Appendix C: Cases’ Reports

Case UK 1

*Background*

UK1 is a small company, which was founded in 1988, with a staff of seventy-five. The number of staff is variable, increasing with seasonable staff with increasing orders, reaching one hundred and twenty employees at peak times. The annual revenue of the company is about ten million pounds a year, from two main activities of packaging and filling whisky drinks. The company is owned by shareholders, who govern the performance of the management under the leadership of the chair of the board. The board meets with the top management in one annual meeting, which is attended by the General Manager (GM) and the two division heads. The GM presents the financial position of the company, and the plans, and investment suggestions to the shareholders and strategic decisions are made. As for the rest of the year, the board chairman reviews the performance of the company through regular reports received from the company’s accountants and is in contact with the management team through attending the weekly management meeting once in each month. In this meeting, performance reports are discussed and communicated. As for the company’s management, they have a weekly management meeting where it serves as an official avenue of communicating performance and discussing policies and other issues. However, the managers meet unofficially every day. The recession in 2008 has triggered other performance measures to be designed and implemented in the company.

The gender distribution of the top and middle management is male dominated. The average experience of the managers is fifteen years, and the maximum education certificate achieved by the chair and the GM is a college degree, while the maximum attained by the middle management is secondary school education.

The organisation structure of the company is headed by the chairman of the board, who serves as the governing authority, but he does not interfere with the daily operations of the company, which is controlled by the GM. Assisted by two Division Managers (DM). The first DM is responsible for packaging division, and the other DM is responsible for the filling division. The GM is an engineer with more than 45 years of age.
The company has two divisions, the bottling division, and the packaging division. The company has two activities, whisky filling division, and packaging division. The company does not have its brand, and it fills and packages for different factories who are overbooked. Packaging is done using human labour while bottling division relies on machinery to fill out containers are required. The company’s labour is not enlisted for any labour organisation, which in the opinion of the top management reduces the tension, and makes running the organisation less complicated. Sales in the company are the responsibility of the general manager, and this job requires a good business relationship with big manufacturing companies in the region who are might need the services of UK1. The management team was experienced engineers with more than 45 years of age, with a substantial engineering background. A summary of the organisation structure is represented in Figure AB.1

![Organisation Structure Diagram](image)

**Figure AB.1 UK1 management structure**

*UK1 Organisation Culture*

The organisational culture is characterised by informal culture, easy communication channels between the managers and the staff. Accessible to top management, democratic management style, low hierarchy, conferring decision-making power to the middle management level, with the employees expected to be consulted before decisions are taken. The relationship between the top management and the middle management is contractual and pragmatic. Despite the cordial and relaxed relationship between the staff and management, still interests of both parties take into consideration, enforcing the impression taken of the individualistic nature of the organisation.
The staffs are willing to take risks, and the rules governing the organisation are few, giving the impression that the company is not equipped with a measurement system. The same could be said about the conformity to the individualistic culture as staff can be seen serving their own interests, and even when they are implementing their measures they are looking for the aim of preserving their jobs. It was found out the staff working are not having the keen and the wish to ‘live in order to work’, rather it was observed the staff was ‘work in order to live’ attitude.

**UK1 Performance management system**

In the beginning of the case study research, the interviewed manager did not think they have a Performance Management System and later after some questions, a Performance Management System started emerging. The system is composed of financial factors such as balance sheet, earning statement, and cash flow reports. Operations reports are productivity and overhead costs. A representation of the PMS can be found in Figure AB.2. The productivity measures the operation’s efficiency of filling operations, while the overhead cost report measures cost involved with the packaging operations.

![Figure AB. 2, Performance Management System of UK1.](image)

In UK 1, external contextual reasons contributed to the introduction of Performance Management System, such as declining economic situations and recession, which threatened the company’s existence. The recession leads to a substantial reduction in orders; reduced revenues have ceased to cover the production costs and action was needed to reduce the operating costs of the company. Information was needed to know
the extent, the process, and the extent of the cost reduction. These factors drive the introduction of the performance measures in organisations.

*UK1 Performance Management System Design*

The process of PMS design includes two processes, first identifying key objectives to measure, and the process of designing the measures itself. The design was performed by a meeting of the key people in the company such as the chair, managing director, division managers, and accountants. Each of those has at least fifteen years of experience, which made the design process practical, and not complicated. The type of measures chosen was leading and lagging, financial, and operational measures. The measures chosen are simple, and practical. The performance measures are concerned with sales, cost of operation, and eventually profits. The cost of operation is broken into two important measures, which are the efficiency of operations in the bottling division and overhead cost for the packaging division. The efficiency is calculated by the cost of producing a volume of whisky, while the overhead cost measures the cost of packaging a box. Because of the experience, it is possible to predict the cost that is going to be incurred, and any deviation from the costs provide an alert to detect the cause of the deviation.

