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# PERFORMANCE MANAGEMENT FROM MULTIPLE PERSPECTIVES: TAKING STOCK

*Jacky Holloway, The Open University Business School*

## **Acknowledgements:**

This paper draws extensively on the contributions of authors to *Performance management: multidisciplinary perspectives* (Thorpe and Holloway 2008), and in particular Richard Thorpe, to whom grateful thanks are due.

## **Abstract**

**Purpose** – This paper summarises key conclusions from a multidisciplinary review of the state of the art of research into organisational performance management, in particular how research can aid and involve practitioners.

**Design / methodology / approach** – This Special Issue incorporates papers that address current performance management challenges for managers and academics from a relatively small selection of academic disciplines. This particular paper locates the others in a wider context of a cross-disciplinary study, identifying shared strengths to be found within the academic community.

**Findings** – In spite of a number of barriers to knowledge transfer, and tensions and gaps within the performance management research portfolio (described in the paper), much progress has been made that will advance further through active involvement with practitioners and across discipline boundaries. Specific suggestions for enhancing the effectiveness of performance management practice are included.

**Practical implications** – Research has already provided useful knowledge for practitioners, with the potential for greater value provided that performance management researchers are open to more collaboration in order to tackle the complex questions facing practitioners and theoreticians alike.

**Originality / value** – The paper provides an overview of the conclusions reached in a substantial and original multidisciplinary review, providing readers with the flavour of that publication.

**Keywords** – Multidisciplinary research, Mode 2 research, knowledge transfer, performance management.

**Paper type** – Viewpoint

## ***Introduction***

The papers in this Special Issue of IJPPM have been selected from many potential examples of the research undertaken by members of the British Academy of Management's Performance Management Special Interest Group (PM SIG). As the range of topics they cover indicates, this is a multidisciplinary group, and this Issue reflects just a sample of applications of their areas of expertise.

This paper provides complementary overview of the outcomes of a systematic study of the state of the art of performance management research and its contributions to management practice, viewed from the perspectives of specialists in ten academic disciplines and three economic sectors. These perspectives were published as an edited book (*Performance management: multidisciplinary perspectives*, Thorpe and Holloway 2008) in which most chapters were written by active members of the PM SIG. That book aims to demonstrate how scholars and expert practitioners in key management disciplines understand and define performance management, and explores the disciplines' common theoretical and historical roots and significant differences. As well as accounts of the evolution of performance management within the selected disciplines, authors discuss the kinds of research methods most likely to be found in their fields, and problems and limitations they have encountered such as unintended consequences of performance management practices and policies. This paper highlights key findings and messages from this 'state of the art' review.

The book opens with three contrasting approaches to locating, describing, analysing and critiquing performance management systems within the broad territories of social science and strategic management. Then follows evidence of the nature and impact of performance management viewed from the perspectives of: occupational psychology and organisational behaviour, HRM; operations management, project management, operational research, marketing, information systems, accounting and finance, knowledge management and intangible assets, and political economy. A number of those disciplines contribute to analyses of performance management in the challenging contexts of small firms, voluntary and public sector organisations. Having ranged far and wide, the book concludes with a synthesis of recommendations for performance management practitioners, researchers and management educators.

The messages emerging from the evidence gathered by the authors and the synthesis in *Performance management: multidisciplinary perspectives* form the basis of this paper, in particular messages for performance management practitioners. The next section draws out generic common features and significant differences between performance management research and practice. There follows a brief review of the strengths, weaknesses and

unfinished business from the world of performance management research. The paper concludes by outlining some new ways in which research might contribute directly to practice.

### ***What we know now that we did not realise before ...***

There are unlikely to be many managers who are unaware of the latest innovations in performance management systems or tools. Most will have received marketing information from consultants promising to make their organisation world class, or publishers with the ultimate recipe book for corporate success.

