment to Performance Management

12. Would Galina be prepared to look at alternatives based on models from the theory and adapted according to our needs?

(Interviewees were made aware that some models reviewed for the research may be adaptable to suit Galina's purposes and could be discussed at a later management meeting if deemed worth investigating.)

a) *It is the management's current view that models are an ideal but rarely applicable as a package in practice.*

b) *There may be an issue about integrating a company's existing performance management system, however informal it may be, and changing to an entirely new system would not be workable or desirable as it could cause loss of focus during the switch over.*

c) *The organic side of business and human behaviours need to be taken into consideration.*

d) *The company would not implement a readymade performance management system for the reasons stated above.*

e) *Any performance management system would have to be reviewed and change as the company matures.*

13. Finally, how committed is Galina's management to performance management?

a) *Performance management has always been very important to Galina and based on quality.*

b) *It is necessary for expansion to ensure performance from all.*

c) *It will ensure success.*

Conclusion:

Galina has always been committed to performance management, which is based on quality of delivery. Theoretical models may be considered as a basis for an improved system but the overarching requirement is that it reflects the company's needs and culture.

Overall conclusions

The managers found this group interview very useful as an opportunity to reflect on Galina's performance management system. Most if not all aspects of performance measurement / management advocated in the literature seems to be covered by Galina, even though this may not have been viewed as a system prior to the interview. 'Culture' and 'teamwork' were mentioned throughout the interview and considered essential. Galina's performance management is part of its strategy but may need to become more systemic to improve its effectiveness.

Appendix 5a

<u>**Employee interview (Wednesday 10th March 2010):**</u>

<u>**The employees' perspective on Performance Management**</u> [100310EMPque]

<u>Introduction prior to interview:</u>

The aim of this MBA research is to compare performance management theory with its practice in small organisations, based on Galina (case study).

From reading the literature, I have formed a set of 'theoretical propositions' (which won't be given here so as not to influence interviewees' responses), but those may have been distorted by the theory already researched.

The aim of this employee interview and the prior management interview is to test performance management theory and my theoretical propositions against Galina employees' responses to see if or how they match up.

As the interviewer I need to remain neutral and therefore will not take part in the debate.

This is a semi-structured interview to be conducted as a discussion so as interviewees you are encouraged to expand as much as you wish. My role as interviewer will be to ensure that all original questions have been answered during the course of the interview.

Prior to this employee interview I conducted a management interview to get their perspective on performance management, what it means to them, how they think we measure it and how effective they think it is.

A. The nature of performance management

1. What does "performance" mean to you from an individual, team, and organisation point of view?

2. What would you say is the main purpose for a business to monitor performance?

3. In your opinion, how important is it for a small business to monitor performance?

B. Awareness of performance measurement (issue of communication)

4. In what areas of the business would you say we monitor performance and what records do we keep?

5. How clear are you about who is in charge of monitoring the various aspects of performance?

6. From your own personal experience, which aspect of performance (individual, team and organisational) do you think we monitor the most?

C. Effectiveness of performance management

7. Would you say that performance management helps you to improve as an individual or as a team?

8. How successful would you rate our current performance management system, compared to 12 months ago, for example?

9. Are there areas we don't currently monitor which you would view as important for the organisation?

D. Employee perspective and the psychological contract

10. If an employee's role is to fulfil the tasks allocated to them to the best of their ability, what would you say is the management's responsibility towards their employees?

11. From some of the reviews in December, one issue which came up a few times was the lack of flexibility with regards to illness, medical appointments and holidays. If this is due to the nature and size of the business, and the impact of those circumstances on performance and colleagues' workload, in your view is this an inevitable consequence of working in a small business?

12. What motivates you to come to work, do your job, do everything that is expected and more?

13. There have been a number of radical changes in the past 18 months or so: new premises, new IT and telephone systems, the creation of a management team, a new

admin system, work patterning, a new record-keeping system. The purpose of each of those was to improve organisational performance. On balance and looking back at what we had prior to the move, have those changes been beneficial? Which if not all?

