

A conceptual framework for integrated performance management systems

Integrated
PMS

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Abstract

Purpose – The purpose of this paper is to further develop a conceptual framework for analysing performance management systems (PMS). The framework aims to be useful for a rich understanding of a specific organisation's PMS. At the same time, it should preferably be simple so that it could be used even in practice. The framework adds to earlier work by Malmi and Brown (2008), Ferreira and Otley (2009), Broadbent and Laughlin (2009), Bedford and Malmi (2015) and Johanson *et al.* (2001).

Design/methodology/approach – The paper is theoretical but has also been applied to a Swedish municipality. The purpose of the latter was to understand if the framework is feasible so far.

Findings – The authors hold that the framework in its present form is useful to use as an analytical tool even if it needs to be subjected to further development.

Research limitations/implications – The paper addresses an issue that is continuously changing. This means that the suggested framework may suffer from theoretical weaknesses in some respects. To balance between a theoretically deep and exhaustive framework and a framework that is simple enough to use is a tricky question that needs further investigation.

Practical implications – The ambition with the framework is that it shall be useful even in practice.

Originality/value – The need for further research in the PMS area has been emphasised by the above researcher but also by, e.g., Van Helden and Reichard (2016). They hold that the authors need rich European cases to improve the understanding of how PMS works. The authors hold that the present framework has the potential to meet the demands from Van Helden and Reichard.

Keywords Management control, Performance management system,
Framework performance management, Integrated performance management

Paper type Conceptual paper

1. Introduction

During recent decades, many authors have suggested that accounting and management control needs to reconsider itself in a profound way. The starting point for this re-examination process could be traced back to at least the “relevance lost” debate in the 1980s (Kaplan and Johnson, 1987). In a recent article, Giovannoni and Maraghini (2013) suggest that there are a number of different proposals with respect to developing “integrated performance management systems”. Over the years, some of these integration initiatives have been the following: the balanced scorecard, intellectual capital, the intangible assets monitor and the performance prism (Neely *et al.*, 2001). Many of the proposals have had the aim of aligning individual actions and interactions, thereby binding together the various parts of the organisation according to the company's vision and strategic ambitions. With reference to others, Giovannoni and Maraghini (2013) also state that there is a need for a better



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understanding of how performance management systems (PMS) can be managed. For example, they claim, “we need to further understand how to: translate all the relevant aspects of organizational performance into a coherent set of financial and non-financial measures and target estimates and manage trade-offs to avoid conflicts between different performance dimensions or time periods and to manage consensus and ensure a thorough understanding of multiple and diverse measures”.

Van Helden and Reichard (2016) examined articles addressing performance management practices in the public as well as the private sector. After performing a review of 100 publications investigating the links between the dimensions of the public/private-distinction (ownership, funding, control and type of goals) and the design and use of PMS, they conclude that multi-dimensionality of the PMS is core in both public and private sector organizations.

Another finding by van Helden and Reichards’ is that a large part of public sector articles in relation to performance management is published in US journals with empirical data from the USA. Additionally, van Helden and Reichards hold that the articles are dealing with quite specific and detailed issues and do not provide much empirical evidence about the design and use of a PMS. Van Helden and Reichard call for content-rich articles addressing other contexts than the American. Since we use European empirical data and approach the area of PMS from a relatively holistic perspective, the findings will give us a rich content of the design and use of a PMS, and thus we will respond to van Helden and Reichard’s call.

Malmi and Brown (2008), Ferreira and Otley (2009) and Broadbent and Laughlin (2009) suggested broad frameworks for analysing and developing PMS. However, we hold that their suggestions need further clarification and development. In the case of Ferreira and Otley, some important elements are missing and their suggested framework would also benefit from some kind of order. The need for some order is better in the suggestion by Malmi and Brown. They have classified the framework elements in different types/levels of control/management within their package. Both of these frameworks could be interpreted as a collage of PMS constructs, without a clear emphasise on the importance of the necessity of the integration of the elements. We will further develop the integrative aspect.

The purpose of the present paper is to increase the challenges and possibilities of using an integrated PMS. This is performed by adding to the work suggested by Malmi and Brown (2008), Ferreira and Otley (2009) and Broadbent and Laughlin (2009). The conceptual framework that we suggest hopefully has the potential to not only be used as a tool of analysis, but also to construct PMS. This is to say that the aim of the present paper is to suggest a conceptual integrated performance management framework, which has a solid theoretical origin and substance, and also has the aim of being empirically useful.

An additional contribution made by this paper is that we will have a specific focus on the integrative aspects of PMS and will thus make use of the term “integrated”. The reason for doing this is that we hold that a “good” and exhaustive PMS needs to address a number of integrative challenges, such as the integration of financial and non-financial performance strategies; measures, targets and processes; management and reporting content and processes; and different internal stakeholder perspectives.

