

The Uses of Measures in Performance Prism in Different Organizational Cultures

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This study evaluates the usage performance measures in performance prism, a performance measurement system that comprises five perspectives: stakeholder satisfaction, strategies, processes, capabilities, and stakeholder contribution and to compare the uses of these measures between two different organizational cultures: flexibility and stability cultures. Questionnaires were distributed to management staff in the financial firms listed on the stock exchange of Thailand. The results showed no significantly difference of usage of these measures between firms in different cultures. Findings in this study can explain why firms are successful in implementing performance measurement system while the others fail even they have similar measures.

INTRODUCTION

The foundation of organizational culture is one of the most important factors that comprise value. Belief directs the working behavior of organizational members to participate creatively in certain activities. Many organizations focus on creating organizational culture as a route to becoming a quality organization. In this regard, one useful technique that improves the effectiveness of this process is the performance measurement system.

The Thai economy has recovered from the recent global economic recession. One factor that has contributed to this recovery has been the government's economic stimulus package, which improved consumer and investor confidence and, in turn, changed the economic direction towards a better course. Of the companies listed on the stock exchange of Thailand, the top three industries that yielded the highest profits were the resources, financial, and services sectors. The financial sector comprises three sectors, namely banking, finance and securities, and insurance. Moreover, the Thailand floods in 2011 affected all economic sectors; however, realistically, there was no permanent effect on Thai productivity because Thailand has strong financial institutions and a strong insurance sector. Given the foregoing, the study of organizational culture and the application of performance measurement systems in the Thailand financial sector are very significant.

Specifically, this research examines the relationship between organizational culture and the performance prism measurement system (PPMS), which is an outstanding concept compared with other similar systems. This research focuses on whether organizations that have different cultures use different measures in PPMS. The outcomes and recommendations yielded from this research could be utilized as

guidelines for practitioners who wish to apply the PPMS to their organizations and for scholars interested in studying this system.

ORGANIZATIONAL CULTURE

Organizational culture is a system of shared meanings and common beliefs held by organizational members. Such a culture determines, to a large degree, how organizational members act towards each other and their work (Robbin and Coulter, 2010). Both the working environment and organizational procedures must be aligned with the organization's value and with other inherent organizational guidelines (Luthan, 1992). Organizational culture thus serves as a creative foundation for the working environment as members learn and develop shared basic assumptions, which lead to solutions to external problems and result in the integration of internal subjects (Schein, 1983). It also allows incumbents to transfer knowledge to newcomers. Organizational culture can even be reflected in an unwritten fashion even though it is considered an inherited culture (Daft, 2012).

Quinn and Cameron (1999) introduced the competing value model, which assesses organizational effectiveness through 39 measures. These measures can be divided into two dimensions. The first dimension relates to the strategic criteria on which the organization must focus internally or externally. The second dimension relates to the external environmental criteria that the organization must control or adapt to. These two dimensions can be subdivided into four cultural types: the first two types focus on control in order to induce stability, while the latter two focus on flexibility in order to adapt to the external environment. However, because financial firms in Thailand focus on both the internal and the external environments, it is difficult to delineate such organizational differences. Hence, this study compares organizational cultures that are characterized by both flexibility and control.

THE PPMS

This research employed the PPMS developed by Kennerley and Neely (2002). The PPMS is noteworthy because it focuses on the stakeholder perspective. This concept can, for example, help reduce the problem of the overconsumption of resources and allow the user to create a realistic budget plan.

The PPMS has five perspectives that each requires the user to answer questions to set the parameters. Comparing whether these five perspectives align with to the organization's objectives reveals the effectiveness of this measurement system. These five perspectives, which aim to maximize shareholder value, are described below:

- 1) The Stakeholder Satisfaction (SS) perspective focuses on understanding the important stakeholders of the organization and what they require from organizations;
- 2) The Strategies (ST) perspective focuses on understanding which strategies are crucial and able to fulfill stakeholders' needs;
- 3) The Processes (PR) perspective focuses on understanding which processes organizations must possess to meet these organizational strategies;
- 4) The Capabilities (CB) perspective focuses on understanding which competencies organizations must possess and exercise continuously in order to acquire the results of organizational processes; and
- 5) The Stakeholder Contribution (SC) perspective focuses on understanding what organizations need and what should be contributed by stakeholders.