E. Customer perspective

14. How important are our current post-tour questionnaires in monitoring ours and our suppliers' performance?
15. How good is Galina at listening to current and potential customers' needs?

F. Supplier perspective

16. How well do we monitor our suppliers' performance?
17. How well do we look after our suppliers?

G. Conclusion

18. Having discussed performance management, what improvements could be made to Galina's performance management system for the benefit of individuals, teams and the company?
19. How would you rate Galina's performance management overall? (very good, good, acceptable, weak)

Appendix 5b

Tour Administrators interview report [100310TASrep]

Due to the higher than expected response from my request for volunteers to take part in this research, interviews were conducted in two groups of two as this was deemed more manageable for note-taking. This also allowed for differentiation between the views of the Tour Administration team and employees in other roles.

A. The nature of performance management

1. What does "performance" mean to you from an individual, team, and organisation point of view?

    - *Monitor, check, change*

    - *Measuring how successful the company is*

    - *Individually / team: knowing what needs to be done to make the company money, increasing the number of clients*

    - *Organisation: as well as financial success, performance linked to ethical issues, not just making money.*

2. What would you say is the main purpose for a business to monitor performance?

    - *Checking that "it all adds up" and that whatever is monitored doesn't mask problems in other areas.*

3. In your opinion, how important is it for a small business to monitor performance?

    - *Crucial to any size business, even with a couple of people but probably done differently according to size.*

    - *Smaller business can adopt a more informal approach and still reach the same objectives.*

B. Awareness of performance measurement (issue of communication)

4. In what areas of the business would you say we monitor performance and what records do we keep?

    - *Advertising and response. Marketing ROI (although this is often guesswork). Marketing costs have increased in the last 3 years.*

- *External communication must be monitored and reviewed, e.g. type and amount of information put on website as this can hinder our competitive advantage by giving too much away to our competitors*
- *Need to benchmark ourselves against competitors to keep up with what they are offering, e.g. pricing as schools now need 3 quotations for the same tour*
- *Galina is good at keeping up with curriculum development and at recruiting expertise, e.g. appointment of Product Development Manager with up-to-date knowledge of education, consultants, etc.*
- *Need to keep up with how customers operate (e.g. new advice on school visits / schools' procedures)*
- *Need to be more pro-active in finding out about changes in school procedures*

5. How clear are you about who is in charge of monitoring the various aspects of performance?
   - *The two interviewees felt they knew who monitors what aspect of performance in the organisation.*

6. From your own personal experience, which aspect of performance (individual, team and organisational) do you think we monitor the most?
   - *Client retention*
   - *Marketing*
   - *ROI*

C. Effectiveness of performance management

7. Would you say that performance management helps you to improve as an individual or as a team?
   - *Reviews are new to Galina so difficult to say. Need to be followed through so that it's not just a paper exercise*
   - *New procedures need to be reviewed to ensure they work*

8. How successful would you rate our current performance management system, compared to 12 months ago, for example?
   - *Bookings have decreased despite more measurement*
   - *Keeping records takes time which may detract from doing the job*

- *Some new systems implemented to improve organisational performance are more time-consuming for the individual (enquiry sheets / admin system / quotation record)*
- *More pressure caused by time management system. The previous "cottage industry" type worked better*
- *Formality looks good but is not always appropriate (time consuming in a small business)*

9. Are there areas we don't currently monitor which you would view as important for the organisation?
   - *Our market share*
   - *How competitors under-cut us*
   - *Wastage (e.g. paper, postage, study packs) to reduce overheads. Waste costs money.*

D. Employee perspective and the psychological contract

10. If an employee's role is to fulfil the tasks allocated to them to the best of their ability, what would you say is the management's responsibility towards their employees?
    - *To keep them happy so that they can carry on doing their job properly*
    - *Not to pile on frustrating rules, processes and procedures*
    - *Procedures and processes have become overwhelming*
    - *To give them the tools (training or equipment) to do their job*
    - *Recognition and reward when job is done*
    - *Give them a reason to want to stay*
    - *Support*

