

PERFORMANCE MANAGEMENT SYSTEMS AND EMPLOYEE MOTIVATION, A LITERATURE REVIEW

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Abstract *There is a variety of performance management systems available. Improving processes and achieving a lean and efficient organization modern management has moved to flat hierarchies which empower individuals. The employee on all levels has more impact on the result of the organization than ever before. Despite that research shows that most performance management systems fail and the employee engagement is dropping. The paper focuses on a literature research on performance management systems and employee motivation. The combination of both will ask the question why organizations are surprised if initiative to improve performance fail if they neglect the internal state of the organization in terms of employee motivation.*

Keywords: *Performance Management Systems, Balanced Scorecard, Employee Motivation*

1. Introduction

Researchers and practitioners have contributed vast amounts of data to the field of performance management systems (PMS). In particular for commercial organizations it is a topic which has gained substantial importance over the last decades. Volatility of markets, disruptive technologies and increased competition through globalization is driving the demand for systems which drive the performance to the goal of the organization. The goal of any commercial organization is its ability to generate more and more profit today and in the future. The notion of future emphasizes the ability to create and sustain the business model. The organization and its management has to answer the questions why it is worthwhile for investors or owners to invest money in the undertaking. This is generally done by the development of a strategy which defines a plan how the business has to develop to meet the shareholders expectations. The top management must define key initiatives how to develop, resist and take opportunity of market developments and disrupting shifts. Today's focus is the exploitations of existing opportunities and capabilities while tomorrow's opportunities have to be developed. The management has to define key activities as well as priorities and consistently communicate them throughout the organization which will be sustaining the strategic process to achieve the goal. The key initiatives have to be operationalized by a performance management system which defines key performance indicators

(KPIs) which then are deployed within the organization. This process of operationalization is determining the success of the system and the organization. In this paper several performance management systems are reviewed and criticized. Research shows that the majority of these systems fail despite their sound framework. The need for evaluating performance management systems may not be limited to the operationalization only but also employee motivation. The paper attempt to do a literature review the deployment and difficulties of performance management systems in respect with their impact on employee behaviour.

2. Performance Management Systems (PMS)

2.1. What is performance and why measure it?

A definition of performance of any system is the ratio between input and output to measure the efficiency of the transformation process (Kaplan, 1983; Misterek et al., 1992). Waggoner et al. (1999) propose that performance measurement serves the purpose of identifying performance gaps, improving communication and achieve accountability. Amaratunga et al. (2002) define it as means for positive organizational change, giving the opportunity to modify or confirm the current policy framework, as well as reallocate and prioritize resources for the pursuit and meeting of agreed objectives. The purpose of a measurement is to seek constantly ways of improving products and processes that there is a better value proposition for the customer (Andrew Neely, 1999). Later Andy Neely et al. (2005) defines performance measurement as set of metrics of efficiency quantification and measure the effectiveness of actions. Further five roles for a performance measurement and management system are proposed: measure performance, strategy management, communication and learning and improvement (Franco-Santos et al., 2007). Therefore the measurements have to be designed to encourage the individuals to act as a group for the achievement of the strategy (Andrew Neely, 1999). The target setting for measures is challenging and can be harmful as the group or individual has to be in agreement with the goal which requires clarity about the goal (Meekings et al., 2010). The improvement cannot be focusing on a single individual process but has to evaluate holistically the entire system. That relies on the understanding how a modification of a single process changes the behaviour of the entire system (Dettmer, 2007; Goldratt, 2009; Goldratt, Cox, et al., 1986; Nørreklit, 2000; Schragenheim et al., 2000). Incremental improvements without tangible reduction in cost or additional sales only translates into excess capacity (Cooper et al., 1991). The PMS serves as tool for communication of achievements within organization for engaging the employees to act upon the measurements. This is only possible if the Key Performance Indicators (KPIs) are clear and correlated and not target local optimums. It is unlikely that the system improves by the improvement of single individual processes. Nevertheless managers acknowledge the need for PMS their

success in the past is questionable (Kennerley et al., 2002; Andrew Neely et al., 2000).

