

Perceived Performance Issues and Challenges of Employees in Banking Sector of Pakistan

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To Link this Article: <http://dx.doi.org/10.6007/IJAREMS/v4-i2/1772> DOI:10.6007/IJAREMS/v4-i2/1772

Published Online: 09 January 2015

Abstract

Orientation:

This probing study conducted to explain various issues while implementing performance management system (PM system) such as employee's dissatisfaction, insufficient training and carrier opportunities and communication gap between senior and operational management. Researcher has taken Habib Bank Limited (HBL) as study.

Purpose:

The main purpose for which this study conducted is to identify the challenges and issues faced by a banking organization (HBL) while implementing PM system. Through this research it is also investigated that how the firm can improve its PM system and what methods can be adopted to increase the efficiency of workforce.

Design/Approach/Methodology:

In order to collect and interpret data for this research qualitative research method as well as case study method has been used. Semi structured interviews were conducted from the manager and operational staff of the bank so that the existing issues could be find.

Findings:

Outcomes of the current research shown that the firm is facing many challenges related to PM system such as employees dissatisfaction about job as well as pay packages, less carrier opportunities etc which can be resolve by minimizing communication gap between senior and operational management, by reviewing performance continuously instead of conducting appraisal at the end of the year, by giving proper training and proper reward system.

Research limitations:

This research is conducted on short level within a city; further research can be conducted in order to validate findings for the said organization.

Practical implications:

This research provides the recommendations for HR managers to improve PM system in their organizations and also this research can be used as literature review in future researches.

Contribution:

In this study literature review presented firstly which comprehensively describe that what the PM system is and what is the importance of the implementation of PM system in various organizations. Further it indicates various issues while the implementation of PM system and what measures can be taken to resolve these issues.

Keywords: Performance Management System, Challenges/Issues, HBL, Employees Dissatisfaction, Reward System.

Introduction:

A small ounce of performance of management is of the worth in pounds. In business performance is reality while all other things are just words of mouth that may include explanations, promises and agreements. The endurance of the organizations in this competing and most challenging era is not easy, it depends on that how efficiently firms manage its internal as well as external resources. In this era of technology and where changing demands by customers no organization can maintain its position in market by only investment in resources other than humans. If one organization does not effectively manage its capital called humans then there may be the chances of failure as compared to the firm who manage its human resource as well as its performance effectively. To implement an effective PM system can gives the competitive edge to firms on their competitors. Many explanations regarding performance of an organization has been given by different authors, some take macro level while other focus on detail. An organization's performance can be viewed from three different perspectives i.e. the level of organization, the level of processes and the level of thee performer (Rumler and Brace, 1995). The level of organization focuses on the major functional actions of the firm while the level of the processes focuses the work processes or work flow. Lastly the level of the performer describe the contribution of an individual's performance in order to achieve firms overall goals.

Every organization has some objectives to accomplish for which it is existed, so these objectives can be to earn high profits, to gain competitive edge over competitors, to produce high quality products, having efficient human resource etc. these objectives of the firm can be fulfilled by setting and implementing strategies, by investing in related areas as well as efficient management of human resource and among all of this one of the crucial factor is to determine that weather the employees are doing well and meeting the expectations of firm in order to fulfill overall objectives. So in this regard the management and measurement of employee's performance is necessary.

PM system is continuous formal process use by managers in order to preserve or modify organizational activities (Simons, 2000). PM system can be defined as a set of processes or we can say it a concept which become the reason of motivation for employees to do good on job, help them to learn them that what their managers are expecting from them, progress of workforce, further it gives the idea to improve the areas where employees are not performing well (Wilson, 2005). PM is the long term planning of the organization which relate to each and every action of the firm and its implementation depends on every firm's functions and its vary

from firm to firm and business to business (Armstrong and Baron, 2005). Literature review discussed two intents of PM system the first intention is that when there is decentralized decision making and employees are also involved in decision making they will feel responsibility of the results for these decisions too, while on the other hand the second intention is that how many resources are available to employees for the fulfillment of these goals (Greer, 2001, Wehrich and koontz, 2005). PM is a continuous process which develops relation between supervisors and their employees for the fulfillment of particular goals (Basal, 1999). So from the above discussion it is clear and also advised to firms that PM system should never be ignored if they want to achieve success.