Performance management researchers, on the other hand, tend to be circumspect or even sceptical. They are much more likely to advocate simple tried and tested approaches, to look for reasons why the latest model might not fit all organisations, and to encourage realism rather than blind faith. The risk is that academic reticence and the search for evidence of effectiveness rather than promotion of 'solutions' reduces the impact of performance management research. One of the drivers for our wide-ranging study (Thorpe and Holloway, 2008) was to tease out the achievements of empirical research in particular, and make findings more accessible to a wide audience across academic and organisational boundaries.

Space here precludes presenting the findings of individual studies of performance management as observed and analysed by the different discipline and sector experts. But having drawn together and 'organised' a mass of evidence extracted from people deeply involved in researching, teaching and consulting about performance management from particular expert perspectives, we are well placed to describe the scope of the current knowledge base. Table 1 summarises that scope in terms of the dimensions of depth and breadth of focus, research trends and approaches, and relationships with practice.

### **INSERT TABLE 1 ABOUT HERE**

There is a considerable degree of convergence between academic disciplines especially in terms of multiple research methods and growing adoption of a 'Mode 2', practice-relevant and transdisciplinary approach (Thorpe and Beasley 2008; Holloway and Thorpe 2008, pp.276-7). 'Mode 2' is the term coined by Gibbons *et al.* (1994) to distinguish a new way of generating 'knowledge' through investigations that involve practitioners in a particular context, avoiding an artificial distinction between 'fundamental' and 'applied' knowledge (a distinction that belongs in the old world of 'Mode 1' research, where the practical relevance of fundamental knowledge may never be tested in the 'real world' of practice). In the performance

management research context, 'Mode 2' knowledge creation is designed to involve, and be valued by, researchers and stakeholders such as managers, business owners, staff and customers alike (Starkey and Madan, 2001). 'Mode 2' research tends to involve several disciplines working within a shared framework, with the potential to develop more robust theoretical explanations and greater leaps in understanding about complex areas of organisational and management life.

However, it is early days for a 'Mode 2' revolution and much performance management research still takes place at arm's length from managers who are grappling with operational or strategic performance issues. So in what ways do performance management 'experts' actually make a difference? Managers frequently ask each other – and business support services including business schools – for assistance in developing or choosing performance management systems. We were keen to see whether the disciplinary background of performance management experts mattered, so long as they came up with acceptable 'answers'!

We found a number of common themes which suggest that to quite an extent it does not matter which sort of expert, or 'guidebook', managers consult first – today's performance manager is likely to be steered towards a system with the following features:

1. Multiple measures of performance, representing a variety of aspects of organisational activity (in contrast to a traditional emphasis on single measures generally focussed on money)
2. Strategic and developmental emphasis on effectiveness ('doing the right things'), and relevance to the needs of key stakeholders (moving away from the efficiency-dominated 'production function' of the past, 'doing known tricks faster')
3. A mix of 'soft' and 'hard' measures, with a growing emphasis on qualitative and future-oriented approaches that reflect the concerns of multiple stakeholders. Few organisations today rely on knowledge of past outputs to tell them what inputs and processes will be needed in future.
4. Openness to contributions from all organisational levels, replacing the top-down imposition of performance measures and targets of interest only to senior managers or Board members.

This latter feature touches on a rather underdeveloped critical strand in performance management research. In all sectors of the economy employees and managers can be found learning together about how to change internal performance in the face of ever-more-complex and fast moving environments. From some academic schools of thought this may be a heartening sign of the impact of 'modern' management teaching, as well as flatter

organisational structures. However for others it is merely the contemporary manifestation of power relationships which remain, at heart, unequal. These are articulated in some disciplines (such as the 'unitarist' vs. 'pluralist' dichotomy in HRM) but glossed over in most others, as de Nahlik (2008, pp.45-9) points out in her critical review of the tensions between stakeholders of strategic performance management. For example, while it may be relatively easy for managers to identify a list of their stakeholders ('... those groups without whose support the organization would cease to exist', Freeman, 1984, p.31), prioritising their interests almost inevitably involves an element of subjectivity but has to be undertaken if the task of responding to them is to be sustainable.

de Nahlik also reminds us that there are logical limits to any quest for a 'unified theory' of performance management, given the competing epistemological viewpoints that exist within many disciplines – such as the extent to which managers can exercise strategic choice, or are steered by institutional forces – let alone between them!