Our suggested framework, which is tackling some of these integrating challenges directly (2 and 3) and others more indirectly (1 and 4), has been used in a previous research project to analyse a couple of Swedish municipalities with the main purpose to increase the understanding if and how the framework could be useful to explore the performance measurement processes in a public sector organisation. In this paper, we will present our findings from one of these municipalities. It is important to underline that the application of the framework does not primarily aim for a detailed investigation of the municipality but

rather to increase our understanding of the possible usefulness of the framework. However, as a result, we found that the use of the framework provided us with an understanding of PMS in at least one Swedish municipality.

The suggested framework will primarily focus on internal elements, leaving the external context and its forces outside of this analysis. This means that the present paper will omit the challenge of different external stakeholder perspectives, but still tackle a number of internal stakeholder challenges from an integration perspective. Of course, external constructs and stakeholders do affect the PMS and influence the relevance of the PMS, but we will save that discussion for a future article. One motivation for this choice is that the internal stakeholder groups are often paid less attention and treated as one single stakeholder group. Another reason for focussing on integration is to underline the importance of the close coherence (Ferreira and Otley, 2009) between the different internal PMS framework constructs, such as targets, measures, reports and processes.

With the aim of reaching an understanding of the usefulness of the framework, we have, in earlier studies, applied it to different PMS contexts, for example, the work environment (Frick and Johanson, 2013), one large and one medium-sized company (Johanson and Skoog, 2015), and a couple of local municipalities (Johanson and Almqvist, 2016). During these research processes, the framework has been adjusted, and an interview guideline has been developed.

In the next section, the suggestions by Malmi and Brown (2008), Ferreira and Otley (2009) and Broadbent and Laughlin (2009) are commented upon with reference to a number of other relevant proposals, for example, Johanson *et al.* (2001a, b) and Bedford and Malmi (2015).

As a next step, our suggested framework is presented in section three. To illustrate how the framework might possibly provide a useful understanding of the PMS, it is applied on a municipality that has re-focussed its PMS towards value-based performance management in an attempt to be more holistic and relevant in its way of delivering services to citizens.

The concluding section comprises a discussion of the advantages, limitations and weaknesses of the framework. In accordance with Malmi and Brown's (2008) suggestion, we do not have the ambition that our proposed framework should be viewed as a final solution to all related conceptual problems. Rather, our aim is to present a broad approach focusing on the integrative aspects of functional processes and contextual constructs, in order to be able to provide a rich understanding of PMS. Possible further developments of the framework will be summarised, and a future research agenda will be suggested. Finally, the conclusion includes an open invitation for further discussion about the framework and its constructs.

2. Earlier framework suggestions

Malmi and Brown (2008) introduce their article by stating that "the idea of management control systems (MCS) operating as a package has existed for over 30 years" (p. 287). However, in spite of several calls to study the issue, there has been little in the way of theorising or empirical studies of the topic. With this paper, we will try to contribute both conceptually as well as empirically by constructing a conceptual framework and then by applying this framework as a model of analysis on an empirical case. Malmi and Brown state that further studies are important because MCS do not operate in isolation and "if the links between various MCS are not recognised, then the way in which the considered MCS components relate to studied contingent variables will lead to erroneous conclusions" (p. 287). Fisher (1998) and Chenhall (2003) also provide this idea. Malmi and Brown hold that an MCS package comprises budgets, measurement systems and other traditional accounting controls, but also administrative controls, such as governance structure and organisation structure. Cultural controls, for example, values and symbols, are also part of the package. They suggest the following typology.

The typology is based on the assumption that the “idea of control is about managers ensuring that the behaviour of employees [...] is consistent with the organization’s objectives and strategies” (p. 295). The block in the middle of Figure 1, that is, planning, cybernetic controls, and reward and compensation, is placed in a temporal order and supposed to be tightly linked. Long range planning concerns strategies, whereas action planning refers to tactical short-term action planning. As opposed to financial and non-financial categories, hybrid measurement systems include both categories. Rewards can be extrinsic or intrinsic and affect effort direction, effort duration and effort intensity. However, their MCS package is a good map or overview over an MCS but they do not make it clear how and if the parts are linked together, i.e. the integrative aspects of the model. With our suggested conceptual framework, we will try to take this one step further by illustrating that it is important to reflect and think about possible integrations between the different parts of the MCS/PMS.

Cultural controls are slow to change and provide an overall contextual frame. They comprise clans, values and symbols, which influence employee behaviour. Finally, administrative controls comprise the structure, in which planning, cybernetic, and rewards and compensation are exercised. Governance structure includes formal lines of authority and accountability, whereas policies and procedures specify the processes and behaviour in the organisation.