2.2. The new performance management systems PMS

In the mid-80s the traditional financial measures were challenged by academics (Goldratt, Cox, et al., 1986; Johnson et al., 1991) because of their volume based allocation of overhead (Jiambalvo, 2004) and their negligence of intangible assets as success factor (Kaplan et al., 1996). During the early 1990s the importance of a wider approach for performance management systems gained importance in practical application and research (Andrew Neely, 1999). Kaplan suggested early that more non-financial information is required and the quality of financial reporting has to be improved to be able to drive the performance of business. Senior managers not only have to understand the financials but also have founded knowledge of the organization and its technologies (Kaplan, 1984, 1988). There are many models for performance measurement and four of them are highlighted based on their citation popularity (Andy Neely et al., 2005).

The Activity Based Cost (ABC) performance model

The failure of traditional accounting systems lead to the development of the activity based costing model (ABC) and was very popular during the 1980s but then challenged as flawed by Goldratt (1990) and Johnson et al. (1991). Compared to traditional cost accounting, which allocated mainly via direct labour overhead costs to a product (Jiambalvo, 2004), ABC uses process specific drivers to determine a related cost portion of a product (Cooper et al., 1988). The cost driver is calculated by dividing a resource cost by a practical capacity which results in an activity cost driver rate. This is done with past financial data over a certain chosen period. The product standard consumption multiplied with this rate determines the cost of the product. (Cooper et al., 1998). The use of cost drivers instead of volume based allocation the ABC method provides a significantly better cost information (Cooper et al., 1988) than traditional systems.

The main criticism is that the ABC method pinpoints profitability of a product independently of its contribution to the system in whole (Goldratt, 1990; Misterek et al., 1992; Schragenheim et al., 2000). The calculated cost is a moving target as market environments are dynamic and internal and external changes drive the distortion of the ABC model (Cooper, 1989). Cooper therefore advocates the frequent reassessing of effectiveness of the current models and assumptions (Cooper, 1989), but also clearly show the shortcoming of cost models and their application in strategic management and decision taking. A major shortcoming is the accounting for excess capacity which is not taken into account in part costing (Cooper et al., 1988). Most application for ABC is the full costing, which requires the allocation of fixed costs. In this case incremental changes in volume result is not represented in an incremental increase in cost. The incremental change is though

required for decision making (Jiambalvo, 2004). The resulting impact is that the individual cost of all parts cannot be correlated with the profit and loss statement and therefore it is difficult to establish a relevance to operational levels because financial measures are too complex to communicate on job floor level (Ghalayini et al., 1996; Kennerley et al., 2002).

The Balanced Scorecard (BSC) (Kaplan et al., 1996)

The most referred approach to performance management (Andy Neely et al., 2005) is the balanced scorecard by Kaplan et al. (1996), which is based on the concept of strategy by Porter (1987); (Porter, 1996, 2008). The perspective of competitiveness and dynamics of the market environment are added and a more comprehensive approach has been developed, in particular a reference to strategic management (Porter, 1996). The BSC proposes a new way companies are managed and takes a holistic approach to determine the state of the company on a horizontal cross functional level. It was developed from the realization that purely financial measures are only analysing historical data (Dixon et al., 1990) and additional do not value intangible assets of the organization which are giving an indication of the ability to sustain the current business performance (Kaplan et al., 1996) .

The BSC proposal was an initiative to translate the goal into tangibles measures. “Balanced” refers to the consideration of external, e.g. customer and shareholder, and internal, e.g. critical business processes, innovation, learning and growth, measures (Kaplan et al., 1996). The build of the scorecard commences with the senior leadership to define the goal of the organization and translating it into strategic targets. The consensus of this process shall be communicated throughout the organization and upon understanding the high level objectives can be translated into local measures (Kaplan et al., 1996). The application of the balanced scorecard has the biggest impact as a change agent by using “stretch targets”(Kaplan et al., 1996, p. 14) which are defined by senior management for a chosen future time period.