Previous studies have found a link between the PPMS and the fulfillment of stakeholders' needs. For example, Chillida (2009) analyzed the PPMS by using corporate social responsibility theory and reflected that the former has a foundation in stakeholder theory. Stakeholders are a group of collective people that can influence or be influenced by organizations (Freeman, 1984). This theory assumes that a stakeholder must possess the tools to measure organizational value. The key stakeholders must be grouped together and the management team must provide a clear business direction in order to meet organizational goals on

a regular basis (Freeman et al. 2004). The PPMS also takes account of ethical concerns, such as the effective allocation and utilization of organizational resources. In this way, it enables an organization to respond to stakeholders' needs based on corporate social responsibility and to focus on overall stakeholder benefits.

Furthermore, Chillida (2009) studied the PPMS in SMEs and found that SMEs have promoted the use of the PPMS because this system is a useful tool for allocating limited resources yet allows organizations to yield the best possible performance given changing environmental conditions. Because SMEs improve business performance by creating stakeholder satisfaction, the application of the PPMS creates a strong foundation for involving and retaining stakeholder relations in an uncomplicated way.

Neely et al. (2002) found that UK company DHL adjusted its performance strategy by applying the PPMS. It used the PPMS in order to pinpoint (i) the criteria that create stakeholder satisfaction and (ii) the possible return on this. This approach also supported the segmentation of stakeholders into subgroups in order to customize services using the ST, PR, and CB perspectives. The PPMS was further used to analyze the needs of the management team in order to make the right decisions about business direction as well as to shape organizational culture. A year later, DHL found that applying the PPMS had improved management competencies. The managing director reflected that this quality measurement is able to respond to the overall target group of the organization and provide clearer information.

Neely et al. (2002) studied London Youth, a non-profit organization whose mission is to provide developmental support to children and working people. London Youth applied the PPMS to manage working processes and focus on organizational stakeholders. A number of perspectives were monitored in order to measure organizational performance. For instance, under the SS perspective, objectives were set that aimed to fulfill and enhance satisfaction in order to shed light on stakeholder desires. Under the ST perspective, the key success criteria for improving the effectiveness of organizational activities were the number of new product items and services offered. Under the PR perspective, the organization must establish interesting activities, the performance of which can be measured by the number of participants. Under the CB perspective, performance measurement assesses the investment made to improve staff competencies to an acceptable level. Finally, under the SC perspective, performance measurement assesses the percentage of cash inflow from several income sources. Applying the PPMS allows staff to acknowledge which areas are being measured, which motivates them to accomplish the goals and, in turn, fulfill the needs of all groups of stakeholders.

Epstein (2003) found that 21st century organizations must build stakeholder satisfaction to improve business performance. Previously, two types of stakeholders were typically focused on by organizations, namely stockholders and customers. Nonetheless, during the 1980s, maintaining a relationship with customers was unsuccessful, which led to reshaping management in order to focus on other stakeholders. There have been many cases where world-class organizations have encountered problems managing stakeholder. For example, Caterpillar, the renowned book publisher, once faced union disputes, which led to a protest that caused the company to shut down for 17 months and lose significant amount of its revenue. Similarly, NGOs requested Exxon-Mobil to provide clarification about the management of its gas stations around the globe and their effect on the local environment. Further, Shell UK stated that enhancing business performance by focusing on stakeholders, social responsibility, community, and the wider society could create a strong foundation for organizations to sustainably grow. Hence, the 21st century could be considered the age of stakeholder revolution.