One year after Malmi and Brown’s proposal, Ferreira and Otley (2009) criticised Anthony’s (1965) definition of MCS for encouraging a narrow view “that falls short of capturing the richness of issues and relationships implicated in management control systems design and use. In particular, it concentrated on formal (and usually accounting) controls without setting them in their wider context” (p. 264). As was the case with Malmi and Brown, where they suggested a much broader approach and preferred to use the concept performance management system. They viewed “performance management systems as the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change” (p. 264).

To analyse the design and use of such PMS, Ferreira and Otley (2009, p. 266) suggest a framework comprised of 12 issues that need to be considered. These issues are:

- (1) the vision and mission of the organisation;
- (2) key factors that are central to the organisation’s future success;

Cultural controls						
Clans		Values			Symbols	
Planning		Cybernetic controls				Reward and compensation
Long range planning	Action planning	Budgets	Financial measurement systems	Non-financial measurement systems	Hybrid measurement systems	
Administrative controls						
Governance structure		Organisation structure			Policies and procedures	

Figure 1.
Management control systems package

Source: Malmi and Brown (2008, p. 291)

- (3) organisation structure and what impact it has on design and use of the PMS;
- (4) strategies, plans and processes that are required to ensure success;
- (5) the organisation's key performance measures;
- (6) performance level necessary to achieve, regarding key performance measures;
- (7) the processes for evaluating performance;
- (8) rewards/penalties, financial/non-financial, affecting managers/employees;
- (9) information systems to support the operation of the PMS;
- (10) the type of information and the type of various control mechanisms;
- (11) alteration of the PMS in light of internal and external change dynamics; and
- (12) the strength and coherence between the components of the PMS.

However, very soon afterwards, Broadbent and Laughlin (2009) proposed that Ferreira and Otley's framework needed to be developed further. Their suggestions were based on an opinion that it is relevant to separate between a relational and a transactional PMS. The former was based on a practical and communicative rationality, where consensus between different actors is essential. The foundation of the latter view is more abstract and instrumental. They hold that the differentiation between a relational and a transactional PMS is important to increase understanding of the design of a certain PMS. Further, they suggested a division between functional and contextual issues. For example, issues 1, 2, 4 and 5, listed above, could be classified as functional, whereas 8–12 are contextual.

The division between functional and contextual PMS elements was also obvious in a study by Johanson *et al.* (2001a, b). Based on a theoretical framework comprising evolutionary-, action-, organisational learning- and structuration theories, Johanson *et al.* (2001a, b) performed an explorative qualitative study of the performance management practices addressing intangibles in a number of Swedish companies. They identified different routines that facilitate learning and the transformation of attention and knowledge into action. The routines were classified as follows:

- (1) recognition and measurement routines (human capital surveys, market capital surveys, accounting practices);
- (2) reporting routines (continuous internal reports, informal information to the financial market);
- (3) evaluation routines (evaluation of single human capital and market indicators by each manager, statistical analysis);
- (4) attention routines (meetings);
- (5) motivation routines (top management demand, benchmarking between departments, dialogues, salary bonus related to change in human capital and market capital index);
- (6) commitment routines (ownership of each indicator, contract between managers at different levels to act upon the indicators); and
- (7) follow-up routines (statistical analysis of the complete performance management system).

Except for the first routine, all other routines are contextual elements that enforce the first functional routine, that is, the role of the contextual constructs is to support the functional constructs.

Johanson *et al.* (2001b) conclude that the routines listed above could be related to the action model of Swieringa and Weick (1987) and Johanson (1999) in the sense that meetings and dialogues direct managers' and employees' attention to the results from the measurements. These results, in combination with statistical analysis, affect knowledge. Motivation is further addressed by a clear top-management demand, benchmarking, and salary bonuses. Finally, commitment to change is made possible by means of a contract between managers at different levels. The empirical data reveals that organisational learning processes have been affected in the way that dominating cognitive schemes and coordinated action have been obtained. Referring to Giddens (1984), management control of intangibles provides new practices of domination structures through motivation and commitment routines. The signification (i.e. the collective cognitive schemes), as well as the legitimisation (the shared sets of values and ideals) structures, are gradually transformed into new structures (Johanson *et al.*, 2001b, p. 731).

Giovannoni and Maraghini (2013) also emphasise the importance of contextual constructs. In the empirical case, "Monnalisa", it was found that contextual support played an important integrating role with respect to the PMS. It was clear that the social interaction between the profit unit managers influenced and improved the target setting and evaluation processes, that is, the functional constructs. In addition, the intervention of the company founder played an important role in signalling that the top management were interested in making things better. The latter demonstrates an important motivation for enhancing the integrated PMS.