The purpose of this study is to explore various issues and challenges while implementing the PM system in practice so this paper find out many challenges which HBL is facing in implementing appraisal system in organization. After finding the challenges researcher gives recommendations for the management of the organization so that performance as well as the motivation of employees to do well on job can be enhanced. These recommendations can be used by all banks managers like in HBL in order to improve their employee's performance. Objectives of this study have been met in three parts. The first two objectives has been discussed in literature review as first part and the next third objective of this study has been met in next part i.e. findings and discussion and case study as well, finally the fourth and last objective has been discussed/met in recommendation part of the current study.

Literature review:

Performance management system (PM System):

In a human resource management sense, PM is a procedure of improving capabilities of individuals and teams in order to give sustainable competitive advantage to organization (Armstrong and Baron, 1998). It supports the evidence the Human capital gives competitive advantage to organization rather than capital (Reynolds and Ablett, 1998). The people of any organization are its vital competitive edge (Bend et al, 1994). So in order to associate the employees competencies with organizations goal there should be a continuous development of PM system (Moullin, 2003). PM system is used in firms both as a behavioral change tool as well as instrumental tool in order to enhance organizations performance and this can then be institutionalized through firm's structure, policies and systems. Thus the goal of PM system is to motivate and emphasis on values and behaviors (Risher, 2003).

Trough PM System which can grant behavioral transformation and tactical goal, so organization can translate its purpose and aspiration into outcomes and actions (Band et al., 1994). This system also pays intention to development of competency and organizational change and when competency of the firm support the goals set by the firm, it will become the major role in developing the HR for the fulfillment of organizational goals (Parker-Gore, 1996). So it can be concluded that PM system is a significant tool to give feedback to employees in order to meet the expectations. As it is formerly mentioned that organizations can use PM system as a method that can influence the responsibilities of workers in order to align the duties of them with organizational goals (Moullin, 2003; Risher, 2003; Parker Gore, 1996). Simpson and Hill (2004) are of the view that organizations through the development of a strong PM system can assist novelty and change and then this change and novelty can align with overall strategy of the firm in order to support ultimate goals.

PM system is a most crucial method to communicate priorities within the organization and also provide feedback to employees. From a practical point of view PM system is an integrated process which gives chance to managers to work intimately with employees so that

expectations can be settled, to measure the outcomes produced by employees, to review the outcomes and finally to set reward system for the given performance. The ultimate objective of PM system is to enhance the performance of workers which will then influence the organizational ultimate performance in many optimistic ways. PM system of any organization can be improved by giving the employees training effectively, to converse objectives of the firm and by taking feedback from various stakeholders (Soltani et al., 2005).

Performance management has been defined by various authors in literature so in order to assist a logical picture it is compulsory to review the definition of performance management. The term "system" is often vague so before discuss about "performance management" and "PM system" we should discuss in brief the term "system". So a system can be an unvaryingly structured set. Comprehensively "system can be defined as a focused, ordered structure as a whole which consist on inter-reliant and interconnected elements such as members, components, factors, parts and entities etc. so these elements indirectly or directly affect one another to keep the system in continuation in order to attain the objectives of system (Business Dictionary, 2009)."

Definition of the term performance management by different authors:

Hoffmann, (2000)

"It is a systematic technique which facilitates managers, to direct, plan and progress the performance of their employees in the light of company's overall strategy."

Hauber, (2002)

"It is the procedure of scheduling, supervision and controlling the resources (inputs) and their conversion (throughput) in the performance (output) of a company's definite system."

Cokins, (2004)

"Performance management system is an ongoing procedure of a firm's policy through a completely incorporated system in order to improve business processes, methodologies, software tools, metrics, and structure that direct an organization's performance."

Krause, (2005)

"It is related with all the action taken by the firm in order to maximize the profit of stakeholders through the stable development of the players' communal skills and specialized capability and at the same time, it is planned to minimize the social, temporal, financial, emotional and physical effort."