11. From some of the reviews in December, one issue which came up a few times was the lack of flexibility with regards to illness, medical appointments and holidays. If this is due to the nature and size of the business, and the impact of those circumstances on performance and colleagues' workload, in your view is this an inevitable consequence of working in a small business?
    - *There is an issue with flexibility at Galina due to employers' characteristics*
    - *Flexibility considered by law for employees with dependants but should also consider the needs of other employees who don't have children if they need time off*

- *Employers have shown compassion in special circumstances (e.g. bereavement)*
- *Business should look at each case on merit*
- *On the whole employers should be more compassionate as current employees are not the type to abuse the system / take time off unnecessarily*

12. What motivates you to come to work, do your job, do everything that is expected and more?

- *Job interest*
- *Getting paid*
- *Good relationship with colleagues*
- *Social aspect of work*

13. There have been a number of radical changes in the past 18 months or so: new premises, new IT and telephone systems, the creation of a management team, a new admin system, work patterning, a new record-keeping system. The purpose of each of those was to improve organisational performance. On balance and looking back at what we had prior to the move, have those changes been beneficial? Which if not all?

- *Improvement in equipment and systems (internet access on all PCs / IT & phone systems)*
- *Premises, better facilities in new building (kitchen, toilets)*
- *However, more pressure to make more money to pay for move*

E. Customer perspective

14. How important are our current post-tour questionnaires in monitoring ours and our suppliers' performance?

- *Important to monitor what is happening*
- *Galina acts on it well*
- *Need to consider and act on positive and negative comments (e.g. compliment employees and suppliers or address issues with them)*

15. How good is Galina at listening to current and potential customers' needs?

- *May be too good as there may be a tendency for the organisation to let individual (potential) customers dictate how they want us to work*

- *Customer need as defined by Galina may not be aligned with what they actually want (e.g. individual teachers may not be interested in a proper study tour, particularly at the end of the summer term)*
- *Flexibility with product may be needed*

F. Supplier perspective

16. How well do we monitor our suppliers' performance?

- *Pretty well (from customer feedback questionnaire and feedback given to them)*

17. How well do we look after our suppliers?

- *Maybe some suppliers are not rewarded enough (apart from Christmas card and repeat business), e.g. hotels and venues*

G. Conclusion

18. Having discussed performance management, what improvements could be made to Galina's performance management system for the benefit of individuals, teams and the company?

- *Improve communication*

19. How would you rate Galina's performance management overall? (very good, good, acceptable, weak)

- *"Over the top"*

Appendix 5c

<u>Office staff interview report</u> [100310OFFrep]

Due to the higher than expected response from my request for volunteers to take part in this research, interviews were conducted in two groups of two as this was deemed more manageable for note-taking. This also allowed for differentiation between the views of the Tour Administration team and employees in other roles.

A. The nature of performance management

1. What does "performance" mean to you from an individual, team, and organisation point of view?

   - *Individually / team: getting things right and doing them to the best of one's ability, achieving company targets, enhance the company's reputation.*
   - *Organisation: making money.*

2. What would you say is the main purpose for a business to monitor performance?

   - *Getting maximum efficiency from employees.*

3. In your opinion, how important is it for a small business to monitor performance?

   - *Important to any size business*
   - *Financial success linked to efficiency.*

B. Awareness of performance measurement (issue of communication)

4. In what areas of the business would you say we monitor performance and what records do we keep?

   - *Quotations and re-quotations most talked about*
   - *Sales conversion and client retention*
   - *Sales projections*
   - *Internal communication has improved, although not perfect yet*
   - *Performance measurement has improved since last year and is now more formalised with forms and paperwork*

5. How clear are you about who is in charge of monitoring the various aspects of performance?

   - *Company targets are communicated on a "need to know" basis instead of to the whole workforce*

- *Communication is casual*
- *May be a characteristic of a small business where people expect to know everything that goes on because of the size*