The system assumes that the top down approach, where the CEO is the “captain of the ship” and the rest are “sailors” executing the orders and implementing. It was suggested that, after the corporate scorecard is ready subdivisions develop their own local scorecard (Kaplan et al., 1993). The scorecard separates strategy into four perspectives, which in sequence are starting from lagging, financials, customers, moving to leading indicators, internal business process, learning and growth. A combination of outcome measures, like revenue or profit, and performance drivers, Overall Equipment Efficiency (OEE) or Cost of Poor Quality (COP), will provide a concise picture if improvements drive financial performance (Kaplan et al., 1996).

Bititci et al. (2000) points out that an indicator shall measure improvement of local activities. Limits should be established to generate alarms in case of a deviation from the expected levels. The criticality of the individual measurement should be quantified. Marr (2012b) adds two more perspectives for a Scorecard: marketing,

sales and corporate social responsibility. The Balanced Scorecard is suggested to fill the gap between the “lack of a systematic process to implement and obtain feedback about strategy” (Kaplan et al., 1996, p. 19). It is also suggested that there should be a cause and effect relationship between the measures and the perspectives which then lead towards the company goal (Bititci et al., 2000; Kaplan et al., 1996). Marr (2012b) proposes 75 key performance indicators based on which a company could build its own Balanced Scorecard. Behind every measure there are people who have to execute upon the figures so the measures have to make sense not only to the top level but to the last employee (Marr, 2012b). The Balanced Scorecard strives for assessing of intangible assets of the organization, which leads to substantial efforts of measuring the unquantifiable (Marr, 2012a). A major issue is the number of measures on the scorecard. There are four (Kaplan et al., 1996, 2001) to six perspectives (Marr, 2012b) in which four to seven measures can be required which would lead to a scorecard size of 16 to 42. It is not possible for an organization to effectively manage 16 to 42 separate measures. It is too complicated to communicate throughout the organization (Kaplan et al., 1996). There is no notion of cause and effect, implying the existing of a time lag between an action and reaction, of competing measures (Nørreklit, 2000) which would require a system of trade off criteria (Santos et al., 2002).

The Performance Pyramid

The Performance Pyramid, or Strategic Measurement And Reporting Technique (SMART), has been introduced by Lynch et al. (1991). The framework starts with the customer expectations rather than focusing on internal processes. The process drives the corporate vision which is built around volatile external factors as driver for a dynamic strategy build. The strategy planning uses the Porter (1980) Strengths, Weaknesses, Opportunities and Threats model (SWOT) to chart gaps between the current and the desired future state of the organization. Lynch et al. (1991) propose that the gaps and risks identified are translated into objectives following the process in figure 3. The pyramid is separated into internal and external areas for driving the effectiveness of the business processes.



Figure 1 : Performance Pyramid (Lynch et al., 1991)

They propose that mapping of the business operating system (BOS) (Lynch et al., 1991), nowadays referred to as Value Stream Mapping (VSM). The process describes what is actually done in the organizations to create value for the customer identifying the drivers for fulfilling customer expectations. The framework proposes a model for deployment and a large range of tools how to measure and how to communicate these. The framework identifies that measures on different levels are correlated and employees on different levels have to be able to understand different types of measures. The measures used on different levels of the organizations are getting increasingly financial the higher the level in the pyramid.

The framework present starts from the strategy finding, which is the easiest portion of performance measurement and management. The 5 building blocks, as described in Lynch et al. (1991), presented are difficult to correlate into success; e.g. quality and delivery are not correlated into customer satisfaction. In particular nothing seems to correlate into the vision or goal (Lynch et al., 1991). The SMART system does not provide essential information on essential indicators like quality, cycle time, cost and delivery. It also neglects the fact that continuous improvement will improve indicators (Ghalayini et al., 1996).