After this overview of earlier framework suggestions and the critique of them, we will now turn to our suggested framework.

3. The suggested integrated PMS framework

Before presenting our framework, some other important factors need to be addressed. In Malmi and Brown's framework, cultural controls are placed at the top of the figure because they provide a frame of how the MCS works. Hofstede (1978) complained that MC and accounting suffer from philosophical poverty. The latter facilitates an instrumental approach to MC, where the basic values and visions can be forgotten. Dean (1999) holds that there is a need to reconsider the regimes of governance behind MC and to investigate and address basic MC values, whereas Schein (2004) identifies a difference between basic expressed views and basic shared values. The latter are often unconscious (Alvesson and Sveningsson, 2008) and, therefore, impossible, or at least difficult, to reveal. Basic values can exist at the group level, the departmental level or the complete organisational level. These unconscious values may differ a lot from the expressed basic views, upon which the PMS is designed, but the point is that we must be aware of these, in order to understand fully what is behind and makes up the PMS. Following a similar kind of reasoning, Hasselbladh *et al.* (2008) use the concept ideals instead of values. The term ideal here refers to a basic intention shared by a collective of individuals and which is the rationale for the existence of a specific management system. We hold that if the PMS ideal is not supported by the complete PMS system, the PMS process will fail to reach its purposes. PMS may end up in a tick the box ritual. In our suggested framework, we have used the concept PMS ideal. The concept refers to the ideal PMS design that fulfils the basic views and values which motivates the existence of the actual public organisation (for further clarification, see the public sector example later in the present text).

Based on Malmi and Brown (2008) and Bedford and Malmi's (2015) suggestions, an MC typology is possible, which includes the following constructs: planning, measurement, compensation, structure, policies and procedures, and socio-ideological aspects. The constructs have similarities to the suggestions of Ferreira and Otley, even if the constructs are classified in another way.

The framework presented in the present section is a conceptual typology comprising configurations of multiple elements, components, and processes. It comprises internal PMS processes (Bedford and Malmi, 2015). So far, and similar to Malmi and Brown, and Ferreira and Otley, external forces are not addressed. External forces refer to, e.g., politics, demography and taxes. In spite of the implicit warning by Bedford and Malmi (2015) that the external forces probably differ strongly, the purpose has so far been to find out if the framework is feasible for data collection and analysis, as well as to gain an overall and rich understanding of PMS. This is why the framework has been tentatively used in three different contexts, that is, the work environment (Frick and Johanson, 2013), one large and one medium-sized company (Johanson and Skoog, 2015), and a couple of local municipalities (Johanson and Almqvist, 2016). These three exercises revealed that separating between functional and contextual processes seemed to be important, both with respect to data collection and analysis, and to improving understanding of the PMS. After the exercises, the PMS framework was developed (Figure 2).

We have placed PMS ideal and coherence at the top of the framework. As we have suggested, the ideal reveals the logic and the background for the existence of the different PMS constructs. The PMS ideal emanates from the reasons for the existence of the organisation i.e. basic views and values.

Concerning coherence, Ferreira and Otley claim that “Although the individual components of the performance management systems may be apparently well designed, evidence suggests that when they do not fit well together (either in design or use) [...] failures can occur” (p. 275). This means that it is important that not just functional and contextual factors, but also basic views and values are coherent. The latter is also a clarification of Ferreira and Otley’s framework.

The functional process then comprises the vision, strategies and plans, as well as concrete goals and targets. Ferreira and Otley claim that visions comprise core values. They hold that “Vision [...] statements are landmarks that guide the process of deciding what to change and what to preserve in strategies and activities” (p. 268). To distinguish between the concepts, we prefer to more explicitly separate between the vision and the basic views and values, i.e. ideals in our framework. Vision is often, but not necessarily, a written statement that works as a