6. From your own personal experience, which aspect of performance (individual, team and organisational) do you think we monitor the most?
   - *Bookings (client retention & sales conversions)*

C. Effectiveness of performance management

7. Would you say that performance management helps you to improve as an individual or as a team?

   (The two office staff felt unable to answer this question because one did not have her annual review in December, but a review of her job description. They view their role as one of support to the rest of the organisation. The term 'team' is also difficult to apply as they have two different roles)

8. How successful would you rate our current performance management system, compared to 12 months ago, for example?
   - *Systems have improved, e.g. admin system, but some are still not performing as well as they should, e.g. some databases are limited with regard to marketing*

9. Are there areas we don't currently monitor which you would view as important for the organisation?

   (No answer was given to this question)

D. Employee perspective and the psychological contract

10. If an employee's role is to fulfil the tasks allocated to them to the best of their ability, what would you say is the management's responsibility towards their employees?
    - *To provide the right equipment to do their job*
    - *Telecommunication*
    - *Provide a good working environment*
    - *A good salary*
    - *An annual pay rise*
    - *Good communication*

- *An open-door policy*

11. From some of the reviews in December, one issue which came up a few times was the lack of flexibility with regards to illness, medical appointments and holidays. If this is due to the nature and size of the business, and the impact of those circumstances on performance and colleagues' workload, in your view is this an inevitable consequence of working in a small business?

    - *Galina management is quite inflexible, due to employers' characteristics and their past experience with previous employees. People feel they have to make up every minute lost.*
    - *Small businesses are concerned about financial impact of long-term sick leave*

12. What motivates you to come to work, do your job, do everything that is expected and more?

    - *Job enjoyment*
    - *Good relationship with colleagues*

13. There have been a number of radical changes in the past 18 months or so: new premises, new IT and telephone systems, the creation of a management team, a new admin system, work patterning, a new record-keeping system. The purpose of each of those was to improve organisational performance. On balance and looking back at what we had prior to the move, have those changes been beneficial? Which if not all?

    - *Improvement in equipment and systems (internet access on all PCs / IT & phone systems) have made it possible to work more quickly and efficiently*
    - *Better facilities in building (kitchen, toilets, meeting room)*

E. Customer perspective

14. How important are our current post-tour questionnaires in monitoring ours and our suppliers' performance?

    - *Important to get client feedback*

15. How good is Galina at listening to current and potential customers' needs?

    - *Client feedback and subsequent action should be communicated to whole organisation. One employee stated she doesn't know what happens to the feedback.*

F. Supplier perspective

16. How well do we monitor our suppliers' performance?

    (This group was unsure about this question)

17. How well do we look after our suppliers?

    - *Difficult to look after overseas suppliers (e.g. hoteliers and venues)*
    - *Could improve our positive feedback, particularly to hotels and venues*
    - *Training of guides seems somewhat haphazard*
    - *Need to recruit some more, particularly in situ (France)*

G. Conclusion

18. Having discussed performance management, what improvements could be made to Galina's performance management system for the benefit of individuals, teams and the company?

    - *Improve communication*

19. How would you rate Galina's performance management overall? (very good, good, acceptable, weak)

    - *Good*

Appendix 5d

<u>**Employee interview report**</u> [100310EMPrep]

Note: This is a combined summary of the employee interviews (Appendices 5b & 5c) for the purposes of analysis.

H. The nature of performance management

20. What does "performance" mean to you from an individual, team, and organisation point of view?

a) *Individually / team: knowing what needs to be done to achieve company's objectives, make the company money, getting things right and doing them to the best of one's ability, achieving company targets, enhance the company's reputation.*

b) *Organisation: as well as financial success, performance linked to ethical issues, not just making money.*

2　What would you say is the main purpose for a business to monitor performance?

a) *Checking that "it all adds up" and that whatever is monitored doesn't mask problems in other areas.*

b) *Getting maximum efficiency from employees.*

3 In your opinion, how important is it for a small business to monitor performance?

a) *Crucial to any size business, but probably done differently according to size.*

b) *Smaller business can adopt a more informal approach and still reach the same objectives.*

c) *Financial success linked to efficiency.*

B Awareness of performance measurement (issue of communication)