The design process is a consultative process, between the leaders and the managers. The organisational culture is informal and allows the design process opened to even non-executive members of staff. The performance measures are practical and cover the majority of the company’s operation, namely sales, costs and profitability.

*UK1 Performance Management System implementation*

Implementation is the process of which systems and procedures are put in place to collect and process the data that enable the measurement to be regularly made. In UK1, the implementation phase was little requiring comprised of communicating the result of the design to the employees and announcing the beginning of the measurement process. The performance measures are noted in a continuous manner, and at the weekly management meeting it is communicated to those responsible, and different questions are asked in the case of variations or deviations from the targeted measures. The stages of design and implementation seemed to be as if it is one stage, with implementation taking place as soon as the design stage finishes. Implementation was just delayed in case some instruments are required, but implementation from staff’s perspective is smooth.

*UK1 Performance Management System Use*
The Performance results were used at corporate level monthly, while at operational or departmental levels are held weekly, and also when their need for the meeting. The measures provided a common language of communication between top management and the employees. As for UK1, efficiency, sales and overhead cost served the purpose of using the performance measures in the role of assessing the existing strategy. The results helped in continually improving the staff productivity. The results of the measurement were used in the decision-making process, information from the performance measurement allowed timely, and informed decisions. The results were used by heads of department, which increased their engagement. The manager mentioned how measures helped to save the company being closed in the recession times by using the measures in increasing efficiency, and this was done by reducing the number of staff through involuntary staff turnover.

The measures were used, in either strategically or tactically. They helped the management in financial investment decisions, operational and human resource decisions. As an example of some the uses of Performance Management System results, one of the managers reported that when the recession started, measures were used to describe the gravity of the situation, and to act on ways to increase efficiency and to reduce the cost and overhead of operations. According to one of the managers, because of the usage of measures, they could stand the recession difficult times, and to emerge stronger after. The measurements are used, instantly and improvements in productivity decisions were rapid, especially with an effective communication process. As for strategic decisions, the monthly meeting was the avenue in which issues were raised and then prepared for the annual shareholders meeting. It has been observed that productivity measures were measured and used by heads of department in their day-to-day decisions. Performance reports were available for employees if requested though many were not interested in looking at the result.

1.1.1. UK2 Case

Background
UK2 produces the world’s high-quality hi-fi products that consumers consider to be of the highest quality in their particular market niche. Their simple business rule has ‘not produced anything unless it is clearly better than anything else in the world’. The company reviewed is an SME with one hundred and ninety-seven staff. UK2 is a privately owned, it is an innovation based business model and products. UK2 was
founded 40 years ago by an entrepreneur, but overexpansion caused by a financial crisis. Shareholders changed the leadership, and brought in a new General Manager, who was younger and more educated in management theory. The new management consolidated previous successes and re-defined the product offering. However, some managers resisted the new plans, and eventually they resigned. Consequently, the new management continued efforts to restructure and improve the efficiency of operations through the utilisation of an advanced performance management system. This allowed the organisation to rebound and overcome their financial difficulty. Shareholders constitute a professional board that governs operations through monthly meetings. The organisation structure is comprised of a GM who is less than 45 years of age when he assumed office and has an advanced management degree, heads the day-to-day operations, and managers who lead their divisions (Figure AB. 3).

![UK2 Management Structure](image)

**UK2 Organisation Culture**

The organisational culture is characterized by informal culture, easy communication channels between the managers and the staff. Accessibly to top management, democratic management style, low hierarchy, conferring decision-making power to the middle management level, with the employees expected to be consulted before decisions are taken. The relationship between the top management and the middle management is contractual and pragmatic. Despite the cordial and relaxed relationship
between the staff and management, still interests of both parties take into consideration, enforcing the impression taken of the individualistic nature of the organisation

*UK2 Performance Management System*

UK2 has started from a small organisation with one product, but found success which influenced the leadership to diversify their products in many directions. The rapid expansion led to a cash crunch and to face administration. Leadership was changed, and the new management

*UK2 Performance Management System Design*

The performance management system utilised in UK2 was built in reference to diverse internal KPIs, related to the different company departments, and measures external KPIs such as customer satisfaction, brand awareness and market share. For example, in the Marketing department, among the performance measures used are: web visits, the number of demo bookings, and a number of demos attended. In the Sales department, the performance measures include a number of orders, order value, daily orders, and total orders. Among the financial performance measures are cash, net sales, credits, and margin. The remarkable diversity in the observed financial performance measures is also present in other departments, such as the Service, Manufacturing and Purchasing departments.