The Performance Prism (PP)

Kennerley et al. (2002) propose a multifaceted approach to PMS which takes a five perspective interrelated view. First and second dimension are Stakeholders, e.g. customers, employees, investors, trade unions, suppliers, regulators, have different demands and responsibility towards the business. The third dimension strategy is setup to ensure that stakeholder demands and responsibilities are met and measurements are developed and deployed accordingly. The fourth dimension processes analyses the horizontal flow of the actual value chain from development to customer delivery. The process owners of the incremental processes within the chain focus on improving the process and corrective action in case of deviation from expectations. The owners of the process have to decide what has to be measured and the frequency. The fifth dimension capabilities evaluate the requirement gap for meeting the stakeholders' demands and responsibility in combination with the strategy and processes. Capabilities encompass people, technologies, practices and infrastructure and how the combination of those enables the organization to create value for itself.

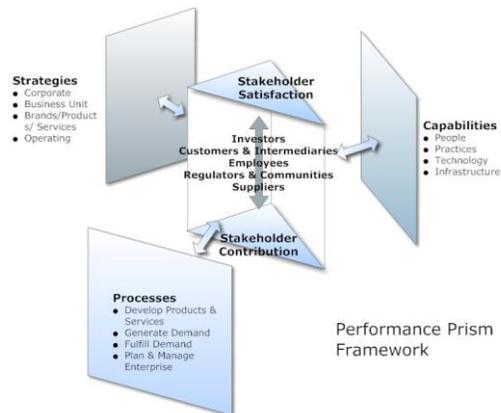


Figure 2: Performance Prism (Kennerley et al., 2002)

This is a fundamental difference to literature reviewed that measures should be derived from strategy. The PP argues that strategy is a set of actions to satisfy stakeholder requirements, so not strategy is the starting point for PMS (Kennerley et al., 2002; Andrew Neely et al., 2000). Although the framework is the most comprehensive, it does not provide a process to review and validate its relevance over time (Najmi et al., 2012).

Theory of Constraints (TOC)

The PMS in generally measure the performance of individual segments within the organization compared to mapping the delivery process as a chain. Systems are generally operating like chains in which the weakest link determines the performance of the system (Goldratt, 2006). It is therefore suggested that improvements on individual parts of a sequence of operations is not automatically leading to an improvement of system performance because the bottleneck or system constraint is limiting the flow or throughput (Cox et al., 2010; Goldratt, Cox, et al., 1986; Schragenheim et al., 2000). The system is not limited to internal processes but also include external activities. To manage the system it is proposed that it has to be accepted that every system has a goal which is not temporary but valid for the lifetime of the organization (Cox et al., 2010). It also has to be accepted that the system is more than the sums of its parts and the mathematical sum of its parts does not represent the success of the system. The systems individual processes are linked and problems occur often at the interfaces (Cox et al., 2010; Goldratt, 1990; Schragenheim et al., 2000). Furthermore that there is a limited number of factors maybe only one which inhibits the system to perform better. These inhibitors are referred to as constraints (Goldratt, 1990; Goldratt, Cox, et al., 1986). Organizations generally create value by the synchronization of processes with different capacities. It becomes evident that planning for high utilization of the entire chain is devastating because small variations within one process can disrupt the throughput of the system (Cox et al., 2010). It is therefore necessary to understand what is constraining system performance and at which location in the chain the bottleneck is

located (Cox et al., 2010; Goldratt, 1990; Schragenheim et al., 2000). TOC therefore proposes a focusing step which elevated the importance of the bottleneck and exploits the constraint of the system. These 5 focus steps are in sequence (Cox et al., 2010; Goldratt, Cox, et al., 1986; Schragenheim et al., 2000). To obtain more of the system now the capacity at the bottleneck has to be increased with the risk that the constraint might move. It is also possible that the new constraint is more difficult to resolve. After removing the systems constraint it has been resolved it has to be ensured that even during changes in the requirements the system's constraint is well identified. In TOC the success for an operation is not measured in terms of net profit or return on investment because they are not easily applied to daily operating decisions (Cox et al., 2010). Based on the assumption that the undertaking has to generate more and more money now and in the future (Cox et al., 2010; Goldratt, 1990; Schragenheim, 1999) and the focus in this work is on a manufacturing organization and therefore the definitions of Goldratt (1990) will be introduced (Cox et al., 2010; Schragenheim, 1999). For a manufacturing organization on an operational basis the rate of revenue or cash generation is suggested for measuring the success and ongoing improvement of the operation. This rate is called throughput (Galloway et al., 1988a; Galloway et al., 1988b; Galloway et al., 1989a, 1989b; Goldratt, 1990; Goldratt & Fox, 1986; Schragenheim, 1999). Throughput (T) represents the rate of which the chain of processes is generating new money influx into the system by synchronizing value adding processes. On a company level the throughput can be defined as the selling revenue in a certain defined period of which the cost of material and all truly variable costs is deducted. Investment or Inventory (I) is the amount of money bound into the system to operate and create value. On a plant level and daily basis the mid-level management is in control of the total value of inventory like finished product stock (FPS), work in progress (WIP) and raw material stock (RMS) added to the total outstanding receivables (AR) minus the total outstanding payables (AP). It is therefore practical to use this on an operational level. Further the operation expenses (OE) which are related to run the operation and are not directly related to the production of the product (Goldratt, 1990; Goldratt & Fox, 1986; Schragenheim, 1999; Schragenheim et al., 2000). Best definition might be the cost of opening the business each day (Cox et al., 2010).

