

# Contents

<b>1</b>	<b>Introduction . . . . .</b>	<b>1</b>
1.1	The Performance Management Revolution . . . . .	1
1.2	The Performance Management Shortcomings . . . . .	3
1.3	Contributions of the Present Work . . . . .	5
1.4	Structure of the Book . . . . .	6
	References . . . . .	7
<b>2</b>	<b>The Evolution of the Concept of ‘Management Control’: Towards a Definition of ‘Performance Management System’ . . . . .</b>	<b>9</b>
2.1	Towards a Definition of Performance Management System . . . . .	9
2.2	Different Theoretical Approaches to Organizational Control . . . . .	10
2.2.1	Economic Theories of Organizational Control . . . . .	11
2.2.2	Sociological Theories of Organizational Control . . . . .	16
2.2.3	Psychological Theories of Organizational Control . . . . .	23
2.2.4	Behavioural Theories of Organizational Control . . . . .	25
2.3	From Organizational Control Theories to Management Control Approaches . . . . .	27
2.4	From Management Control Systems to Performance Management System . . . . .	35
2.5	The Italian Literature on Management Control . . . . .	40
2.5.1	The Forerunners of Management Control in the Italian Literature: Besta and His Disciples . . . . .	40
2.5.2	Gino Zappa and the Recent Literature on Management Accounting . . . . .	42
2.6	Conclusions on Management Control Revolution . . . . .	46
	References . . . . .	46
<b>3</b>	<b>Performance Management System. A Literature Review . . . . .</b>	<b>55</b>
3.1	Introduction . . . . .	55
3.2	Systematic Literature Review of PMS Design . . . . .	56

3.3	PMS Design and the Influential Theoretical Approaches . . . . .	57
3.3.1	Contingency Theory . . . . .	57
3.3.2	Other Theoretical Approaches . . . . .	60
3.4	Non-financial PMS. Critical Review of the Main PMS Frameworks . . . . .	61
3.5	The Strategy-driven PMS. The Levers of Control (LOC) Management Control Framework . . . . .	65
3.6	PMS as a Package. Critical Review of the Main Frameworks . .	70
3.7	PMS Coupling and Innovation . . . . .	76
3.8	The Italian Literature on PMSs and Their Coupling . . . . .	78
3.9	Concluding Remarks on the PMS Design Review . . . . .	83
	References . . . . .	83
<b>4</b>	<b>Innovation and the Performance Management System.</b>	
	<b>Literature Review . . . . .</b>	<b>89</b>
4.1	Introduction . . . . .	89
4.2	Methodology . . . . .	91
4.3	Evolution of Organizational Control: from Management Control to Performance Management . . . . .	92
4.4	Taxonomies of Innovation . . . . .	94
4.4.1	PMS Studies According to the Type and Nature of Innovation . . . . .	97
4.4.2	Impact of Innovation . . . . .	102
4.5	Discussion. The Evolution of the Relationship Between MCS/PMS and Innovation . . . . .	104
4.5.1	MCSs/PMSs as Innovation Inhibitors . . . . .	105
4.5.2	Coexistence of MCSs/PMSs and Innovation . . . . .	106
4.5.3	MCSs/PMSs as Innovation Enablers . . . . .	107
4.6	Concluding Remarks and Future Research Directions . . . . .	109
	References . . . . .	110
<b>5</b>	<b>The Loose Coupling Performance Management System . . . . .</b>	<b>117</b>
5.1	The Diamond Structure . . . . .	117
5.1.1	Value Sharing . . . . .	120
5.1.2	Strategy Formulation . . . . .	120
5.1.3	Strategy Implementation . . . . .	121
5.1.4	Performance Measurement . . . . .	121
5.1.5	Incentive and Reward . . . . .	122
5.1.6	Strategy Execution . . . . .	122
5.2	The Concept of Loose Coupling in Managerial Studies and Other Related Disciplines . . . . .	122
5.3	The Couplings Within the Diamond Structure . . . . .	125
5.3.1	Values Sharing: Strategy Formulation and Implementation Relationship . . . . .	126
5.3.2	Values Sharing: Performance Measurement Relationship . . . . .	127