From the above, and mapping the behaviour of Performance Management System design in UK2 to the national cultural dimensions of the UK, it can be concluded that:

First, leader(s) in low PD environments use a financial Performance Management System, but economic conditions required a process of designing, implementing and using Performance Management System. Second, the Performance Management System used in UK2 was observed to be mature and balanced performance management system which appeared to be due to the influence of the moderators, such as age and educational level of the leader and the innovation-based business model of UK2. Third, the process of designing performance measures was collaborative, and the leader invited managers and employees to participate in the design of strategy and performance measures, which could have been influenced by the low Power Distance culture of the UK.

*UK2 Performance Management System Implementation*

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the design to the employees and announcing the beginning of the measurement process. The performance measures are noted in a continuous manner, and at the weekly management meeting it is communicated to those responsible, and different questions are asked in the case of variations or deviations from the targeted measures. The stages of design and implementation seemed to be as if it is one stage, with implementation taking place as soon as the design stage finishes. Implementation was just delayed in case some instruments are required, but implementation from staff’s perspective is smooth.

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Performance reviews are undertaken at different levels. The first level is the board, a group of experienced professionals. They reviewed actual performance versus planned
in their monthly meetings, and the General Manager explained performance discrepancies. Operational level performance reviews are regular one-hour meetings held daily, in an open format, attended by all department managers or their representatives. The performance measures reviews are displayed on whiteboards, the results shared horizontally by all managers, and performance indicators are open to discussion by the meeting attendants. The leader takes a backseat approach in these meetings, allowing free discussion and listening to different arguments. Departmental performance reviews precede operational meetings, and employees discuss their KPIs in another one-hour open format.

From the above, and mapping the behaviour of Performance Management System use in UK2 to the national cultural dimensions of the UK it can be concluded that: first, the regular occurrences and the easy access to performance reports for managers and employees stems from weak Uncertainty Avoidance, plus the influence of moderators. Moderators such as the age or educational level of leaders, alongside the innovation based business model of UK2, could have influenced the horizontal accessibility of performance reports. Second, the aim of engaging employees can mostly be attributed to the action of moderators.

1.1.2. IT1 Case

**Background**

IT1 was founded at the end of 1900 by the grandfather of the current owners. The founder worked as a craftsman specialised in carving for furniture of Venetian palaces and churches. In the 1930s, the father of the current owners took the lead of the company as he started to produce standardised/serial furniture. The company was managed as a family organisation. Most of his 10 sons worked in the company.

At the end of 1990s, IT1 produced serial furniture with almost unknown brand. During this period the oldest son, Franco started to introduce innovative products and to enlarge the market working with a network of sellers.

The main change was at the beginning of the 2000s, the younger of the 10 sons, Daniele IT1, took the lead of the companies and he completely redesigned company’s products and management approach. The three sons (Franco, Daniele and Rosanna) became soon completely autonomous in managing the business. The only link with the past management was the system of values that characterise the IT1 family. These values were made explicit by the current management team, and they became one of the main
hallmarks of the company. The three owners are members of the BoD: Franco IT1 is responsible for production and technical department, but is dropping and becoming a sort of consultant, Daniele (CEO) and Rosanna is the administration and management control manager.

In the 2004-2006, the revenue grew very much, and a new factory in line with the new management style was built (see http://www.xxxx.it/xxxxfabbrica.html). In 2006, the company became a Ltd. Different product lines were gradually created (living well-equipped kitchen and finally bathrooms), all with the same style and value.

Alongside the traditional family-based structure, recent years have witnessed a process of restructuring in management and production methodologies (Lean production from 2007). Production is almost all domestic (80%), they do not really know if the growth could be compatible with not outsource. IT1 believes technology very important for innovation and customer services, but the most important factors are still the creativity, the innovative capability and continuous improvement capability of all the employees.