Performance does not get better by just knowing the level of performance; the performance ought to keenly cope. Sometimes performance management and measurement mistaken for each other. Past studies show that there are inadequate contextual and conceptual differences as well definitions of performance measurement and performance management (Klingebiel, 1999). Lebas (1995) states that management cannot exist without measurement. It is argued that performance measurement and performance management are attentively intertwined with each other.

Usually before the 1980s, the measurement focus has only on economic measures but after the 1980s the studies on this topic shown that in the new economy historical financial information is not adequate to meet the performance measurement because of the growing difficulty of markets and organizations in which firms struggle (Kennerley, Neely 2002). Nowadays financial reports have less value for the shareholders as compared to non economic factors such as innovations, employee satisfaction and internal processes of organization. A researcher found that only 10 to 15% market value has been captured by traditional accounting measures (Webber, 2000). So viewing all these factors now companies

emphasize on non financial measures in order to gain sustainable competitive edge (Esptein, Manzoni, 1997, Inner, Larker, 2001). So it is important to underline at this point that the performance management and performance measurement are not the same concepts. The term performance management is mostly used to describe the performance management of individual or an evaluation system while there is an issue on performance measurement which is the most difficult task after the performance managed. Neely et al, (2002) describe that performance measurement is the procedure to quantify the past action's effectiveness and efficiency. So through performance measurement organizations measure the outcomes given by the employees in order to know that either the employees meeting the goals set by organization or not. If the company only manages the performance and there is no measurement then there will be no use of managing the performance. Performance measurement is the most crucial step of PM system. Huyett and Viguerie, (2005) stated that in this era companies are facing severe competition which may include in terms of technology, global as well as domestic competition and economic conditions makes organization's existence tougher than before. It is the duty of every site's manager to attain the goals of organization by achieving exceptional performance in the related branch so that the firms overall plans can be realized. There are day to day changes in every business and its environment in which it operates either it's a small or large business so the managers are force to adapt technologies and innovations so that the changing demands of the market can be fulfilled (Kasarda and Rondinelli, 1998). In order to control these pressures and the demanding changes by customers companies have to adopt effective management techniques. Current studies show that managing organization gives competitive advantage to firms (Lawler III et al., 1998). It is argued that the effective and continuous use of PM system leads to improve efficiency and outcomes (Hoque and James, 2000 Ahn, 2001. Sandt et al, 2001 De Waal, 2002. Bauer et al, 2004; Malina and selto, 2004). Strategic performance management system is a new term which can be use to improve employees performance and ultimately the performance of the firm. But instead of all of this it is reported that unluckily 56% application of PM system fails and the reason is that all the people in organization do not use continuously PM system (De Wall and Counet, 2006). The most important reason of the failure of PM system are defined by many authors that the behavioral factor of performance management ignored (Holloway et al, 1995. Brookfield, 2000 Franco and Bourne, 2002 Bassioni et al, 2004; Chenhall , 2004). So it is proved that PM system is compulsory to adopt for all of the organizations either manufacturing businesses or service the success factor is depend on the successful implication of the PM system.

A service industry as compare to manufacturing business faces more difficulty in its processes so PM has become more puzzling in this industry. PM system in actual is often more difficult to adopt in service business as compared to manufacturing (Hermon et al., 2006). We can see that many of the manufacturing processes are modularized and steady but in a service industry it is tough to regulate consistent procedures which come in the way of PM system in service businesses.

However, the worth of effectual PM as a severe control on productive services is recognized in the literature (McIvor, 2007; Aron and Singh, 2005; Langfield-Smith and Smith, 2003; Klaas et al., 2001). Moreover, there is agreement in the past studies on the need to support PM with the organization's long term planning (Youngdahl et al., 2007; Insinga and Werle, 2000; Quinn, 1999).

If a firm fails to identify the reasons of poor performance by employees it may lead to the failure of the business as whole (Barthelemy, 2003). So, before starting a service business,

organizations must know about the crucial factors through which performance can be measure and give competitive advantage. As well as considering expenses, the comparative performance along a number of other dimensions such as flexibility, service and quality should be considered (Insinga and Werle, 2000).

