

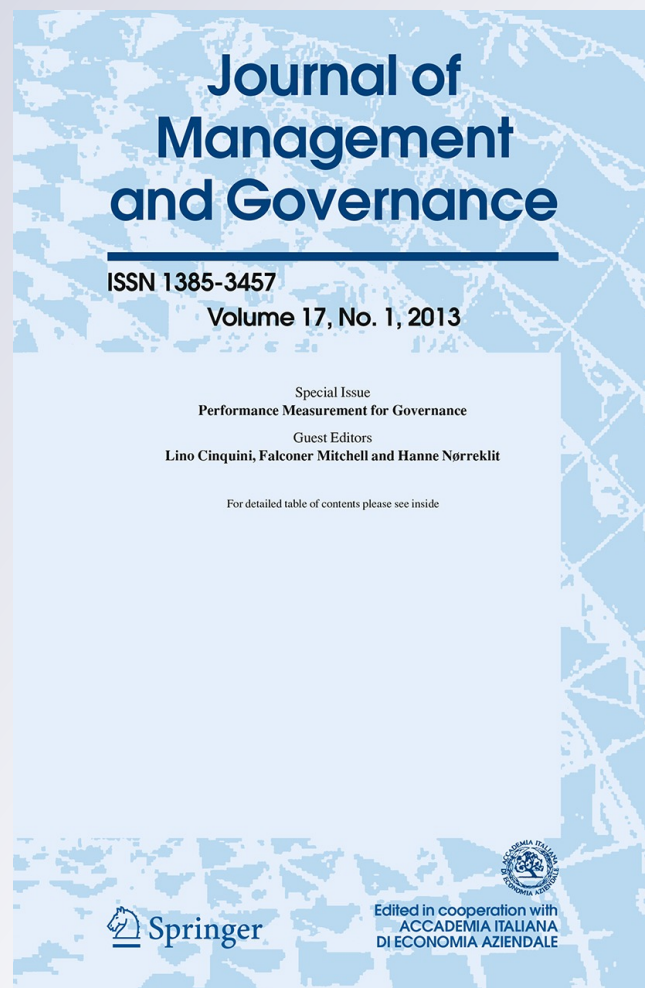
Guest Editorial Introduction

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Guest Editorial Introduction

Performance measurement for governance in a context of dynamism and professionalism

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Performance measurement has been a high profile issue over the last few decades. Several, systematic approaches have been proposed including critical success factors, the balanced scorecard, and the performance pyramid. Such performance measurement packages can be used for multiple purposes and have several potentially functional and dysfunctional implications.

However, a major objective of such systems is to install a governance system of quantified performance contracts. Through financial and non-financial measurement the aim of these systems is to solve principal–agent problems of goal conflicts between individual employees and their management and between the management and the overall interest of the company. The objective of the systems is to make employees and the management team act in the overall interest of the company. From this perspective, the functionality of the system is to induce effective decision-making and action at various organizational levels, to monitor the actual outcome of the decisions and actions made, and to link reward to performance.

Crucial for the effectiveness of the performance measurement system is the ability to make valid measurements. For solving the principal-agent problem, the performance measurement system should be designed in an appropriate way. In particular, the right norm for performance should be known by the principal, the results should be controllable by the agent, and the results should be measurable in a

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quantitative and unequivocal way (Merchant 1985). This logic assumes the environment and organisation structure are basically stable (Chua 1986; Ryan et al. 2002: 41) and human beings act in a rational manner (Anthony and Govindarajan 2007).

However, given lack of information and abilities to observe and obtain knowledge of all aspects of the phenomenon that is the object of measurement, these assumptions are not met in many practical situations. For many activities, desirable results are not known beforehand and it is difficult to measure the particular performance in a quantitative unequivocal way. In particular, there will be specific discretionary work contexts and dynamic business environments where such ideal assumptions for a performance measurement system are not reasonable. Put differently, it might be rather difficult to assess the performance of discretionary activities such as medical and strategic work. For such work activities the quantitative performance measures may face major validity problems, which create incentive distortion and randomness in decision-making and action (Starbuck 2004). The design and the approach to implementation of the performance measurement system in such contexts become crucial. Commitments of professionals, customization, tailoring on organizational specificities are aspects to be carefully managed in order to gain success from the use of the system.

This special issue addresses topics of handling performance measurement (PM) in a context of dynamics and discretionary work activities. Broadly, it focuses on the design qualities and functioning of performance measurements and their ability to effectively support boards and CEOs in strategic decision making and risk monitoring, providing a set of studies both qualitative and quantitative in the methodology adopted.