In order to be able to manage positive growth rates and face the difficult challenges of the international marketplace continuous change and managerial development characterise the company. Today, turnover is around €30 million, with around 150 employees (of which over 25% hired in 2008). About 50% are employees and 50% workers (86 workers with 22% foreign). IT1 is working to develop an international network and multicultural situation. In the last few years company has created living Showroom, where to leave IT1 design in the natural environment, it has been created for a real inhabited house. The hosts who are glad to open their houses to the visitors, to let them discover their furniture and give some shopping advises. They have selective distribution and represent the best solution for the customer searching quality and competence

IT1 organised international workshop for interior designers. Profits were always reinvested in the company to support growth without increasing unduly. This policy makes the company able to cope with the current crisis without financial pressure.

**IT1 Organisational Culture**

The managerial approach is mainly based on culture and positive behaviour, not on predefined target. In order to measure behaviour managerial team has recently launched a project with three universities to investigate the company’s climate and to define the "Map of the relationships". The project should highlight employees’ relationships and any similarities/differences with other innovative companies (see for instance Dallara).
For IT1, this is the way of measuring how they work. A kind of definition of "relational parameter" that for IT1 is particularly important, as the most relevant factor, is People. However, at management level some traditional performance information is available (see, for instance, financial data from the balance sheet, cost data, contracts, order, etc.) and a business intelligence software (Business Objects) is used for analyses these data at the request of the managerial team (in particular Daniele IT1) to solve / understand specific situations.

Organisational culture and values are key factors in IT1. The IT1’s core values are quality of life, being together and re-claiming the home as domestic environment and no longer a transitory space; through the influences provided by the people who live there and who can enrich these spaces with design that combines quality with the right price.

Profit is not considered the most important thing. For entrepreneurs, IT1 should be 'achieve 50% culture and 50% profit’. All the workers are considered relevant and important for the products.

The main IT1’s values are:

- **Transparency**: everything according to the law and total transparency. Not only tax.
- **Partnership relationship with suppliers**: They believe people can not make career-changing companies, but internalising company's values. This approach produces a turnover even too low (that should obstruct innovation)
- **People care Passion and respect for the people**: The same structure of the factory shows the importance given to people.
- **Ethics**: Projects with social values are being carried out (For instance projects with schools and project "district" advanced industrial)
- **Not hierarchy**: Opening and a chance to speak with all managers and employees
- **Dare (osare) to time but not too much (in moderation)**
- **Change**: think differently everything also in traditional areas as administration
- **Innovation also in traditional area as administration**
- **Joy to work with the happiness of it**: You're doing something stealthily like. Inner happiness.

Everything in IT1 is driven by the above values. Values are transmitted mainly by the behaviours of the managerial team and in particular by the three brothers. For this reason, in the factory, where there are none of the three brothers, it is more difficult to disseminate these values.
Respecting the values listed above IT1 aims to increase revenue in national and international market.

To face the future, three factors are relevant (called the three C i.e. Cervello Core Coraggio): Brain, Heart and Courage. IT1’s employees have to be aligned with the company’s value and think every day how to improve or change their work.

HR manager has a key role, particularly in the recruitment. Plenty of people are interviewed to select the right each employee because as the all the selected employees should have characteristics aligned with the company’s values. Staff should be independent, not conform to a predefined role. The head of each department should intervene to solve critical events, in any other situation employees should be independent to solve his/her own problems. Promotion, incentives and bonus are agreed with the employee.

IT1’s strategy is a mix of innovative products and culture. People play a key role in the entire business along with attention for opening the territory and promoting economic and cultural development in an intelligent manner – after all, the man who creates is also the man who uses.

Currently, IT1’s brand is synonymous with innovation. Its collection of stimulating products and a corporate philosophy embraces interaction between business and art, coupled with on-going research into sustainable development.

Some key elements make IT1’s products immediately recognisable: Simplicity in the forms; ample possibilities for customization through colour and modularity; quality materials combined with the skill of the craftsman; accessible prices.

An important new distribution strategy has also been initiated, with new shops opening around Europe, in partnership with major showrooms.

In order to support innovation IT1 implemented three main projects:

1. IT1 created a studio, which hosts young university students and designers from around the world: creativity, friendship and the exchanges which enrich both the mind the work created, these elements come together in our products.

IT1 created a blog "Design Conversation " (Italy’s first corporate blog) to entering into discussion and debate through a study of how to enrich and involve the customer in the idea of bettering their life through the process of furnishing their home. IT1 is continually involved in so-called “Lateral” projects, initiatives running in parallel with the work in development, production and the launch of new products. These Lateral projects see the participation of universities and emerging artists. Among these
initiatives; the “Art Waiting Room”, the first corporate waiting room transformed into an art gallery and “The Apartment-IT1 Temporary Shop”, a project launched during Salone del Mobile 2009 that perfectly embodies the continued reflection of IT1 into the idea of redefining and reinventing spaces for selling and putting together the company, its customers and the products.