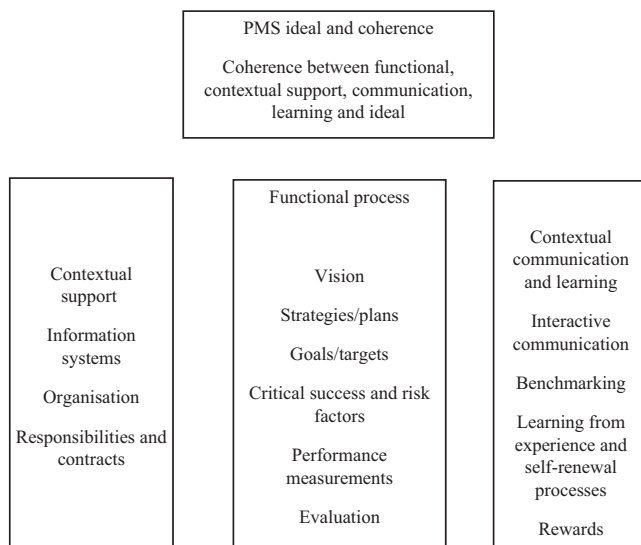


Figure 2.
Framework
performance
management system

guiding principle, whereas values are classified as belonging to the basic expressed views (Schein, 2004). The difference between visions and basic views and values (ideals) was not clear in the framework suggested by Ferreira and Otley. Here, we try to make that distinction clear. Furthermore, our suggested framework comprises critical success and risk factors, performance measurements and evaluation. These functional factors are characterised by financial and non-financial elements.

The functional process addresses what the organisation should achieve and if these ambitions have been fulfilled. The contextual support processes facilitate or hinder the fulfillment of the achievements. Some of these critical contextual support processes are information systems, organisation and responsibilities, including contracts. In the study by Johanson *et al.* (2001a, b), it was found that contracts with respect to responsibilities were a very important issue. Ferreira and Otley also suggest that various control mechanisms should be addressed. But even the latter proposal is rather vague. In the framework, we follow the findings by Johanson *et al.* (2001a, b), which means that responsibilities and contracts is more explicitly expressed in the present framework. Johanson *et al.* found that agreements were either formal in written and signed contract or informally expressed as, e.g., "I agree to take care of this [...]".

The contracts were based (Johanson *et al.*, 2001a, b) on some sort of interactivity which is closely related to the proposal by Simons (1995) that MC should be an interactive communication process, as opposed to just a one-way information tool. The one-way hierarchic communication has often been linked with a command and control behaviour (Bjurström *et al.*, 2010). A command and control behaviour might be dysfunctional, according to Deming (1986) because the organisational vision and goals may be forgotten and even more important basic views and values as well as governance ideals could be overruled. We therefore propose that another set of important supporting processes could be labelled 'contextual communication and learning' and contain integrative aspects like; interactive communication, benchmarking, learning from experience and self renewal processes and rewards.

Interactive communication, as opposed to a one-way diagnostic control, is not mentioned by Ferreira and Otley. However, interactivity, as opposed to a hierarchic communication, facilitates, not just a widely-spread understanding of the PMS, but also a continuous adjustment of the PMS when conditions are changed. Nonaka and Toyama (2005) suggest the use of the concept "kata" for such a self-renewal learning process. Therefore, we have included learning from experience/self-renewal process in the framework.

Benchmarking was suggested by Johanson *et al.* to be an important process related to learning as well as rewards. The latter includes extrinsic and intrinsic rewards (Flamholtz *et al.*, 1985). It does not just refer to salary and bonus items, but also to, for example, top management demand (Johanson *et al.*, 2001b). The benchmarking construct does not exist in Ferreira and Otley's framework and rewards were vague.

The framework's constructs are not, and could never be, an ideal classification system. It is not exhaustive, and the subcategories are not exclusive (Gröjer, 2001), nor are the three overall categories exclusive. These shortcomings of the framework will be commented upon further in the concluding section.

The framework is not meant to be applied in line with what Lapsley (2009) labels "a tick the box mentality" because it is neither a prescription of what is needed to address when designing an integrating PMS, nor does the framework prescribe anything about linear causality. Rather, every PMS is comprised of a number of mutual causalities/interactions that may vary in different contexts (Bjurström, 2012). It is a framework that has the potential to achieve "a rich understanding" (Broadbent and Laughlin, 2009) of PMS. To demonstrate the latter, the conceptual framework will now, for illustrative reasons, be applied to an empirical case, the local municipality.

4. Example, the Motala municipality

With the twofold ambition of increasing our understanding of the usefulness of the framework with respect to data collection, analyses and conclusions, and to see if it could easily provide a rich understanding of the PMS, the framework was used for interviews with top managers in the municipality. An interview guideline (see the Appendix) was constructed with the framework as a point of departure (Johanson and Almqvist, 2016). The guideline was also used when analysing organisational documents, along with a book by Jonsson (2015). The latter followed the development, utilisation and adjustment of the PMS-Motala (PMS-Mot) during the period 2010–2015.

Motala municipality has suffered a lot from rationalisations and the closing down of manufacturing plants over recent decades. Unemployment, as well as immigration, has been high. However, over the last ten years, a change has gradually occurred. From a pessimistic view about the future, the general opinion is characterised by optimism. The change is probably, in part, due to an agreement on the political level to create and introduce a new PMS, which involves, not just internal management, but also the political governance level. The PMS ideals behind the PMS have also been marketed to citizens. The PMS-expressed ideals are:

- openness;
- pride; and
- innovativeness.