Research objectives:

- To explore the importance of performance management system in service sector.
- To identify the difference between performance management system and performance measurement system.
- To explore the PM system related issues/challenges faced by the employees of Banks.
- To propose the recommendations and suggestions to HBL for best implantation of performance management system.

Research Methodology:

Research Approach:

Qualitative research tool have been used for conducting research on Habib Bank limited (HBL) PM system. As the major focus of the research is to find the ways through which an organization can successfully implement performance management system and to explore the hurdles on the way to successful implementation of performance management system. For deep analysis of the firm as named Habib Bank limited (HBL). The case study method used to evaluate internal Performance management system using by the firm to evaluate its employees performance and to identify its employees views about currently using PM system.

Research Strategy:

The researcher selected the largest bank in Pakistan named as Habib Bank Limited. As the financial sector has the great importance on the said country's economy so HBL has devoted its services to a developing country like Pakistan. HBL was established in subcontinent by Muhammad Ali Jinnah and it's headquarter shift in Karachi after being Pakistan came in existence. Now HBL is operating in many countries all over the world and it's the largest bank in Pakistan. HBL pay utmost attention on its employees who are the competitive edge for the firm who gives it leading position in banking sector. In present research this case study represents the banking firm in developing country like Pakistan has focused on different strategies through which effective PM system can be implemented.

Research Method:

The initial data for the firm Habib Bank Limited (HBL) have been taken from secondary sources. Semi structured interviews have been conducted in which open ended question are used. These interviews are taken from human resource staff and manager from two branches of the said organization. The focal point of the interviews was to discover the different advantages of the successful implemented PM system.

"HBL" case study:

Habib bank limited known as HBL have HQ in Karachi HBL plaza Pakistan. It is the leading commercial bank established in Pakistan in 1947. It is the biggest and pioneer bank operating in PAK since from the time of partition of subcontinent, over the years HBL has become the biggest private sector bank and established its network of branches i.e. 1500 branches as well as 1300 ATMs across the countryside. It was announced as a nationalized institution in 1974

and again Pakistan Privatization Commission on 29 December, 2003 have announced that the Govt of Pakistan had approved the Agha Khan Fund For Economic Development (AKFED) and gives it the 51% shareholding right of HBL with an investment of 22.409 billion (389 million USD) and on 26 February 2004 management hold was given to AKFED. HBL offers the all basic range banking services to its customers and in addition to it is providing ATM service, Mobile banking, internet banking and HBL debit card. HBL is the pioneer to offer ATM to its customers. From start to till now company had groomed its operations well but in recent decade due to the increasing competition and demands from customers there are many challenges about employees faced by the organization. HBL use appraisal system to evaluate its employees but there are some flows due to which system is not properly implemented which leads employees to low performance.

Findings:

During the interviews with manager and operational workforce of the firm main issues indicating about PM system of the firm are discussed below:

➤ **Inaccurate implementation of performance appraisal system:**

Company had implement performance appraisal system to evaluate its employees performance either they are meeting the objectives of the organization or not. While communication with manager she said that, *the firm properly implement performance appraisal system from last year and the appraisal filled by the employee are kept confidential*. But this statement is not applicable on the operational workforce they said that there is favoritism about results of the appraisals. Secondly employees do not know the importance of properly implemented system due to which there is no use of such a appraisal system where it cannot find the weaknesses or strengths of the employees.

➤ **Poor working environment:**

Employees of HBL are not satisfied with working environment conditions due to which they cannot work properly. There is a sitting space problem for employees and lack of resources but it's not the case in all branches. Some branches have good working environment conditions and good resources for employees so working environment conditions vary from branch to branch which is not good impact on employees of the company's branch having bad working conditions.

➤ **Dissatisfied operational staff:**

While interviewing the staff from top to lower management it is indicated that top management is satisfied with job as well as with pay packages but there is extreme dissatisfaction in operational staff. They are not happy with their pay packages, incentives given to them and allowances. They said that working hours are too hectic but they are not paying accordingly. Decision making is also centralized due to which employees feel discrimination and job insecurity which is also one of the major reason of dissatisfaction.

