

Guest editorial

Remastered, reinvented and reimaged: evolving and merging performance management and measurement paths

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Introduction

Contemporary – and almost certainly – future modes of performance measurement and management owe much to the contributions of acknowledged masters: Shigeo Shingo, Tomas Bata, W. Edwards Deming, Joseph M. Juran and numerous others. These and other voices have influenced the content, intent and direction of well-known approaches to holistic enterprise performance, as well as performance measurement and management. Counted among these approaches are the foundational principles and models of the Shingo Prize for Operational Excellence, European Quality Award, America's Malcolm Baldrige National Quality Award, the Balanced Scorecard (Kaplan and Norton, 1996), the Performance Prism (Adams and Neely, 2000; Neely *et al.*, 2001) and other recent developments.

In near parallel, enterprises have become morally, ethically and legally obliged to address social and environmental responsibilities and challenges, many of which are global in scope. In response, we have seen the rise of specialized product innovation and design approaches such as biomimicry (Benyus, 1997) and cradle-to-cradle (McDonough and Braungart, 2002a) – both of which are vital to growing the circular economy (Murray *et al.*, 2017).

Contemporaneously, complementary performance measurement and management philosophies and systems aimed at simultaneous delivery of superior social, environmental and economic (triple bottom line) performance and impacts emerged (Elkington, 1997). These include – logically enough – triple top-line strategy and design (McDonough and Braungart, 2002b), the Global Reporting Initiative (Brown *et al.*, 2009), United Nations Global Compact (Rasche *et al.*, 2013), ISO 14000 (Samuel and Bo, 2007) and ISO 26000 (Castka and Balzarova, 2007).

As such it may be noted that performance measurement and management systems evolve in holistic directions wherein enterprises must concurrently and integratively address economic, social, environmental and innovation performance and impact along with performance and impact in other areas of importance that are contextually more specific to the enterprise. This has led to the development of hybrid approaches that include, for example, the sustainability balanced scorecard (Figge *et al.*, 2002) and sustainable enterprise excellence model (Edgeman, 2013; Edgeman and Eskildsen, 2014).

It is now widely accepted that successful lasting positive change is most commonly driven by strong, principle-driven enterprise culture but that tools and methodologies cannot be

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ignored. To echo former IBM turnaround CEO, Lou Gerstner, “*Culture isn’t just one aspect of the game. It is the game*” (Gerstner, 2002). Peter Drucker, the father of modern strategic management put it this way, “culture eats strategy for breakfast!” (Rivenburgh, 2014).

Specificity of cultural elements is crucial to the form, function and degree of unity or friction that exist in an enterprise because some enterprise cultures are conducive to pursuit of excellence, whereas others are corrosive. It is incumbent on leadership to set the cultural tone in an enterprise because, according to Robert Noyce, co-founder of Intel, “*if ethics are poor at the top, that behavior is copied down through the organization*” (Berlin, 2005). Corollary to this is that *superlative leadership ethics are reproduced throughout the enterprise* where superlative leadership ethics demand *respect for every individual* as prerequisite to *leading with humility*.

Although full convergence of the management philosophies of the masters, business and performance excellence models, economic and social sustainability and innovation is immature at best, a trend toward such convergence is apparent. Along with principles-driven cultural transformation, tools and methodologies, performance management and measurement systems are critical red threads running through these.

In the present context, a performance measurement system is regarded as “a set of metrics used to quantify the efficient and effectiveness of past actions”. A performance measurement system “enables informed decisions to be made and actions to be taken, because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data” (Neely *et al.*, 2002).

Research highlighted in the special issue

This special issue of *Measuring Business Excellence* highlights selected research from the *Performance Management Association Conference* hosted by Heriot Watt University in Edinburgh, Scotland in 2016. Authors of research included in the special issue span much of Asia, Europe and North America with the Czech Republic, Japan, Russia, Sweden and the USA represented. These authors bring diverse disciplinary and cultural perspectives to bear on the subjects of performance measurement and management.