There is a relations between the throughput success indicator and traditional indicators like net profit (NP) and return on investment (ROI).

In respect of the management priorities Schragenheim (1999) argues despite the compelling statement that every dollar, euro, yen of cost saved goes direct to the bottom line the questions arises if a company is in the business of saving money or making money. The potential of better financial performance is greater by increasing T than decreasing OE and I (AM2005).

Critique on new performance measurement systems

Most organizations suffer from performance measurement systems which are poorly designed and face therefore implementation obstacles (Bourne et al., 2000; Santos et al., 2002; Schneiderman, 1999) or experience failure (Bourne et al., 2002). Many organizations have removed layers of management and have eliminated middle management functions. This resulted in the absence of capacity for the measurement, analysis, correlation (Santos et al., 2002) and correcting deviations from the performance goal and managers are suffering of data overload. Most companies compile large amounts of data that measures everything and all but nothing which is important for the business (Kennerley et al., 2002; Andrew Neely, 1999). Companies therefore have to decide which measure really matter (Lima et al., 2009; Marr, 2012b). If it is not clear which variables really matter for the success of the organization and managers monitor too many indicators the impact can be detrimental for the success. Schragenheim et al. (2000) is referring to it as the “Nero Effect”. While Rome was burning many operations were important for the survival of the city, like firefighting, but music appreciation was not (Cox et al., 2010). Defining and focus on essentials is key in measurement systems(Schragenheim et al., 2000).

The implementation of PMS is the responsibility of senior management, employees have to be integral part of the process to create buy in (Banks et al., 1979; Sinclair et al., 1995) and overcome implementation obstacles (Santos et al., 2002). In a corporate environment in which employees should be empowered the “captain sailor model”(Kaplan et al., 1996) is no longer relevant. But the empowerment of employees is very powerful but challenges managers to communicate the company goals more efficiently (Andrew Neely, 1999).

Summarizing it can be stated that according to research the key criteria for a performing organization (Thommes et al., 2014)are connected to:

1. The company goal: There has to be clarity what the goal of the organization is.
2. The strategy: What are the key activities and key targets to achieve the goal?
3. Performance management: Define the key performance indicators on macro and micro level
4. Communicate: Purpose and goal of the organization to generate trust.
5. Empower and engage: Define the authority in decision making
6. Define and agree on performance measurement: Define mutually on a limited set of KPIs for the organization, groups and individuals.
7. Feedback: Rely on frequent personal feedback and employee self-reflection.
8. Reward: Intrinsic and extrinsic rewards which considered fair mixed achieve high performance.

Literature refers to these items to create an engaged and performing organization. Consequently in a company which is outperforming its index by a factor of three

some of these traits should be present. Measurements are generally considered as interlinked but a system approach is often absent (Holmberg, 2000). Many individual measures in organizations are rarely correlated between each other and in combination sustain the business and its strategy (Lynch et al., 1991). A large number of indicators are competing with each other which require trade-offs to achieve best results. There has to be a process which trade-off supports best the overall strategy (Banks et al., 1979) but very little research was done guiding such a process. The absence of exact definition of measures creates misunderstanding between concerned managers and employees (Andrew Neely, 1999; Schneiderman, 1999), which then renders the measure useless for effective communication.