➤ **Turnover rate:**

Turnover rate of the organization is normal but as the employees are not satisfied which shows that in future there may be high turnover rates. As the OM of the branch said that *the old staff was loyal to firm and stick to it due to which there is low turnover rate but new hires can leave the job if they find more attractive jobs*. So the chances of turnover rate in future are high.

➤ **Career development opportunities:**

Career developments opportunities are very low to lower management they are working on the position from start of their career are still working on that post. They are not providing good career opportunities while workers want to develop their career and go ahead for promotions and incentives but company is not paying attention to give proper training and more opportunities to shine their future.

Discussion:

As the researcher explore the challenges about performance management system implementation in above discussion in findings. So it can be concluded that company's appraisal system is not successfully implemented as the employees especially operational staff is highly de motivated about their salary packages and working environment conditions. There is no counseling or training classes from managers which can give motivation to employees and can better the communication system of the firm. There is mass communication gap between employees and manager they don't know that what the importance of appraisal system is if it can be accurately done. So company is deficient in efficient performance strategies for long term human resource survival and their motivation. Due to this entire increasing turnover rate chances are possible in future. Manger are even don't know that the staff working at operational level is either satisfied or not or motivated to do their job in effectual manners.

So as the purpose of this case study is to find out the challenges regarding PM system execution faced by the case study organization, this chapter is done to discuss and understand the PM system challenges in depth. Researcher discusses about various dimensions in this section some of which are training and development for operational staff, better salary packages and reward system, and performance reviews.

Current research's literature review show that the execution of effective PM system is very important for every organization either it's a service industry or a manufacturing industry. So the first two objectives have been met in literature review. The third objective of this research will discuss in this section and the researcher proposes the suggestions that how the case study firm can improve its appraisal system.

➤ **Proper Training of staff:**

As PM system indicated that it is not a system directed by HR department but by line managers (Fletcher, 2004). So it is compulsory that there should be enough training of managers as well as operational staff so that they can understand the importance of accurate and successful implementation of performance appraisal system. Only training can give the path to organization to achieve its objectives. Managers should train in the way so that they can supervise and understand their subordinates effectively. Further operational staff should train so that can understand the organizational objectives and the performance standards expected from them. Most of the time well designed appraisal system cannot be implemented successfully due to improper training of line managers. In the case of HBL it is concluded that the firm has implement the performance appraisal system but it's not showing desirable results. So it is compulsory for the organization to train employees before implementing the appraisal system to develop the better understanding. Managers should realize that for become a good manager they should focus on their own performance first so that they can become the good leaders and this is possible by training opportunities by experts. The main issue in implementing the appraisal

system is to get engaged and committed line managers in implemented system, though it is tough to bring change in a particular decorum and modify the thinking of people but it can be done through proper training. Top management should play an important role in this regard by including the PM system in manager's job description so that they can realize that this is the essential part of their jobs.

➤ **To produce satisfied staff:**

If we conclude the findings it is shown that the employees of HBL are highly dissatisfied and de motivated to their work, the major cause of this dissatisfaction is improper communication between top and line managers and operational staff and no reward system. The firm should develop the performance standards for each group to meet the organizational goals and it is the responsibility of manager of each branch to communicate these standards effectively so that every employee should know that what is expected from him or her in performing the targets of the firm. Managers should document targets for subordinates, communicate them and review the performance time to time so that flows or weak performance could be focused at the time it started and not till the end of the year the firm should implement proper performance management system instead of appraisal system through which performance can review easily.

➤ **Career development opportunities:**

Carrier development opportunities should give by the organization to its employees so that they can improve personal skills and get promotions in future jobs. It is the best tool for any organization to produce satisfied and motivated employees. As researcher suggest performance management system rather than appraisal system so the development opportunities should be the part of this system so that every employee get the chance to develop personal skills rather than feeling favoritism and biasness in system. Through career development employees can got latest knowledge and skills.

