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Performance management, performance measurement and/or performance evaluation systems

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Editorial:
**Special Issue on Performance Management, Performance Measurement and/or
Performance Evaluation Systems**

by

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and

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In today's competitive business environment, achieving organisational goals is highly challenging irrespective of the nature of the organisation – be it private, public or non-profit organisation. In meeting these challenges, organisations are spending a considerable amount of time, energy and resources in setting goals and objectives, developing strategic plans, formulating strategies and devising strategic control mechanisms. The idea is to clarify the organisation's goals and objectives, prepare a road-map for achieving those objectives, be able to monitor the organisation's progress on a periodic basis, compare the actual results with the planned targets and take any managerial action if necessary. However, many organisations struggle with this process. For example, developing an acceptable performance measurement system is not an easy task as it gets confronted with a large number of intricacies from different interest groups. Some of these issues include what to measure (whether inputs, outputs or outcome), how to measure, and the difficulty of the quantification of performance measures/indicators particularly in the case of public and non-profit organisations.

It is important that the system is capable of providing accurate information in a timely manner, is easy to operate with least cost, is easily understood by the relevant

employees and is easy to implement. Consequently, a large number of organisations are in the quest of an effective performance management, measurement and evaluation system suitable for meeting their strategic and operational objectives.

The objective of this special issue is, therefore, to publish quantitative or qualitative articles, related to performance management, performance measurement and/or performance evaluation systems and practices in all kinds of private, public or non-profit organisations. The guest editors have attempted to maintain the journal's commitment towards presenting valuable information, comment and debate on performance management/measurement issues impacting upon today's organisations. As such, this special issue provides 8 high quality articles on performance management, measurement, evaluation systems and related issues.

The first article on “Environmental Variables and Relative Efficiency of Bank Branches: A DEA-Bootstrap Approach” by Staat and Barth analyses the efficiency of the branches of a local bank in Cologne, Germany, using a two-step Data Envelopment Analysis (DEA) approach. Traditional DEA studies often found that most branches of a bank are efficient which led researchers to conclude that banks are usually “well managed” and that there would be little scope for improvement. However, due to the nature of the DEA estimator analyses based on a limited number of observations using a multitude of parameters it can lead to biased results that overstate the efficiency of the observations. The two-step approach makes it possible to determine which so-called environmental parameters have a significant impact on efficiency. A traditional DEA model that included several environmental parameters implied that 25 out of 31 branches in the author's data were efficient. Using the two-step model, the authors demonstrated that 8 of the 25 branches were wrongly classified as efficient by the traditional DEA model.

The second article on “Examining Corporate Bankruptcy: An Artificial Intelligence Approach” by Kim identifies, empirically, the common characteristics of bankrupt firms via the use of accounting and financial data. This article provides not only ways of predicting firms headed for bankruptcy, but also assists researchers identify a pattern of why certain firms failed over a period of time. The Adaptive Learning Network (ALN), an Artificial Intelligence technique, was used in this study because it is known to handle data that are inconsistent, unreliable and incomplete. The study findings were most encouraging with the established empirical model being successful in not only predicting bankruptcy but also providing important common characteristics of firms that had failed.

The third article on “Integrating Customer Orientation, Employee Compensation and Performance Management: A Conceptual Framework” by Tuzovic and Bruhn suggests that compensation systems are an essential tool to link corporate goals, such as customer orientation with individual and organisational performance. While some authors demonstrate the positive effects of incorporating non-financial measures into the compensation system empirically, companies have encountered problems after linking pay to customer satisfaction. This article argues that the reasons for such problems can be attributed to the quality of measurement of customer satisfaction as well as the missing link between customer satisfaction and customer retention and/or profitability in these cases. Hence, the authors argue that there is a strong need for the development of an holistic reward and performance measurement model enabling an organisation to identify cause-and-effect relationships when linking rewards to non-financial performance measures. The article, therefore, presents a conceptual framework of a success chain driven reward system that enables organisations to systematically derive a customer-oriented reward strategy.

The fourth article on “Performance Appraisal in the Chinese State-Owned Coal Industry” by Bai and Bennington identifies that performance appraisal (PA) is a western management concept that is meant to improve individual and organisational performance. Although performance appraisal systems have come under a plethora of criticisms, they continue to be the platform of human resource management systems. This article focuses on the practices of state-owned coal mines in China. The article concludes that Chinese state-owned enterprises were found to be utilizing modern PA measures as effective tools to enhance their management efficiency and productivity. The authors describe the implementation of performance appraisal in the state owned coal sector, indicating some interesting variations from western practices, and they provide valuable insight into the significant changes occurring in PA in China.

The fifth article on “Performance Management: Outsourcing and Behavioural Dynamics” by Parker and Russell identifies the importance of addressing strategic performance issues and inter/intra-relationships between parent company team members and their outsource-counterparts. The article concludes that behavioural issues such as psychological contracts within inter/intra work groups, power and trust are highly significant managerial performance issues when perceiving the success or failure of an outsourcing strategy, such that potentially they outweigh economic factors and corporate performance imperatives specified in the service level agreement.

The sixth article on “Product Performance Evaluation: A Super Efficiency Model” by Staat and Hammerschmidt introduces the concept of product performance from a customers' perspective. The authors propose a ratio of outputs that customers obtain from a product relative to inputs that customers have to spend for purchasing and using the product as a performance measure. The output side is modeled as a set of

customer-relevant parameters such as technical performance attributes but also non-functional benefits and brand strength, the input side models user costs. The authors use their approach to middle class cars sold in the German market. More than 60 percent of the cars obtain a score of unity in the standard model and are rated as efficient. They form the efficient frontier of the compact car market representing a reference function for performance evaluation. Using a super-efficiency model, it is possible to differentiate the efficient products that are left with a score of unity by standard efficiency models. The authors claim that their approach is relevant for other companies. However, the future research could look into the possibility of applying their approach in different companies.

The seventh article on “Performance Measures, Measurement and Reporting in Government Organisations” by Sharma and Wanna argue that performance measurement has been recognised as one of the key items of the public sector reform agenda. This article reviews the performance management literature in public sector organisations and examines the reasons for governments’ interest in performance management. It also extracts a normative view of what governments should do, and identifies critical concerns and issues that the normative views pose in performance management and reporting.

The final article in the Special Issue is on “International Joint Venture (IJV) Marketing Performance: Alternative Approaches to Performance Measurement” by Julian and the article assesses IJV marketing performance in the Republic of Thailand. In this article the author develops an objective measure to assess IJV marketing performance and compares two different types of measures for measuring IJV marketing performance, a subjective measure and an objective measure, and finds both measures to be significantly correlated. The objective measure of IJV marketing performance is a composite measure that includes strategic objectives for

establishing an IJV. The objective measure assesses the respondents' satisfaction with the achievement of specific strategic objectives and the subjective measure is a perceptual measure. The data for this study is from a cross-sectional sample of 161 IJVs located in the Republic of Thailand.

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