However, there is no denying the contemporary popularity of performance management systems that bring together information about more than one aspect of organisational activity, such as the Balanced Scorecard (Kaplan and Norton, 1996) or Key Performance Indicators. So it is not surprising to find advocacy of the same approach in the contributions from several disciplines. That is not to say that all the academic disciplines in our studies have converged on a single set of activities or measures. Naturally there is variation reflecting their level of focus (from individuals and groups, through organisational parts and wholes, to economies and sectors), preferred timescales and traditions of closeness to professional practice. There are also some fundamental epistemological differences related to disciplines' theoretical roots and traditions. But even disciplines which traditionally emphasise improving efficiency and measuring financial or other quantitative aspects of performance are developing more holistic and qualitative strands such as 'soft operational research' and contemporary approaches to management accounting (e.g. Otley, 2008 p.26).

On the other hand, accompanying a degree of methodological and analytical convergence, and the identification of a set of characteristics common to effective performance management systems in most contexts, is a stronger awareness of the contingent nature of many aspects of organisational performance. As Otley (ibid., p.39) suggests, 'Each organization has its own strategy and exists in its own unique environment; ... its information and performance management systems should be specifically tailored to these circumstances.' Understanding how organisations may achieve a sufficiently high degree of 'fit', within available resources of time and capabilities, is a major topic for practice-relevant performance management research.

Having drawn together reflective descriptions of such research from many discipline backgrounds, we might conclude that we know quite a lot that is useful to practitioners – the challenge is to find the most relevant knowledge for any given context!

## ***Strengths, weaknesses and opportunities for performance management research***

At a time when 'relevance' is becoming highly regarded by many research funders, one of the growing strengths of contemporary performance management research is the convergence between the interests of researchers and industry. Many projects involve partnerships between university or independent research institutions and public and private sector services and manufacturers. Software packages developed for research analyses can also assist managers especially in fields such as strategy development and modelling the impact of process changes. In turn, management educators and trainers can incorporate research evidence and empirical cases in teaching at all levels, and students with work experience can add their own examples and reflections to research data sets. Such stakeholder involvement can be an insurance against uncritical peddling of management fashions in the guise of 'employer engagement'.

A willingness to work across boundaries also characterises much performance management research, as exemplified by the production of *Performance management: multidisciplinary perspectives*. That does not necessarily mean that depth is sacrificed for breadth as there are many specialised studies and publications, but collaborative projects are a natural response to inclusive approaches to performance management (Total Quality Management, institutional dashboards and the like).

On the other hand not all performance management research adds value directly to practice. Reported barriers to effective knowledge transfer include:

- Lack of shared language between researchers and users, and between researchers from different disciplines
- Commercial or political sensitivities limiting access to organisations or data
- A lack of useable and affordable data to add new insights to existing 'easy to measure' datasets
- An understandable perception – indeed, sometimes the reality – that unique features of organisations or their contexts limit the relevance of experiences investigated elsewhere.

Most of these barriers can be avoided if clear objectives are agreed that emphasise mutual benefits to researchers and practitioners, and the cultures of both parties place sufficient value on collaboration. Business schools are generally more open to the 'relevance' creed than other university faculties, but competing pressures on staff time and the uncertain status

with which Mode 2 type research is regarded in some settings can nonetheless limit academics' enthusiasm. There are also self-imposed academic barriers such as residual tendencies to revert to discipline silos when the going gets tough, reinforced by systems for distributing research funding such as the UK Research Assessment Exercise (<http://www.rae.ac.uk>) which do not sit comfortably with transdisciplinary work.