Studies confirm that practitioners are generally dissatisfied with the performance measurement systems and performance measures today (Eccles, 1991; Ittner et al., 1998). This is confirmed by Atkinson et al. (1997) that managers found aggregated measures “misdirected, irrelevant, too complex to be understood and ineffective in motivating performance”. (Ittner et al., 1998; Santos et al., 2002). It is important to realize that strategy (Mintzberg, 2003; Porter, 1980) is deployed vertically in the organization but the processes which shall synchronized and aligned are horizontally and across functions (Schrageheim et al., 2000). Therefore many companies measure what is easy to measure but might not be relevant (Marr, 2012a) and nobody knows what should be measured (Beamon, 1999). Most importantly none of the models addresses the deployment to shop-floor level and the improvement of the value adding activities (Ghalayini et al., 1996). Companies design PMS to monitor and control rather to improve the operation. Improvement is not an integrated component (Ghalayini et al., 1996).

All systems miss the dynamic behaviour which would be required to map changes in the environment (Santos et al., 2002), e.g. changes in order book. Resulting in a disconnect between strategy and performance measures, which then leads to local optimization instead of serving the overall success of the organization and customer focus. To address changing environments the number of measurements used in companies tends to increase over time and are rarely removed as strategy is changing (Holmberg, 2000; Schneiderman, 1999). All systems lack a mechanism for revision of key areas, measures, goals (Ghalayini et al., 1996; Kennerley et al., 2002), in particular timelines for the goals to be reached and alignments for future developments instead of reviewing current achievements (Ghalayini et al., 1996). Failing to align the measures with budget and risks create two parallel systems without exploiting their overlap (Nørreklit, 2000; Schneiderman, 1999). For the purpose of this work it is stated that modern PMS focus on the vertical measurement of performance and the TOC on the horizontal throughput. The intention of all systems is to achieve the company goals translated by strategy into operational actions.

Experience shows that there is a gap between strategy and its execution (Torben, 2014). Organizations fail to create buy in among their employees which results in a significant failure rate of these strategic actions. PMS rely on the deployment of key performance indicators (KPIs) to operationalize (Torben, 2014). The PMS is most efficient if the task is simple and the result is clearly defined. The KPI design should give clear guidance and answer the question “What do you want me to do”(Bungay, 2011). But most management processes are more complex and have a variety of variables which may or may not result in contributing in the organizational goal. The complexity of the system requires trade-offs which creates unclarity on the importance of individual indicators. Often the impact of actions cannot be related to the organizational goal. Managers and employees often find themselves in a situation where priorities are not clearly defined as the impact of individual KPIs cannot be correlated to the organizational goal. A majority of employees refer to their performance management system as an unnecessary and cumbersome task. Many employees refer to KPIs as a top management requirement which does not influence their behaviour. The question arises therefore what is actually important for the employees and how does this drive their behaviour. Therefore the literature research is expanded to behaviour factors of employee motivation.

3. Employee motivation

“Adapt or Die” according to Jung (2012) the ability of companies to adapt to a changing environment is a question of survival. While the average life expectancy of a company today is 40 to 50 years it becomes essential that current methods are constantly reviewed and adapted to ensure the continued success of the enterprise (Jung, 2012). In modern management senior leadership is striving for the empowerment of employees (Kaplan et al., 1993; Neely, 1999) to take charge of their area of influence and manage it to support the success of the organization as a whole.

This led to the rise of human resource management, because the employee became a key resource to achieve the company goal (Grey, 2013). Lean management and quality circles created self-organized teams with a certain authority to take decisions. This is a shift from Taylorism, or scientific management, which had the objective to break up self-organized teams, standardize work and control the standard against actuals by “managers”(Grey, 2013). In pre-Taylorism different departments in the factories were organized in “gangs” which were given authority to organize internal matters autonomously within the group and were therefore given authority to decide on business related issues from human resources or internal production priorities (Grey, 2013). The rise of scientific management resulted in the breakup of these gangs and the rise of management and production standards which in the first place was a means of top-down control of blue collar performance against the new standards. This obviously represented a shift in power from floor level to

management, which made the individual employees performance secondary as long as the standards were fulfilled.