5.3.3	Values Sharing: Incentive and Rewarding System Relationship . . . . .	128
5.3.4	Strategic Formulation: Strategic Implementation Relationship . . . . .	128
5.3.5	Strategic Formulation and Implementation: Performance Measurement Relationship . . . . .	128
5.3.6	Strategic Formulation and Implementation: Incentive and Rewarding System Relationship . . . . .	129
5.3.7	Performance Measurement: Incentive and Rewarding System Relationship . . . . .	129
5.3.8	Strategy Formulation and Implementation: Strategy Execution Relationship . . . . .	130
5.3.9	Performance Measurement: Strategy Execution Relationship . . . . .	130
5.3.10	Incentive and Rewarding System: Strategy Execution Relationship . . . . .	130
	References . . . . .	131
<b>6</b>	<b>The Values Sharing Mechanism . . . . .</b>	<b>133</b>
6.1	Definition of Values Sharing and Organizational Values . . . . .	133
6.2	Impact of the Organizational Values and the Value Sharing Mechanism . . . . .	135
6.3	The Design of the Value Sharing Mechanism . . . . .	136
	References . . . . .	138
<b>7</b>	<b>The Strategy Formulation Mechanism . . . . .</b>	<b>139</b>
7.1	Strategy Formulation: Definition . . . . .	139
7.2	Strategy Formulation Process and Typologies . . . . .	140
7.3	Corporate Strategic Change . . . . .	141
7.4	Recent Trends in Strategy Formulation: Internationalisation and Innovation . . . . .	143
7.5	Recent Trends in Strategy Formulation: CSR . . . . .	144
	References . . . . .	146
<b>8</b>	<b>The Strategy Implementation Mechanism . . . . .</b>	<b>151</b>
8.1	Introduction: Definition and Strategy Implementation Tools . . . . .	151
8.2	Budgetary Control . . . . .	152
8.3	Non-financial Performance Indicators . . . . .	155
8.4	Target Setting . . . . .	156
	References . . . . .	159
<b>9</b>	<b>The Performance Measurement Mechanism . . . . .</b>	<b>163</b>
9.1	Introduction to Performance Measurement Features . . . . .	163
9.2	Strategic Performance Measurement/Balanced Performance Measures . . . . .	164
9.3	Integrated Performance Measurement System Reference Model . . . . .	166

9.4	Performance Prism . . . . .	166
9.5	SMART Pyramid . . . . .	169
9.6	Results and Determinants Matrix . . . . .	169
9.7	The Taxonomy of Performance Measurement Frameworks . . . . .	170
9.8	The Cost of Performance Measurement . . . . .	173
	References . . . . .	174
<b>10</b>	<b>The Incentive and Rewarding Mechanism . . . . .</b>	<b>177</b>
10.1	Incentive and Rewarding: Definition and Purposes . . . . .	177
10.2	Psychological and Economic Theories of Incentive and Rewarding Mechanism . . . . .	178
10.3	Design of an Effective Incentive and Rewarding Mechanism . . .	179
10.3.1	Selection of the Performance Measures . . . . .	179
10.3.2	Assessment Frequency . . . . .	182
10.3.3	Rewarding Model Selection . . . . .	183
10.4	The Link with Strategic Objectives . . . . .	185
10.5	The Assessment of the Incentive and Rewarding Mechanism . . .	186
10.6	Dysfunctional Effects of the Use of Biased Incentive and Rewarding Mechanisms . . . . .	186
	References . . . . .	187
<b>11</b>	<b>The Strategy Execution Mechanism . . . . .</b>	<b>189</b>
11.1	Definition and Recent Themes in Strategy Execution . . . . .	189
11.2	Conceptual Approaches to Strategy Execution Failures . . . . .	189
11.3	Frameworks and Tools for Effective Strategy Execution . . . . .	192
	References . . . . .	195
<b>12</b>	<b>Implementation, Use and Diagnosis of the Performance Management System . . . . .</b>	<b>197</b>
12.1	Performance Management System and Contextual Variables Fit . . . . .	197
12.1.1	External Environmental Variables . . . . .	198
12.1.2	Internal Contextual Variables . . . . .	200
12.2	Performance Management System Use . . . . .	203
12.3	Diagnosis and Review of the PMS . . . . .	207
12.4	Events Associated with Hypotheses of PMS Review . . . . .	209
12.5	Conclusions and Research Implications . . . . .	210
	References . . . . .	212



<http://www.springer.com/978-3-642-36683-3>

Performance Management Systems

Design, Diagnosis and Use

Demartini, C.

2014, X, 215 p., Hardcover

ISBN: 978-3-642-36683-3