Articles comprising the special issue range from tactical to strategic. These are briefly described as follows:

- *Tapping the potential of sensemaking for performance management* by Shannon Flumerfelt, David Porter and Javier Calvo-Amodio. This paper presents an original framework that uses organizational sensemaking to inform performance management. Used are the concept of congruence and tests of congruence, use of which enable identification of specific areas of improvement. Empirical validation of the framework provided strongly suggest that systems-based analytics can be used to improve performance management.
- *Factors influencing control charts usage of operational measures* by Anna Ericson Öberg, Peter Hammersberg and Anders Fundin. Useful methods are not limited to newer ones. Indeed, in some instances, methods proven over a span of several decades to be of value are highly useful but perhaps under-utilized. Under-utilization is sometimes fueled by general or specific lack of familiarity but at other times is due to what may be referred to as “lack of sex appeal” resulting from a perception that the method in question is antiquated and hence too old to continue to contribute value. Control charts – proven powerful over a prolonged period in numerous use environments – provide an exceptional example of this phenomenon. This paper explores performance benefits experienced in a global automotive manufacturing organization through strategic application of control chart technology to key performance indicators, concluding that the primary success factors are commitment to

the technology and pre-identification of the specific scope and magnitude of change needed.

- *Customer perceptions measures driving financial performance: theoretical and empirical work for a large decentralized banking group* by Jan Eklöf, Katerina Hellström, Aleksandra Malova, Johan Parmler and Olga Podkorytov. This paper explores customer satisfaction as a leading indicator of financial performance across multiple Swedish industries, Nordic region-wide in the financial sector and – finally – in an international banking group. Derived from this exploration are suggestions regarding how to shape strategy to better meet customer needs. In turn, these generate both increased customer satisfaction and customer loyalty. Further, it is documented that – at least to a point – higher customer satisfaction and customer loyalty levels lead to improved financial performance. This sequence of actions and consequences implies the possibility of creating a cycle of continuous improvement regarding overall customer performance and enterprise financial performance. The research design used features such as highly useful mixture of control and explanatory variables that map to financial performance – some of which are relatively invariant across industries as well as regional and national borders – so that knowledge and management of these variables or measures can aid enterprise performance.
- *Remastering Contemporary Enterprise Performance Management Systems* by Michaela Blahova, Premysl Palka, and Parissa Haghirian. Based on an analysis of more than 3,000 research articles and texts, this comprehensive literature review examines remastering of performance management systems to incorporate and balance economic, economic, social and political measures. This examination identified influential business trends and was conducted with sensitivity toward continuing distinctions between Asian and Western business traditions and the ways in which these distinctions influence the formation and application of performance measurement and management systems. Among business trends discussed are continuous innovation ongoing globalization, sustainability and forming organizations as though they were living organisms.
- *Routinizing peak performance and impacts via virtuous cycles* by Rick Edgeman. Almost all enterprises seek to improve performance year-upon-year. Most enterprises regularly implement new initiatives intended to advance this goal, usually with mixed returns, with only a relative few successfully learning and implementing the secrets – that is, paths – to sustainable excellence, resilience and robustness. Critical to sustainment of year-upon-year success is identification and practice of mutually reinforcing cycles of improvement referred to as virtuous cycles. Virtuous cycles emphasize cycles of reciprocal relationships that “pile good upon good”. Virtuous cycles that support successfully embedding the Shingo operational excellence principles in the psyche and practice of an enterprise are presented in this paper. Enterprises that have succeeded in holistically embedding these principles in their culture and practices have demonstrated the capability of sustaining year-upon-year excellence, resilience and robustness.

The evolving nature of performance measurement and management

It is essentially axiomatic that performance measurement and management systems have evolved and will continue to evolve. Evolution is instigated by multiple factors, many of which can be identified in contributions to this special issue.

Particularly evident are the role of pressures faced by today's enterprises. Among these pressures are not only the traditional one of performing well financially but also the more recently emerged ones of being socially and ecologically responsible – pressures fomenting circumstances wherein enterprises need to identify ways to “do well by doing

good” (Falck and Hebllich, 2007). This phenomenon has given rapid rise of so-called “for benefit” enterprises that deliberately aim to produce social and environmental benefits – commonly at the cost of limiting enterprise profit potential (Sabeti, 2011).

While many reasons can be given for these developments, growth in the number and nature of parties acknowledged as having legitimate interest in the activities, results and impacts of the enterprise is clearly one of the reasons. In addition to shareholders and customers, historically underemphasized or ignored entities such as the human ecology of the enterprise, society and – indirectly – the natural environment is now regarded as enterprise stakeholders and are hence able to exert some measure of influence over the enterprise. Equally, multiplication of the number and nature of enterprise stakeholders has multiplied the need for broadly beneficial enterprise activities and solutions. The days of unrestrained pursuit of profit are over – even if this is not universally recognized.

These shifts in the landscape require development of a more comprehensive and non-traditional array of measures capable of addressing those things not historically in the domain of enterprise concern. The need to measure new or different things also mandates the development of new ways of measuring.

These – collectively – are representative of the issues addresses in this special issue.

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