During the second half of the last century the globalization of markets exercised cost pressure on companies in particular the western world which lead to rise of performance management systems. It became clear the purely financial figures may not be sufficient to obtain satisfying results in a production environment. Taking Japanese management practises and transferring to western culture was a key initiative which as a consequence lead to the reduction on management layers and the empowerment of shop-floor employees by e.g. quality circles or flat hierarchies. As a result the ability by the top to control an organization by senior management has been decreased. Modern organizations therefore rely heavily on PMS to deploy strategy and align the employees as groups and individuals towards the company goal. Consequentially it is of the utmost importance that organizations understand human behaviour and motivation. To guide employee behaviour the PMS are connected to rewards based on the achievement of mutual agreed targets. The impact of reward system coupled to a certain performance is doubtful as research shows that reward systems may cause the opposite effect. That means for the company that the strategy is not properly executed and as a result the strategy is not operationalized.

Senior managers and therefore have not only to answer how to achieve the company goal but also how their employee are motivated to support the strategic plan. In this section literature is reviewed on motivational theory and a core conflict is defined between organizational needs.

3.1. What is motivating employees?

According to motivational theory there are basic needs which have to be satisfied (Maslow, 1943). The needs are building on each other which means that without satisfying the pre-potent others may not appear. Needs may not arise of the satisfaction of another but gradually emerge from slow degrees of nothingness (Maslow, 1943).

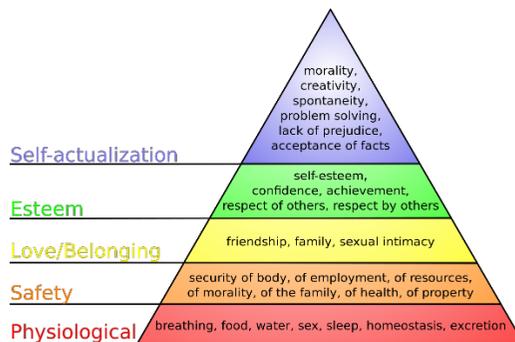


Figure 3: Maslow's hierarchy of needs

That means that in the absence of satisfaction of one need consciously or unconsciously people seek satisfaction by satisfying other needs. For the purpose of the paper it can be assumed that the first two levels of the Maslow's hierarchy of needs are fulfilled. The main drivers for motivation in a professional environment are located in the belonging, self-esteem and self-actualization level. Belonging is the need of the individual to belong to a group and in our case the company, business unit or department (Mishra et al., 2014). The need to belong to a group may be subordinate post-potent individual needs (Maslow, 1943). In a business environment McClelland's "theory of need" refers to three needs: The need for achievement, which is the drive to success in relation to a standard. Second, the need for power, which refers to the person's ability to manipulate people. Finally the need for affiliation which refers to the desire to have good and conflict free relationships (Robbins et al., 2010).

Ensuring the focused behaviour of employees is the most challenging for an organization because as individuals and groups people might pursue personal goals, e.g. personal enhancement, salary, bonus or feuds with other individuals and groups, which are in contradiction with the organizational goal (Gabriel, 2012; Grey, 2013; Huczynski et al., 2001; Jordheim, 2014). The absence of focus by parts of the organization will jeopardize the functioning of performance management (Grey, 2013).

Cognitive evaluation theory suggests that people work best to the goal if these are consistent with their interests and core values (Bowen et al., 1995; Robbins et al., 2010). The organization must enable this by offering extrinsic and intrinsic rewards. The best alignment is achieved if the employees feel that their work is within their control and authority (Ji-Eun, 2012) and is a result of free choice (Robbins et al., 2010). Frequent review and open discussion (Ji-Eun, 2012) with the self-assessment of the employees seems to be re-enforcing. During the goal setting process is committed to the goal and believes that the goal can be achieved and also wants to achieve it. Research suggests that the simple the task the more significant the impact of performance. Interdependent goals are better managed by groups (Robbins et al., 2010).