4　In what areas of the business would you say we monitor performance and what records do we keep?

a) *Advertising (although marketing ROI is often guesswork)*

b) *Sales conversion and client retention*

c) *Income from sales and marketing*

d) *Sales projections*

e) IT systems have been improved. Some (databases) still need upgrading to improve use

f) Internal communication has been addressed and improved (although not perfect yet)

g) External communication must be monitored and reviewed, e.g. type and amount of information put on website as this can hinder our competitive advantage by giving too much away to our competitors

h) Need to benchmark ourselves against competitors to keep up with what they are offering (e.g. pricing as schools now need 3 quotations for the same tour)

i) Galina is good at keeping up with curriculum development and at recruiting expertise, e.g. appointment of Product Development Manager with up-to-date knowledge of education, consultants, etc.

j) Need to keep up with customer needs (e.g. new advice on school visits / schools' procedures)

5 How clear are you about who is in charge of monitoring the various aspects of performance?

a) People know who monitors what but feedback from this monitoring is not always communicated.

b) Company targets are communicated on a "need to know" basis instead of to the whole workforce

c) Communication is casual

d) May be a characteristic of a small business where people expect to know everything that goes on because of the size

6 From your own personal experience, which aspect of performance (individual, team and organisational) do you think we monitor the most?

a) Bookings (client retention & sales conversions)

b) Marketing

C Effectiveness of performance management

7 Would you say that performance management helps you to improve as an individual or as a team?

a) Reviews are new to Galina so difficult to say. Need to be followed through so that it's not just a paper exercise

b) New procedures need to be reviewed to ensure they work

8 How successful would you rate our current performance management system, compared to 12 months ago, for example?

   a) Bookings have decreased despite more measurement

   b) Keeping records takes time which may detract from doing the job

   c) Some new systems implemented to improve organisational performance are more time-consuming for the individual (enquiry sheets / admin system / quotation record)

   d) More pressure caused by time management system. The previous "cottage industry" type worked better

   e) Formality looks good but is not always appropriate (time consuming in a small business)

9 Are there areas we don't currently monitor which you would view as important for the organisation?

   a) Our market share

   b) How competitors under-cut us

   c) Waste (e.g. paper, postage, study packs) to reduce overheads. Waste costs money.

Note: Only the Tour Administrators were comfortable answering this section. With no specific targets due to their different job roles the other interviewees felt unable to make a worthwhile contribution and view their role as one of support. One employee did not have a annual review in December but a review of her job description. They felt the word team did not entirely apply.

D Employee perspective and the psychological contract

10 If an employee's role is to fulfil the tasks allocated to them to the best of their ability, what would you say is the management's responsibility towards their employees?

   a) To keep them happy so that they can carry on doing their job properly

   b) Not to pile on frustrating rules, processes and procedures

   c) To give them the tools (training or equipment) to do their job

   d) Recognition and reward when job is done

e) Give them a reason to want to stay

f) Support

g) Provide a good working environment

h) A good salary

i) Good communication

j) An annual pay rise

k) An open-door policy

11 From some of the reviews in December, one issue which came up a few times was the lack of flexibility with regards to illness, medical appointments and holidays. If this is due to the nature and size of the business, and the impact of those circumstances on performance and colleagues' workload, in your view is this an inevitable consequence of working in a small business?

a) Galina management is quite inflexible, due to employers' characteristics and their past experience with previous employees

b) Allows by law flexibility for employees with dependants but should also consider the needs of other employees

c) Medical appointments and recent lateness due to bad weather conditions are a problem. People feel they have to make up every minute lost

d) Employers have shown compassion in special circumstances (e.g. bereavement)

e) Business should look at each case on merit

f) On the whole employers should be more compassionate as current employees are not the type to abuse the system / take time off unnecessarily

g)   Small businesses are concerned about financial impact of long-term sick leave