Because of the focus on stakeholders as previously described, this research aim to address the uses of the performance measurement system that consider stakeholders' needs and contribution like PPMS. The main objective is to investigate the different of the usages between two distinct organizational cultures: flexibility and control.

METHODOLOGY

This research was conducted by using quantitative method. The original sample comprised 57 financial companies listed on the Stock Exchange of Thailand. Questionnaires were sent to the staff in

management-level positions with job descriptions related to performance measurement systems. There were three parts to this questionnaire.

Part 1: Questions about organizational culture using the Organizational Culture Assessment Instrument (Quinn and Cameron, 1999). This part of the questionnaire contained six main topics about the organization's characteristics. The result of this part indicated whether the sample organization had flexibility or a stability culture.

Part 2: Questionnaire about performance measurement using the five perspectives of the PPMS described earlier. The performance measures in each perspective in PPMS were gathered from the research outcomes of Henri (2006). Participants provided rating scores based on the level of usage in their organizations (1= barely used;5 = mostly used).

Part 3: Questionnaire about the demographics of the sample (e.g., gender, education, working experience). The gathered information was analyzed using statistical software in two parts:(i) the analysis of the demographic data of the sample using descriptive statistics (frequency and percentage) and (ii)hypothesis testing for difference of usage of measures in each perspective in PPMS based on independent sample t-test.

RESULTS

We received information from 41 of the original 57 organizations, which was a response rate of 72%. Based on data collection using the Quinn and Cameron (1999) instrument, of these 41 organizations, 61% (or 25) had a flexibility culture and 39% (16) had a stability culture. Of the 41 participants,50% were men,59% had a Master's degree, and 37% had working experience of 10–20 years in a management position. Accounting managers returned most questionnaires (41%). The research results for each perspective are presented in TABLE 1 and summarized below:

1. SS perspective: the research results indicated that performance measures based on customer satisfaction were mostly used, with a total average score of 4.30. However, those based on the sufficient number of employees were barely used (3.82). Both flexibility and stability cultures had the highest use of customer satisfaction performance measures (4.327 and 4.250, respectively) compared with performance measures on the sufficient number of employees (3.820 and 3.813, respectively).However, there was no significant difference between the uses of these performance measures for both types ($p\text{-value} > 0.05$).
2. ST perspective: the research found that the performance measures on strategic formulation budget were mostly used (3.82); by contrast, those on the ratio of organizational website visitors were barely used (3.04). Both the flexibility and the stability types of culture had high uses of strategic formulation budget performance measure (3.627 and 4.125, respectively). However, the performance measures on the ratio of organizational website visitors were barely used (3.153 and 2.875, respectively) by comparison. Again, there was no significant difference between the uses of these performance measures for both types ($p\text{-value} > 0.05$).
3. PR perspective: the performance measures on the sufficient number of databases available for customer service purposes and risk management and control system were equal, with a total average score of 4.10. However, those on rewarding individual and team performance were barely used (3.50 and 3.69, respectively). Flexibility culture had the highest use of the sufficient number of databases available for customer service purposes (4.120). However, the performance measures on rewarding individual and team performance were infrequently used (3.493). By contrast, the stability culture type had the highest use of the risk management and control system performance measures (4.188) and deployed fewest performance measures on staff's work quality comparison using KPIs (3.563). As before, no significant differences were found ($p\text{-value} > 0.05$).
4. CB perspective: the performance measures on work done within deadline were mostly used (4.17) compared with those on foreign language capability (3.35). The flexibility culture had the highest use of work done within deadline performance measures (4.033); however, the performance measures on foreign language capability performance only had an average score of 3.220. By contrast, the stability

culture type had the highest use of work done within deadline performance measures (4.375) and deployed the fewest performance measures on foreign language capability (3.563). No significant differences were found (p -value > 0.05).