As well as these kinds of barriers to knowledge transfer, a few important gaps in the performance management research portfolio should be acknowledged. In spite of the wide range of research approaches reported, our study found relatively few examples of specialised tools and methods for participative and collaborative research in use in performance management research, even in the 'softer' disciplines. Innovative approaches using diaries, video, narrative and drama are under-exploited, as are mapping and modelling techniques such as cognitive mapping, network analysis and systems dynamics.

Large areas of performance management are still under-theorised; and indeed theory is sometimes dismissed as an irrelevance in the face of the complexities and uncertainties of today's global business environment. There are major technical challenges especially in obtaining robust and reliable international comparative data in some fields. Considerable progress has been made in addressing late 20<sup>th</sup> century challenges such as management control, stakeholder conflicts and quality improvement. But most 21<sup>st</sup> century organisations are now grappling with corporate social responsibility, sustainability and globalisation – concerns which are difficult enough to define let alone measure! Interdisciplinary collaboration will be essential if the performance management research community is to avoid being marginalised because their contributions to such concerns are too little, too late.

Last but by no means least, few disciplines have answered the question voiced by many managers and demonstrated conclusively that performance management practices directly improve performance. Explaining the numerous and complex potential causal relationships in the overall 'production' of organisational outputs and outcomes remains a major challenge to all concerned. So, is there really any evidence in support of an expanded role for academic research in the practice of performance management?

### ***How can we help? Contributions to performance management practice***

In spite of the shortcomings noted above, our systematic approach to reviewing the 'state of the art' of performance management research across ten academic disciplines and three economic sectors still seemed a worthwhile endeavour! Having assembled the evidence we looked explicitly for patterns linking theory and research approaches, which could improve the robustness and reliability of performance management system design in practice.



For example, if there were similarities between disciplines that were underpinned by psychological theories (reflecting individualistic models and experimental methods), or between those with foundations in mathematics (using abstract models and computer-based tests), it might help managers to identify the kinds of expertise needed when building teams to address performance problems. In circumstances where managers are choosing from several available performance management systems, it is often important to match the system to the kinds of problem needing attention, and also to the organisation's culture and management style. Considerable strides have been made in some disciplines to adopt a contingency approach, as Otley describes in the case of management accounting (Otley, 2008). But the search for the 'universal' system or the 'best' approach still finds support in some fields.

Overall the picture revealed by our synthesis of the contributions from the ten disciplines was messy and incomplete. 'Theoretical foundations' were often obscure, making it difficult to be confident about how some approaches to performance management would work under changing conditions or in new environments. The kinds of models to use and data required were not always clearly explained, leading to reliance on consultants rather than enabling managers to use the approaches themselves. Overall we found that the maturity of performance management varied enormously between disciplines – unsurprisingly, perhaps, given the relative newness of disciplines such as information management and processes such as the management of intangible assets. Managing the performance of financial assets, production processes and individual staff members is still easier to do with confidence, because of the relatively long history of accounting and management control, operations management and occupational psychology. In addition the more complex the systems and more unpredictable their environments, the more difficult it is to manage performance in spite of the growth of new tools, frameworks and skills.

Nonetheless based on the reviews of current practice assembled in our study it is possible to provide some guidance for designers of performance management systems and those involved in their implementation and operation, with a reasonable degree of certainty. An effective performance management system is one that is designed to:

- Have clear and explicit priorities for what to measure – things that are easy to measure may not be the most relevant
- Take account of the contributions and interrelationships between different functions, and where value is added
- Surface and address conflict – it is natural for new performance management processes to arouse concern especially when associated with change
- Link strategy to practice, and be adaptable in the light of user experiences

- Incorporate qualitative input and process dimensions, such as the skills that staff will need to respond effectively to messages from output-based performance measures
- Be creative – ‘off the peg’ measures or frameworks may well need adapting to incorporate what really matters to your organisation.

Having designed or selected an appropriate performance management system, too many organisations appear to assume that implementation and ‘maintenance’ require little or no attention – and then senior managers wonder why the system falls into disuse or disrepute! Performance failures may hit the media headlines when they affect schools, hospitals and other public services but they are probably as common in commercial firms, just better concealed. The disciplines with the longest experience of studying performance management agree on the following pointers towards sustainable performance management.