➤ **Performance review:**

Performance review should conduct fairly with all of the employees so that trust can be developing among employees and make environment flexible. Sometimes managers have some favorite social circle and do biasness while reviewing performance of subordinates and make stereotyping while making merits, this type of favoritism makes employees aggressive and create de motivation. As in interviews some of the employees indicated that *it is the common practice in this society to make biasness and unfortunately in our organization too, they said that they are giving more but taking less from organization only due to favoritism activities by top management.* In order to solve this issue strategies should made that the performance reviews should conduct in teams and penal and line managers should also take active part in reviews. Manager of one branch should allocate to another branch and he or she should visit that particular branch time to time. In this way favoritism and biasness can be reduced to a great extent.

➤ **Reward system:**

Performance management system includes proper reward system for the employees doing well at job. Reward systems are necessary for every firm as it is said *that a little reward gives long term motivation* and motivated staff is necessary to achieve firm's targets. Human resource is a major capital for firms which are not easily imitative and a rare asset. So satisfaction of this capital is crucial in this growing and competitive

era. Human resource give sustainable competitive advantage to firm, the firm should also take into consideration the feelings of employees. They should treat as humans not as machines. In banking firms time length of working hours is of course more than the working stamina of any human being, so banks should review working hours for employees as one of the employee suggest that *in this age when there is mobile banking, ATMs, e-banking available banks should reduce the working hours so that employees can get relaxed they work approximately 12 hours a day even they don't have the proper lunch break, so we are humans not machines.* All these things create discouragement which can effectively be removed through proper reward system.

Conclusion:

Nowadays in this competing era the term performance management system is most essential for every organization, all organizations today have to successfully implement PM system to compete in the industry or related sector. The researcher in this study is of the view that HBL should review its PM system in order to increase the efficiency of employees, to motivate them, to take their loyalty and to persuade them give better performance as per company's expectations.

Human resource for any organization is of vital importance and actual assets which cannot be easily imitative, so satisfaction of employees is necessary to motivate and encourage them which will come through better performance review and giving them the rewards for their performance. The research findings have shown that HBL employees especially operational staff is dissatisfied for the reward system and from the salary packages given to them, there is bad environment conditions communication gap between top management and operational staff and less career development opportunities. So these are the de motivating factors the reason of which that company's appraisal system is not accurately implemented. Company should review its appraisal system and instead it should implement PM system which is a continuous process to assess employees. So it is concluded that company should develop a successful PM system to assess its employees performance and also not only develop but there must be successful implementation, after the development managers should communicate the employees the advantages and purpose of PM system so that there should not be any ambiguity in the mind of any employee. There should be fair evaluation and an attractive reward system for the employees giving high performance and meeting the standards of the organization.

This study has explored the challenges faced by the HBL regarding its PM system and the challenging practices to evaluate its employee's performance, this research will give guideline to other financial sectors to improve its PM system practices. In this research a single leading banking organization named HBL has been taken as a case study through which different issues regarding appraisal system of the firm are identified and given solution these problems which can be used to better its PM system and as well as other banks can use these suggestions as a guideline while implementing the PM system.

Recommendations:

- HBL should implement PM system to evaluate its employees instead of appraisal system.
- All the employees of the bank should properly communicate about the appraisal system and its advantages for employees as well as for organization.
- There should be centralized decision making.

- Steps should take to promote trust and loyalty of workers.
- There should be fair valuation of performance of all employees so that the chances of favoritism can be removed and sense of equality among can be created.
- Reward system should prop up to motivate employees.
- To enhance working environment condition so that working ability and performance of employees can be enhanced.
- Training and educational programs for all the levels of staff should be held regularly to enhance the skills and abilities of the people.
- The management should provide better arrangement for the employees.
- Professional trainers should be hired for the supervision of various training programs.
- The promotion system should be transparent as much as possible in order to gain the confidence of all the workers.
- Employees should be given career opportunities.
- There should be better salary plans and in addition to salary bonuses, financial assistance, non financial reward system should develop to win the workers loyalty.
- Organization should review employee's performance continuously.
- Banking sector should reduce working hours to improve employee's efficiency.

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