*IT1 Performance Management System*

IT1 was not able to implement a traditional Performance Management System, as they understood that the traditional approach is not aligned with their managerial approach. The IT1’s performance management system is not well formalised but aligned with IT1 values. Three main drivers were considered are: time to market, IT1 values and quality.

The R&D department is reorganised considering two areas and two managers (living and kitchen-bathroom) that are responsible for the achieved results. All the employees are stimulated to work as a team. Every day, and for each project, the R&D team collects data on the basis of these 27 internal activities: they describe the activities done and the time spent. This allows the company to define the standards and the target. The redesign process of the Performance Management System is not yet finished. They are collecting information to identify a proper system of indicators. To date, they have identified 27 activities divided by macro phases managed by the department, i.e. development, design, engineering services business and research.

Considering the positive results of the redesign of the R&D area, the management team is assessing the possibility to adopt similar approaches to reorganize the other departments (i.e. Measure the skills, redefined ideal flow and implementation).

*IT1 Performance Management System Design*

The design and implementation process was based on a consultative approach: staff were consulted and involved in the definition of the data collected as the data should be used by staff to improve their work. As the system was created by the employees, they accept it immediately.

At operational level, currently, each department has its own indicators, related to its own activities. Sales and production departments use all the traditional indicators. Measures are introduced to support specific activities and decisions. They are not decided by managerial team, but by the activities to carry out and by the employees that have to manage these activities. In some case, the department creates its own indicators.
autonomously, in the other control management department offers its support to identify the suitable indicators.

To manage this change, a few months ago a new R&D manager was engaged, who stated to redesign the R&D team (7 employees). After a period of in deep analysis, he introduced the following main changes.

Competency mapping. For two months, the new team manager analysed activities, skill and employees aims (considering short-term and long-term) and he discussed everything with employees. Then he reorganised all the department and the single activities of the new product development. Each activity was discussed and redesign with the R&D team.

Re-organisation of resources. Technical area was put at the centre of the company to monitor customers and suppliers, seek to understand the needs of internal customers, define how to work better and finally educate internal customers.

Design of new process for all the new products. R&D manages process according to the IT1 distinctive characteristics. In some cases, it needs to be rigorous in others; it can let workers' freedom. This is one of their characteristics. When you think of a product shall be free to identify the fixed characteristics and the variable factors. Technical areas must be fixed; variable should be decided by the workers (They want to get to leave a 20% creativity and only 80% of rigidity. Before, they were 80% creative. However, the hinders growth, especially internationally asks for new roles. The aim is to increase standardization without losing the identity of the IT1 products.

The hierarchy is low, not only everyone is involved before the decision is taken, but the top management pushed everyone to contribute continuously with a new idea in all the field not just on product development. The relationship between top management and middle management is based on trust.

*IT1 Performance Management System Implementation*

A couple of years ago, they tried to implement a BSC with assistance from a consultant. However, the rigid structure proposal proved to be poorly suited to the business philosophy. The project was abandoned. Currently the company uses a financial and commercial information, aggregate in a different manner to answer to the need of information about Daniele IT1 who asks to aggregate data in different ways, in relationship to his feeling about the company and the external environment. Each department developed its measure to support managerial activities and, eventually, to answer to the question of the managerial team.
Organisation is not management with roles, but with values. Performance Management System is used not to assess achieved performance, but to support management activities and improvement. This approach to the measurement is well communicated to all the employees. Visual chart are the main tools to show and discuss achieved performance.

In the last few months, the R&D developed new systems to manage the growth of the volume and to promote empowerment. In particular, the recent strategic objective based on value increasing required the reorganisation of the R&D department to support integration respecting the IT1’s specificities. The aim was to move from the completely autonomous of the R&D members to a “managed autonomy” model. They believe necessary to codify product without losing flexibility. This aims to require the introduction of a suitable measurement system to manage activities (but not to control employees).

**IT1 Performance Management System Use**

The system was implemented to support managerial activities not to push employees to achieve predefined targets. The important thing is not to achieve the target, but to manage and solve the problems in the most efficient way. Performance Management System in IT1 is not based not only on traditional indicators. Particular attention is given not just to the assessment of achieving results, but to people behaviour, in order to spread IT1’s value (for instance employees’ performance are measured on how the answer to the back office, not just for the time spent to answer but also to the collaborative and constructive approach).