These three ideals are integrated into the PMS. In addition, they are communicated to the citizens in different texts and drawings.

The intention behind the PMS-Mot is that it is not just based on these three ideals, but it must also be coherent. Significant changes to the PMS shall be interactively communicated (Contextual communication and learning/interactive communication) to the citizens through the democratic representative system.

With the three basic ideals as a point of departure, the municipal council has agreed upon a local development programme with 23 goals (functional process/goals/targets) to obtain during the coming mandated period. This is a promise to the citizens from the governing parties. The goals in the local development plan are classified into five categories: customers, employees, financial, development and sustainability. In accordance with the basic ideal “openness”, the goals, as well as the goal achievements (functional process/evaluation), are presented in the annual report. Together with financial information, the following table addressing the 23 goals is found in the annual report (Table I).

The financial frames that affect each goal are also decided upon by the municipal council. The evaluation of each goal concerns, used financial resources, non-financial results and achievements to improve the results (functional process/strategies and plans). For every goal, a comparison is made between the municipality and national data (functional process/evaluation). Every goal has a certain owner, that is, responsibilities and contracts (contextual support) are explicitly addressed. A comment addressing the level of the results is added to every goal, that is, if the goal is reached, is partly reached, is not reached or is not evaluated.

A self-renewal process (contextual communication and learning) exists in the way that a specific PMS evaluation group (comprising politicians and some top managers) has the responsibility to continuously evaluate the PMS.

The PMS-Mot was initiated in 2008 and the initial intention was that the PMS should be a system that could work, regardless of different political regimes but, nevertheless, be open for adjustments because of changed conditions (contextual support/information system coherent with functional processes). The latter should be balanced with requirements of continuity to facilitate comparisons over time (functional process/evaluation). The introduction of the three basic views has taken some time, but they are now integrated in many different ways,

PMS ideals	An open and living Motala	A proud and attractive Motala	An innovative and sustainable Motala
Goals	Top class business environment Meaningful employment Education for the individual and societal development Growth through diversity Citizen participation Cooperation for development	Proud inhabitants Attractive and climate smart living environments The growing Motala Rich social life Secure inhabitants Good hospitality and visitor satisfaction Live the vision	Growing entrepreneurship R&D for future Motala Good chance to live a healthy life Good quality of schools and health care Motala follows the UN children convention Social consideration and employment Renewable energy Food for sustainability Climate smart travelling Each generation bears their costs

Table I.
PMS ideals and goals within PMS-Motala

for example, with personnel policies, salary policies and brand policies. An important tool for visualising PMS and making it concrete and useful has been the PMS-IT-system (contextual support/information system).

The present PMS-Mot is the second version. The follow-up and adjustment of the first version involved not only the PMS evaluation group, but also other politicians and managers. The interviewees hold that much has been achieved in a short time. Reflection, interactive communication and the continuous renewal of the PMS work well. The contextual processes also support the functional processes. The PMS evaluation group plays a significant role in this process. Politicians, top management and other managerial levels, except for first line managers, are involved in the PMS. It has also been said that the acceptance of the PMS is higher within technical departments than within education and social service departments.

We have earlier mentioned that one important integrative challenge concerns the integration of financial and non-financial performance and processes. In PMS-Mot, integration exists in the way that both kinds of processes are treated and discussed in the same processes. As the municipality is primarily financed by taxes, financial factors constitute the frame within which non-financial goals and strategies are achieved. However, the CFO expressed an opinion that too much emphasis is put on non-financial issues. The latter view was not held at all by two other top managers who meant that non-financial strategies and goals is precisely what it is about. The ideal of proudness and innovativeness are intangible issues that could not easily be translated into costs. The financial frames are there, but within these frames, a too narrow cost perspective should not weigh down non-financial issues. The development manager said, "Many people believe that talking about costs improves the financial situation. However, this is not the case. Rather talking about innovativeness is the key to financial improvements". The integrative challenge is even clearer when looking at the very serious critics from the auditors in the annual report regarding the social services. The auditors hold that financial goal achievements are poor because of a lack of management control and follow-up. This means that goals decided by the municipality council have been overruled. In response, one of the top managers held that we have much more to do with respect to communication with the auditors.