In addition to this employees measure their job output in comparison to their peers and adapts its output accordingly, most often downwards as there is a perceived problem (Robbins et al., 2010). But the employee needs are not limited to interpersonal relationships but also the need of purpose described in the cognitive evaluation theory. The question "What is in for me?" must be answered and employees grow or resign depending on the answer they are given by the organization.

Intrinsic and extrinsic rewards mixed may achieve high performance (Fernandez et al., 2013). Literature theory has separated motivational factors into hygienic (extrinsic) and motivational (intrinsic) (Grey, 2013; Pink, 2010).

The hygienic factors have no apparent impact on the individual's performance while its absence creates demotivation. The hygienic factors are mainly referring to rewards, like salary and bonuses. The issue with performance based pay in a heuristic framework is that it has proven counterproductive. In particular goals which are set by others seem to have dangerous side effects, like unethical behaviour. Research shows that if-then motivators fail because it reduces the depth of thinking and reduces the focus only on the immediate task (Pink, 2010; Sundheim, 2014).

On the other hand motivational factors really impact the engagement of the employee (Armache, 2013; Bowen et al., 1992, 1995; Ji-Eun, 2012; Pink, 2010; Sundheim, 2014). These factors are related to the satisfaction people gain from their work. Studies prove that people perform best if the task on hand generated curiosity and is challenging. The autonomy in which people may develop ideas and prove creativity drive their engagement to the task. It seems that people strive for the mastery even if there is no extract reward for achieving the task only for the purpose of achieving it. There seem to be an embedded need to playfully achieve a challenging objective or purpose engrained into human nature. How would we otherwise explain the existence of e.g. Wikipedia, open source software? The third factor is purpose. People would like to be part of and influence something bigger than them (Armache, 2013; Bowen et al., 1992, 1995; Ji-Eun, 2012; Pink, 2010; Sundheim, 2014).

Literature distinguish algorithmic and heuristic work. Algorithmic work is a clearly defined process which can be repeated over and over again. The heuristic work is a creative task which cannot be clearly defined. It is suggested that reward systems based on monetary pay-outs best work for algorithmic tasks because of the clarity of the expectation. The heuristic work is a creative process which framework is not that clearly defined (Bowen et al., 1995; Grey, 2013; Pink, 2010). Most performance management systems apply to middle management which in generally is engaged in heuristic work but the reward is extrinsic. Consequentially most organizations still wrongly assume that monetary gain is a main motivator (Grey, 2013; Pink, 2010).

4. Implications for management and Summary

Summarizing engages employees are crucial to the success of the organization. Studies show that less than 50% of employees in the US are actually engaged in their work (Pink, 2010). A study in Germany has revealed similar numbers (Spiegel.de, 2014). Despite the large number of systemic approaches in respect to PMS, researchers and practitioners have clearly stated that most strategic performance management initiatives fail (Bourne et al., 2002; Kotter, 1995; Schneiderman, 1999; Torben, 2014). There is a fundamental disconnect between what companies and its representative want from their employees and what employees expect from their employer. The desire to measure performance of the

company often is jeopardized by the lack of buy-in of the staff which renders strategy deployment and performance management useless at early stages. The question of how to address individual and group motivation must be answered at early stages of PMS deployment as company and employee needs might be in opposite. The strive of individuals and groups for autonomy, mastery and purpose can strongly support PMS systems. Research shows that the majority of employees as well as managers think that performance management systems are not supporting the organization to reach the goal. The employee motivational factor to make PMS systems successful is often neglected by assuming that people are logical beings and not driven by personal and group needs. Employees in today's workplace have more influence on the results of the company than ever. They are highly trained and understand complex processes. Therefore it is important to keep them motivated by fostering a autonomous working place where they can improve their mastery and can be part of a higher purpose. Before implementing a PMS organizations must be aware of how to address these motivational factors.

5. Bibliography

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