12 What motivates you to come to work, do your job, do everything that is expected and more?

a) Job interest and enjoyment

b) Getting paid

c) Good relationship with colleagues

d) Social aspect of work

13 There have been a number of radical changes in the past 18 months or so: new premises, new IT and telephone systems, the creation of a management team, a new

admin system, work patterning, a new record-keeping system. The purpose of each of those was to improve organisational performance. On balance and looking back at what we had prior to the move, have those changes been beneficial? Which if not all?

a) *Improvement in equipment and systems (internet access on all PCs / IT & phone systems)*

b) *Better equipped building (kitchen, toilets, meeting room)*

c) *Now possible to work more quickly and efficiently*

d) *However, more pressure to make more money to pay for move*

E Customer perspective

14 How important are our current post-tour questionnaires in monitoring ours and our suppliers' performance?

a) *Important to monitor what we are doing*

b) *Galina acts on it well*

c) *Need to consider and act on positive and negative comments (e.g. compliment employees and suppliers or address issues with them)*

d) *Client feedback and subsequent action should be communicated to whole organisation*

15 How good is Galina at listening to current and potential customers' needs?

a) *Very good, may be too good as there may be a tendency for the organisation to let individual (potential) customers dictate how they want us to work*

b) *Customer need as defined by Galina may not be aligned with what they actually want (e.g. individual teachers may not be interested in a proper study tour, particularly at the end of the summer term)*

F Supplier perspective

16 How well do we monitor our suppliers' performance?

a) *Pretty well (from customer feedback questionnaire and feedback given to them)*

17 How well do we look after our suppliers?

a) *Difficult to look after overseas suppliers (e.g. hoteliers and venues)*

b) Could improve our positive feedback, particularly to hotels and venues

c) Maybe some suppliers are not rewarded enough (apart from Christmas card and repeat business)

d) More training could be required for guides

G Conclusion

18 Having discussed performance management, what improvements could be made to Galina's performance management system for the benefit of individuals, teams and the company?

a) Improve communication

19 How would you rate Galina's performance management overall? (very good, good, acceptable, weak)

a) Good

b) "Over the top"

Appendix 6

Employee mini-review summary (extract) [051009EMPrev]

Mini-reviews were conducted on 5th October 2009 following the introduction at the beginning of September 2009 of new work processes and procedures affecting Tour Administrators' workload.

- Recording on a spreadsheet of quotations sent and the status of these quotations, accessible by management for the purposes of performance management and marketing analysis
- Work-patterning with telephone-free sessions in order to prepare final tour documentation prior to a group's departure
- Scheduled meetings with staff
- A new management structure with two senior directors and two managers
- A reduction in the number of Tour Administrators due to the recession and the phasing out of the adult tours department

Regarding the introduction of quotation records:

b. Too much recording of information. *X* concerned this is time consuming and will achieve little.

Regarding work-patterning:

c. Feeling of not being trusted to organise their own work. *X* doesn't want to become a robot.

Regarding staff meetings:

d. Too many meetings not taken into account when setting targets

Regarding business structure:

h. Imbalance between number of people in management and those organising tours.

Regarding Tour Administrators' workload:

i. ... feels there is a need for admin help (e.g. part-time Admin Assistant who could be trained to become the next full-time Tour Administrator.)

Appendix 7a

CMI Motivation Questionnaire

Questionnaire:

Consider each of the motivators listed below and rank them in terms of importance **to you**: 1 is the most important, 7 is the least important. Please bear in mind that there are no 'right' or 'wrong' answers, and that no one motivator is more 'acceptable' or 'worthy' than another.