5. SC perspective: the performance measures on sales growth were mostly used (4.30) and those on complaint letters from stakeholders for future organizational improvement used least (3.24). The flexibility culture had the highest use of operating sales performance measures (4.127), while the stability culture had the highest use of sales growth performance measures (4.625). Both types had the least use of complaint letters from stakeholders for future organizational improvement performance measures (3.193 and 3.313, respectively). No significant differences were found (p -value > 0.05).

TABLE 1
LEVEL OF THE USAGE OF THE PERFORMANCE MEASURES OF THE PPMS

Performance Prism Measures	Mean	Standard Deviation	Mean of Flexibility culture	Mean of Stability culture	p-value
SS Perspective					
Market share	3.98	0.72	3.840	4.188	0.541
Customer satisfaction	4.30	0.62	4.327	4.250	0.177
Sufficient no. of employees	3.82	0.77	3.820	3.813	0.869
Duration of services	4.00	0.86	4.033	3.938	0.876
Health insurance for employees	4.00	1.13	3.993	4.000	0.606
ST Perspective					
Strategic formulation budget	3.82	0.94	3.627	4.125	0.643
New products each year	3.74	0.99	3.620	3.938	0.468
No. of development programs for staff	3.65	0.90	3.620	3.688	0.367
SWOT analysis report	3.52	1.20	3.607	3.375	0.326
Organizational website visitors ratio	3.04	1.11	3.153	2.875	0.573
PR Perspective					
No. of checkup times for operating assurance	3.78	0.96	3.793	3.750	0.424
Sufficient no. of databases available for customer service purposes	4.10	0.74	4.120	4.063	0.466
Risk management and control system	4.10	0.82	4.040	4.188	0.520
Staff's work quality comparison using KPIs	3.64	1.09	3.687	3.563	0.981
Rewarding individual and team performance	3.57	0.89	3.493	3.688	0.705
CB Perspective					
Leadership capability	3.89	0.73	3.733	4.125	0.764
Technological capability	3.81	0.95	3.807	3.813	0.845
Foreign language capability	3.35	0.96	3.220	3.563	0.968
Work done within deadline	4.17	0.92	4.033	4.375	0.314
Specialist certification	3.65	0.90	3.513	3.875	0.279

SC Perspective					
Operating sales	4.22	0.61	4.127	4.375	0.813
Sales growth	4.30	0.75	4.100	4.625	0.551
Continuously higher investment	3.66	0.83	3.520	3.875	0.860
No. of quality rewards obtained	3.52	0.92	3.327	3.813	0.791
Complaint letters from stakeholders for future organizational improvement	3.24	1.16	3.193	3.313	0.882

DISCUSSION AND CONCLUSION

This research studied the application of the PPMS in 41 Thailand-listed companies in the financial sector. Of these 41 firms, we found that 25 organizations have a flexibility culture and 16 have a stability culture. The research result showed that, overall, the listed financial firms sampled herein have applied the measures in each of PPMS perspective to a medium to high extent and that there is no significant difference between the usage of all five perspectives of the PPMS for both types of culture. After analyzing the average scores for these five perspectives, the performance measures that have the highest level of importance are as follows:

- 1) SS perspective: customer satisfaction;
- 2) ST perspective: strategic formulation budget;
- 3) PR perspective: sufficient number of databases available for customer service purposes and risk management and control system;
- 4) CB perspective: work done within deadline; and
- 5) SC perspective: sales growth.

Financial firms tend to use similar measures in each of perspective in performance prism regardless of their organizational culture. This might lead to dysfunctional behavior, as performance measures should fit the culture of the organization. Nevertheless, due to the small sample size in this study, the generalization of results from this study might be limited.

According to results of this study, managers who work in organizations should carefully select the performance measures that reflect their organizational culture. This can finally lead to the successful implementation of performance prism and any other performance measurement system in organizations.

In conclusion, this study reveals the nature of financial firms that use the similar measures regardless of their organizational culture. Findings in this study can also be used to explain why one firms are successful in implementing performance measurement system while the others fail even they have similar measures.

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