- Allow enough time to listen to as many people and draw on as many information sources as possible. Senior managers can identify core capabilities, knowledge and skills needed by the organisation’s value and supply chains, while employees can shape the development of relevant measures and identify routes to change.
- Be process-led at all stages. As well as mapping and managing the performance of processes *per se*, approaches such as benchmarking and the Balanced Scorecard incorporate powerful processes for sharing understanding about what each part of the organisation does, improving communications and highlighting knock-on effects of changes.
- Keep an open mind about what measures to incorporate, and change them if they don’t meet the needs of enough stakeholders. Be sensitive to different organisational sub-cultures – Internal Audit staff may be distinctly uncomfortable with the measures of ‘organisational climate’, for instance, while Human Resources professionals may insist on long timescales for evaluating the impact of staff development and resist requests for rapid decisions on whether to continue a training programme.
- In complex organisational settings don’t expect many direct relationships between causes and effects. For example the evidence suggests that ‘... when payment systems are used as interventions and catalysts for broader organizational changes they have led to improvements in motivation. But simply linking ‘pay’ to ‘performance’ rarely has the desired effect.’ (Thorpe and Holloway 2008, p.257.)
- Effective performance management requires effective management, a key component of which is building relationships across organisational boundaries, and appreciating the impact of performance management systems on sub-systems such as training and development, appraisal and information systems.

## **Conclusions**

Clearly we have argued, with the authors who contributed to the *Performance management: multidisciplinary perspectives* project, that academic research has demonstrable benefits for the world of practice from which we obtain our data and on which we test our emerging hypotheses. A number of barriers to effective knowledge transfer have been identified, together with some gaps in the scope of research methods and theory-building to date. We conclude by emphasising what is required to enhance the benefits further, while strengthening the profile of performance management research in the competitive academic environment.

The case for research programmes and projects that are practice-relevant, systemic, transdisciplinary and contingent is difficult to refute. To fill the gaps identified above we need very good access to organisations and the micro-worlds of managers. To have an impact, organisations in turn need to hear our results and be convinced of their value and quality. Although formal opportunities can arise to 'sell' the contribution of performance management research, based in business schools, to potential clients in public and commercial organisations, many more informal opportunities arise through contacts with students, their employers, our friends and acquaintances – viral marketing in practice.

Finally, although academic specialisms are here to stay and can add essential depth to studies of complex real-world settings, we all need a genuine shared language to surface assumptions and raise awareness of research in other disciplines that are interdependent with our own.

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### **About the author**

**Jacky Holloway** is Associate Dean for Academic Staffing and a senior lecturer at The Open University Business School. A graduate of the London School of Economics and The Open University, she spent some years working for a large trade union and then as a National Health Service administrator before completing her PhD with the Open University Systems Group. Her doctoral and subsequent research has focused on the design and impact of organizational performance management systems, with journal publications particularly in the areas of public sector performance and benchmarking. Active in the British Academy of Management (BAM), she is a member of Council and was a founder member of the BAM Performance Management Special Interest Group.

**Table 1. Performance management research and practice: nature and scope**

<b>Main levels of focus for performance management activity</b>	<b>Dominant dimensions of interest</b>	<b>Research paradigm / approaches</b>	<b>Trends in practice</b>	<b>Trends in research</b>
Academic discipline  Economic sector  Individual  Group  Organisation  Network  Markets and systems	Efficiency  Effectiveness  Ethics and equity  Value added / created  Strategic / operational outcomes  Accountability / responsiveness	Quantitative  Qualitative  Interpretive  Participative  Action research  Historical  Predictive  Mixed method  Modelling	Controlling own domain  Diversifying  - value  - innovation  - sustainability  - corporate social responsibility  From 'controlling internal variables' to 'responding to and anticipating environmental change'  Global reach	Some focus on theory development  Some focus on 'improving practice'  Knowledge transfer  Evaluation – independent  Evaluation for known interest group  Critique