Financial reward	Priority	

Security	Priority	

Self-esteem	Priority	

Recognition	Priority	

Self-fulfilment	Priority	

Acceptability	Priority	

Status and perks	Priority	

(from CMI website download, retrieved from http://www.managers.org.uk on 7th November 2009)

Job motivation survey results

Motivation criteria	Respondent A	Respondent B	Respondent C	Respondent D	Respondent E	Total score	Recurrence (out of 5)	Average ranking	Order of importance for graph
Financial reward	7	6	2	5	2	22	2	4	4
Security	4	5	3	2	3	17	2	3	5
Self-esteem	1	2	4	3	4	14	2	2	6
Recognition	2	4	6	4	6	22	2	4	4
Self-fulfilment	3	1	1	1	1	7	4	1	7
Acceptability	5	3	7	6	5	26	2	6	2
Status & perks	6	7	2	7	7	32	3	7	1

Questionnaire taken from CMI website, with 1 – most important and 7 – least important

7 questionnaires given out

6 returned

1 spoilt as ranking instructions not followed

5 usable in total

= 70% usable response

The ranking was manipulated for the purpose of showing in a chart the relative importance of the motivation criteria for Galina staff, with 7 – most important and 1 – least important.

Findings are not statistically generalisable as questionnaire applies to Galina staff only. May be affected by factors such as employees' age, gender, experience of previous employment, family situation / personal circumstances.

Appendix 8

Galina School Tour Questionnaire

Thank you for completing the following questions. If you wish to add your own comments, particularly in response to questions where you have answered "No", please use the space provided at the end of each section. Thank you for your co-operation it is greatly appreciated.

My tour administrator was: ....

The coach company was:.............................and the driver's name was ....

The courier was...

My group stayed in the hotel(s) ....

Correspondence and Documentation

a) Following your initial enquiry did our Response Pack arrive promptly ? Yes/No

b) Was the initial Response Pack sufficiently informative ?   Yes/No

c) Were your Final Tour Details clear and thorough ?   Yes/No

d) General Comments

....
....
....
....
....

Coach, Driver & Courier

a) Was the coach on time ?   Yes/No

b) Would you be happy to travel on this vehicle again ?   Yes/No

c) Was the driver helpful during the tour ?   Yes/No

d) If hired; was the courier a benefit to your understanding of the tour ? Yes/No/N/a

e) Do you feel that any improvements could be made ?   Yes/No

f) General Comments

....
....
....
....
....

Accommodation

a) Were the staff at your accommodation friendly, helpful and hospitable ? Yes/No

b) Did you find the rooms clean and of an acceptable standard ?   Yes/No

c) Were the meals provided of an acceptable standard ?   Yes/No

d) Was the dining area clean and hygienic as far as you could tell ?   Yes/No

e) Were the showers and toilet working properly during your stay ?   Yes/No

f) Would you be happy to use this accommodation in the future ?   Yes/No

d) General Comments

....
....
....
....
....
....

Tour

a) How would you describe your overall level of satisfaction with your tour ?

....
....
....
....

Future Plans

We like to look after our existing clients. If you are planning to organize this or a similar tour next year it may help you to obtain exactly the accommodation or the driver or courier you request if we know well in advance what your requirements are. This will help planning and tour administration but does not place you under any obligation.

a) Are you planning to repeat this or a similar tour next year?   Yes/No

b) If not do you have a colleague that we should contact? ....

c) Does your department have any dates in mind? If so please state ....

d) Can you suggest a colleague in another department who may welcome Galina's details? ....

Name of School: Tour Organiser:

Date:

Appendix 9

Minutes of employee IiP meeting (extract)

Extract of minutes from an employee meeting held on 15th February 2010 in preparation for Galina's application for the Investors in People award.

3.

   c. Training and development impressive / Very good in theory but not always possible / More refresher courses would be appreciated.

   e. Although staff are allowed to voice an opinion, it doesn't necessarily have the required end result.

   g. Staff are trusted to deal with the clients without applying to higher authority.

   j. Praise is given on a job well done (sometimes?)

4.

   a. The new building is much better – kitchen, working facilities, new computer system all better.