A second integrative challenge revealed in this example, but not mentioned earlier in the paper, concerns the conflict between development goals (innovativeness) and legal regulations, for example, within the school system and the social services. The PMS-Mot is less accepted and widespread within the latter departments than within technical departments. The PMS

aims to cover all kinds of activities in the whole organisation. However, employees in services that are more legally regulated are more easily resistant to the PMS-Mot. Andersson (2014) demonstrates a conflict between two kinds of perspectives with respect to providing home help service for the elderly in another municipality. The perspective of accurate care held by the employees (and by the politicians when they meet their voters) is in sharp contrast to a perspective of administrative and economic efficiency promoted by the management of the organisation. Consequently, middle managers find themselves under intense pressure when they have to satisfy both of these perspectives.

The resistance towards PMS-Mot could be due to different ideals (Alvesson, 2002; Alvesson and Kärreman, 2004; Cilliers, 2012) between departments and professions. Professional education concerns among others turns socialisation into a specific culture. The provisions that regulate professional performance further reinforce the development of specific cultures and ideals. Actors within a specific culture become cultured observers when looking at other cultures (Henningsson, 2009). The latter means that the ideals may be different in different professional groups within Motala (as well as elsewhere) and thereby not coherent with the rest of PMS-Mot. The cultural context could also be a reason for the conflict between people holding a financial view and those holding a non-financial view.

The aim of this example was to demonstrate how the framework could be used to analyse the PMS. With respect to Motala, another researcher (Jonsson, 2015) has followed and evaluated the PMS during the period 2010–2015. He conducted five deep investigations and focussed on PMS-Mot's role and meaningfulness when it comes to the aim of transforming the politics into activities. Jonsson claimed that PMS-Mot, in many aspects, has fulfilled expectations. It has facilitated the translation of the politics into concrete actions. One of the biggest contributions has been that the model creates a wholeness, that is, it is coherent. However, Jonsson, as well as our limited investigation, revealed some remaining challenges.

A very important issue concerns the necessity to better anchor the ideals and to get all employees involved in the coherent PMS-Mot. The resistance to the PMS can have its roots in the different cultures between different departments, for example, the schools vs technical departments. Another factor could be of exogenous character. For example, legislation shapes the demands on the functional process differently for infra-structural planning than for school performance.

A third reason for the shortcomings concerning the anchoring of the PMS in some of the departments could have to do with the contextual constructs. The way of organising the municipality into boards and administrations does not fit with the 23 common goals. The goals are general and not specific to certain administrations or boards, whereas the resources such as financial accountabilities are allocated to the specific boards and administrations. To handle this problem, there is a designated coordinator for all the specific goals, both on the level of the boards and on the different civil servant levels. The latter responsibility is a matter for the boards. Finally, there is still a challenge with respect to the integration between financial and non-financial performance, as well as the present costs and investments for the future.

With respect to this case, the point is not to make an exhaustive statement about the condition of the PMS's in Motala, but rather to exemplify how the framework can be used. Our preliminary impression is that the application of our suggested framework provides a good opportunity with respect to the understanding of advantages and limitations regarding an existing PMS. Most likely, the lack of coherence will always be easier to identify. This was the case when the first embryo to the present framework was developed and applied to the work environment management (Frick and Johanson, 2013). Looking back, it was interesting to understand why many work environment improvements did not work as expected from the beginning. The organisations fulfilled the legal requirements,

which were basically about the functional processes, but the work environment provision did not address the contextual constructs, for example, responsibilities and contracts.

Van Helden and Reichard (2016) hold that “[...] performance information in public sector organisations is primarily used for external accountability reasons, while internal managerial control is the main purpose in private firms” (p. 310). However, this is not the case with respect to Motala. Rather, the main purpose is the anchoring of the internal management process to the external accountability. This underlines the integrative aspect of the PMS.

5. Conclusion

The suggested conceptual framework has mainly taken the proposal by Ferreira and Otley (2009) as a point of departure. However, when applying the framework to the analyses of the Swedish work environment case studies (Frick and Johanson, 2013), it was obvious that the framework needed to be further developed. Ideas about how such adjustments could be performed were provided by Hofstede (1978), Johanson *et al.* (2001a, b), Malmi and Brown (2008), Broadbent and Laughlin (2009) and others. In addition to the theoretical development process, the framework was also gradually subject to empirical analysis in a small number of private (Johanson and Skoog, 2015) and public (Johanson and Almqvist, 2016) organisations. Some of the issues that became obvious during process were:

- (1) Ferreira and Otley refer to vision and mission. However, inspired by Hofstede (1978), we meant that there was a need for further clarification. The latter was clear in the analysis made by Frick and Johanson (2013). The concepts of basic views and values were introduced. Later on, we found that ideal as proposed by Hasselbladh *et al.* (2008) was the most adequate concept (see section 3 above, the first paragraph).
- (2) When analysing the public organisations (Johanson and Almqvist, 2016), the need for splitting up the framework between functional and contextual processes became important. The latter was suggested by Broadbent and Laughlin (2009) but not by Ferreira and Otley.
- (3) At a very early stage of the development of the framework, we also recognised the importance of creating some sort of order of the different framework items. The items were classified into the four main categories: ideal and coherence, contextual support, functional process, and contextual communication and learning.
- (4) The need for emphasising the importance of coherence was obvious in the analysis of the work environment as well as in the private and public cases. Ferreira and Otley mention the need for coherence but not clear enough.
- (5) Ferreira and Otley also suggest that various control mechanisms should be addressed. Our proposal is more explicit when we suggest responsibilities and contracts. The latter originates from Johanson *et al.* (2001a, b).
- (6) Interactive communication (suggested by Simons, 1995 and demonstrated in the work by Johanson *et al.* (2001a, b), as opposed to a one-way diagnostic control, is not mentioned by Ferreira and Otley, but added in our suggested framework.
- (7) The benchmarking construct does not exist in Ferreira and Otley’s framework. However this was found to be very important in the work performed by Johanson *et al.* (2001a, b).

Traditionally, financial measures and targets are managed separately from non-financial ones (Johanson *et al.*, 2006). This is often explained by the fact that they are handled and reported in different systems and administrated by different people. External and internal reporting formally plays an important role in performance management, but is this really

the case in most empirical settings? The accounting-driven perception of what is an investment and what is not tends to create a tension between tangible and intangible-oriented investments, where most of the intangible investments end up as costs in the income statement, while tangible ones are activated as assets on the balance sheet. This tension was obvious in the Motala example. Furthermore, past performance often dominates the agenda for future-oriented (budget) targets and some (private and public) organisations prefer to manage towards a narrower shareholder/owner perspective instead of including the broader stakeholder-oriented way of managing and measuring performance.

As we have stated earlier, our suggested framework is primarily addressing internal constructs, even if the distinction between external and internal processes is sometimes difficult to state. The latter was the case with respect to legal influence on the services provided by Motala. It seems very important to try to extend the framework with external constructs. In such a process, the framework probably needs to be, not only broadened, but also developed for different application contexts, such as production of goods or services, private or public organisations (Van Helden and Reichard, 2016), big or small firms, etc.

We have also stated that looking upon the framework as a classification scheme, it is quite clear that the categories are not, and will never be, exclusive or exhaustive. This is probably a shortcoming that we must accept.

The aim of the framework is to provide an overall conceptual understanding of specific PMS in different organisational contexts. We also hope that the framework could be useful as an enabling tool when developing PMS. For both of these purposes, the interview guideline presented in the Appendix could probably be useful.

Our contribution to previous PMS literature is that we have further developed a conceptual framework for analysing and constructing PMS also in the public sector. We have also taken a first step to demonstrate how the framework can be applied to get a rich understanding of a European municipality PMS case. However, to further improve our suggested integrated PMS, some next steps need to be accomplished. These steps concern the theoretical underpinning, as well as the practical usefulness. There are at least four types of studies to be done:

- (1) Feasibility studies, that is, improving the understanding of the usefulness of the conceptual framework by performing robust and deep studies using different methodologies. Such studies will probably call for further development of the framework.
- (2) Continue the development of the conceptual framework adding external conditions. A way forward to accomplish this could be to add further theoretical aspects and apply these aspects to minor examples in the same way as we have done so far.
- (3) Application of the framework on very different contexts, not just PMS in private or public organisations, small or big firms, service or goods production, but also PMS addressing, for example, sustainability and hybridity.

Finally, we want to open up further discussions with respect to the theoretical ground that we have developed and will continue to develop in our framework. We would also be grateful for suggestions concerning future research to be performed by us or by anyone else.

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Appendix. Interview guideline

- (1) What is important for the municipality's future?
- (2) What are the governing challenges?
- (3) What are the strategies and plans for the future challenges?
- (4) What plans (long/short terms)?
- (5) Are there goals/targets for the strategies and plans?
- (6) What are the critical success factors to achieve strategies, plans and goals?
- (7) What are the critical risk factors?
- (8) What kind of performance measurement is developed?
- (9) How will monitoring of strategies, plans, goals and critical success factors occur?
- (10) What type of information system is available to support the performance management?
- (11) Does the existing information system facilitate double looped, that is, can it affect the performance management?

- (12) Will an evaluation of the whole performance management process be carried out to facilitate learning and development of the PMS?
- (13) What basic views do you want to achieve with the help by the PMS?
- (14) Who is responsible for the evaluation?
- (15) Are responsibilities and contracts relating to management control clearly stated?
- (16) Is there any “contract” between different management levels regarding the content of management control established?

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