The paper by Mitchell, Nielsen, Norreklit and Norreklit (*Scoring Strategic Performance A Pragmatic Constructivist Approach to Strategic Performance Measurement*) opens this Special Issue. It provides a framework, rooted in pragmatic constructivism, to deal with the specific topic of strategic performance measurement. The success in measuring this dimension of performance, as opposed to operational performance, is suggested to be in focusing on coherence and coherence tracing throughout the organization. In fact, in an unstable world, the continuous re-establishment of business coherence internally and externally and the effectiveness of this process constitutes the major task for strategic performance measurement. To this aim, a “strategic platform of integration scorecards” is proposed, consisting in a group of scorecards linked to the coherence relations that are essential for the overall chain of company performance. The paper presents a case study to illustrate the functioning of the framework in a situation of strategic change.

The next two papers explore the issues of dynamism of PM and the relevance of professionalism as a crucial factor affecting its design and implementation.

The paper by Korhonen, Laine and Suomala (*Understanding performance measurement dynamism: a case study*) focuses on the dynamic of performance measurement systems, namely the changes that continuously make possible for it to match the unique business contexts: this is the dominant concept of PM *dynamism* consisting in such match of performance measurement (PM) and context (or

updating PM). Using New Institutional Sociology theory as a tool in an interventionist case study, the article identifies the rationale and the levels of PM dynamism and provides support to the consideration that the use of 'ad hoc' measures may have a positive impact on managing performance. The authors argue that PM dynamism is not merely a consequence of internal and external changes in environment but also depends on the uses and interpretations of information provided by the dynamic PM itself; the latter is therefore the typology of PMS that allows learning and continuous verification of strategy implementation at different levels of an organization.

The paper by Nuti, Seghieri and Vainieri (*Assessing the effectiveness of a performance evaluation system in the public health care sector: some novel evidence from the Tuscany Region experience*) reports the experience of an action research study, conducted in Tuscany, to design and develop a novel performance evaluation system in health care. Its aim is the measurement of health care effectiveness and the identification of the critical factors which could have led to the success in this exercise. There are five critical success factors identified: the high level of employees and managers involvement into the entire process, the visual reporting system, the linkage between performance evaluation system and CEO's rewarding system, the public disclosure of data and the strong political commitment. All these factors act together to achieve better results, however, the process of development played a pivotal role. In accordance with prior literature suggesting the use of a constructive approach to gain effective changes in human organization, the paper provides the evidence of the novel experience of the Tuscan performance evaluation system as a fruitful application of the constructivist approach in healthcare. In addition, it highlights that performance measurement, in a setting of multiple professional actors, needs high interactivity in design and functioning to be effective.

The remaining two papers explore, within a contingency framework, the extent to which emerging strategic dimensions of performance such as sustainability and value creation may affect PM, the way in which they are considered in the system and the effects.

The paper by Cristiana Parisi (*The Impact of Organizational Alignment on the Effectiveness of Firms' Sustainability Strategic Performance Measurement Systems: An Empirical Analysis*) analyses the extent to which top management's commitment to sustainability directly affects (1) structural and social alignment within organizations, (2) the effectiveness of measurement systems that monitor sustainability strategic performance and (3) indirectly impacts firms' social and environmental performance. The results challenge the broadly held belief that the alignment and commitment of middle managers to sustainability strategies (i.e. the degree of knowledge and involvement of middle management in sustainability issues) may have a relevant impact on the company's social and environmental performance. In this respect, the paper addresses the limits of PMS as a mean of alignment in the social dimension of the organization, considering the importance of a certain degree of misalignment that may lead to creativity and innovation. Improving the interaction process, more than forcing managers by official documents, is suggested as a possible way to acquire the correct degree of social dimension of alignment in a specific organization.

The paper by Adel Elgharbawy (*Enterprise Governance and Value-based Management: a Theoretical Contingency Framework*) develops a conceptual model for enterprise governance from the contingency theory perspective to provide a better understanding of the tension between conformance and performance in the governance context. The author argues that the value-based management (VBM) approach can keep the right balance between conformance and performance. Accordingly, the study investigates the implications of fit between four contingency factors and VBM on organisational performance using corporate governance mechanisms and corporate entrepreneurship as mediating factors. The study aims to bridge the gap between management accounting, corporate governance and entrepreneurship disciplines and provides a valuable comprehensive framework for further research.

In sum, this special issue aims at providing a framework of relevant issues linked to the dimensions of dynamism and professionalism in the contexts where performance measurements are designed and implemented to improve the governance of organizations. As each of the contributors shows, the search for validity in this field is still a relevant issue and requires deeper and contextualized research that shies away from comfortable and taken-for-granted generalizations.

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