Appendix 10

Performance Management success factors

Table 1: Summary of PMS success factors (coded) and their source

Case Study	Franco & Bourne's (2003) 9 critical success factors (code: CSF)	SME criteria for successful PM, based on literature (code: SME)	Theoretical proposition (code: ThP)
C-1: Organisation's culture	CSF-1: Organisational culture	SME-1: Definition of performance (success criteria)	ThP-1: Resources (people & time)
C-2: Management characteristics	CSF-2: Management leadership and commitment	SME-2: SME characteristics & culture	ThP-2: Management capabilities and experience of PMSs
C-3: Approach to PM	CSF-3: Compensation	SME-3: Owner characteristics & capabilities (behaviours)	ThP-3: Behaviour towards new measures
C-4: Relationships	CSF-4: Education and understanding	SME-4: Management capabilities & behaviours (planning, communication)	ThP-4: Employer/ employee relationships
C-3: Resources	CSF-5: Communication and reporting	SME-5: Resources (time, people, tools, information, training)	ThP-5: The impact of accreditation and membership
C-6: Environment	CSF-6: Review and update of SPM system	SME-6: Innovation & improvement (sector-related, influence of external environment)	ThP-6: The customer focus
C-7: Employee behaviours	CSF-7: Data process and IT support	SME-7: Employment relationship (including rewards)	
C-8: Alignment	CSF-8: A structured SPM framework	SME-8: Alignment of operational systems and organisational capabilities	
C-9: Commitment	CSF-9: The environment		

Note: Franco & Bourne (2003) are the only factors which have been ranked in order of importance following their research. Factors from the other three sources are not ranked.

Table 2: Correlation of PMS success criteria from research

Theories / Case Study	Franco & Bourne's (2003) 9 critical success factors (code: CSF)	SME criteria for successful PM, based on literature (code: SME)	Theoretical proposition (code: ThP)
C-1: Organisation's culture	CSF-1	SME-2	
C-2: Management characteristics	CSF-4	SME-3, -4	ThP-2
C-3: Approach to PM	CSF-8		ThP-6
C-4: Relationships	CSF-5	SME-7	ThP-4
C-5: Resources	CSF-7	SME-5	ThP-1
C-6: Environment	CSF-9	SME-6	ThP-5
C-7: Employee behaviours			ThP-3
C-8: Alignment		SME-8	
C-9: Commitment	CSF-2		

The findings from the case study are listed in the left-hand column from C-1 to C-9 according to Table 1. Evidence of critical success factors (CSF-1 to CSF-9), ranked from 1 to 9 by Franco et al. (2003) cited in Chapter 2.4.6, SME success criteria (SME-1 to SME-8) reviewed in Chapter 2.5, and the author's theoretical propositions (ThP-1 to ThP-5) has been shown by entering the corresponding number reference of each criteria/factor/theory against the case study findings. Highlighted in pink are matches for all four sources.

Appendix 11

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SWOT analysis of Galina's performance management system
(based on case study)

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Strengths
Clear measurement system
Comprehensive recording system
Clear about company's objectives
Successful recruitment and induction process
Multi-skilled & experienced employees
Managers' specialised areas of expertise
Improved technology
Clear marketing strategy
Recognises and seeks accreditation appropriate to its sector and needs
Management visibility and approachability
Management commitment to PM
Customer focus
Outsourcing of key areas (Financial and HR consultancy / IT system provision and maintenance)
Organisational/team performance above individual
Profitable organisation

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Weaknesses
Too many measures? Issue of identification of KPIs & CSFs
Owners/Managers' lack of experience of performance management systems
Lack of understanding of effective data processing
Lack of reporting strategy
Weak project planning
Time constraints due to day-to-day occurrences
Individual performance not always measured

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Opportunities
Improve supplier focus
Make use of employees' talents & experience through consultation
Enhance customer focus and company credibility through sector-related membership & accreditation (AITO/STF/LOtC)
Enhance 'best practice' through government award schemes (IiP)
New website for improved client communication

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Threats
Disagreement between management and employees about usefulness of some procedures
Perceived need to improve communication/consultation
Company's inflexibility regarding absences
Industry-related regulations

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