IT1 carries out a **monthly** audit to find our critical area and to find a solution to them. IT1 leaders uses Performance Management System information in a dynamic way, mainly to monitor critical areas and to identify intelligent solutions to problems. Since 2007, have adopted a lean management approach, so special attention is given to the processes. All the work is organised in projects (that in IT1 are called yards) and all, the department is measured on the basis of the projects closed, open, ongoing and planned not yet begun. Currently, they are trying to become more visual. Each area shall draw up a billboard showing the ongoing projects. Each month an audit is done in an optical lean over the area to understand the process of progress and resolve any problems. The Performance Management System is supporting improvement in internal and external service. The system is also promoting the improvement of empowerment and engagement.
1.1.3. **IT2 Case**

**Background**

IT2 is a leading company in the Italian industry of canned vegetables; it produces and commercialises pickles and vegetables in oil with its own label, as well as third-party labels, and employs about 95 people. The company was founded in 1962; the founding partners bought its first trademark “Gallina” and a few tools from an old craftsman who had been producing vinegar and pickled vegetables since 1920.

The year 1980 gave start to the first partnerships with leading distribution chains for the production of private labels (i.e. Productions with the distributor’s trademark), as well as two productions that featured the IT2 and Gallina trademarks. The company rapidly grew and tripled its turnover and production volume in less than 10 years; in the early 90s, it began designing its new factory, which was operational in 1994.

The years between the two millennia saw a strong advance in technological developments and a great increase in the company’s production volumes: the ISO quality standard certification, the beginning of foreign sales, the success of the new “grilled” line and the creation of the new production line of sauces, are just some of the events that marked the success of IT2. The most relevant development step that the company took was the 2005 inauguration of the new 10,000-square-meter logistic centre that ensures a large stocking capacity and is able to maintain seasonal productions in the best conditions and to meet delivery times with speed and punctuality, thus making IT2 a company that is ready to seize future opportunities and challenges.

The attention of the consumer is the engine that drives this business reality. The company’s mission stresses the importance of “Evaluating customer/consumer needs and meeting them with products of local canning tradition by always offering new products in line with current lifestyles”. The firm believes in the fundamental values of tradition, certified quality, safety and innovation; the latter is sustained with big investments in structures and technologies that enable the company to keep producing new lines and increasing its production capacity (which now consists of over 300,000 items a day produced by a factory that features two filling operation lines) so to meet customer needs and stay within production costs.

The seasonal nature of vegetables represents the company’s main source of complexity. Because the company deals with vegetables, both the quantity and the quality of the produce are subject to weather conditions, which are difficult to foresee and plan. The
seasonal aspect then determines wide fluctuations in terms of quality, availability and cost throughout the year: whenever possible, to overcome the first two problems, over the years the firm has looked for evermore “reliable” suppliers that are available to invest in their own products with high-quality standards; however, this last aspect is inevitably very delicate as the main suppliers of vegetables are very small farms or companies.

Aware of the fact that the uncertainty that comes from the suppliers and, in general, from the environment outside of the company, IT2 has always aimed at continually improving its production processes, even thanks to the adoption of modern technologies.

In order to keep up with the variability, the company manages its production in a flexible manner. Therefore, IT2 has functioned without ever completely saturating its production capacity, and it is able to continually change its production programs with the variations, both in processing systems and in formats. Flexibility and speed in the management of production program variations are done without ever compromising the quality of the product that the company offers.

The considerable growth that IT2 has undergone, in terms of turnover and volumes, over the last ten years determined a structural and organisational crisis. Thanks to the farsightedness of the top management, though, the difficulties that had emerged became the engine that drove the change. Once the managers realised that the ISO quality standards had their limits if applied to an ever more complex reality, they started travelling the road that led to the managerial growth of the organisation.

**IT2 Performance Management System**

In particular, the Balanced Scorecard development project in IT2 followed a self-assessment activity based on the EFQM, which took place in the framework of the EFQM Levels of Excellence initiative and enabled the firm to reach the Committed to Excellence level, after the implementation of the BSC. Through this activity, the top managers realized that the enterprise had little capacity to monitor its key performance results and acknowledged that the analysed data were insufficient, some fundamental processes were not adequately measured and, especially, the key results were not assessed in a systematic way and were not organized in a synthetic and effective manner so they could be read. Further to these observations came the need for using a performance measurement system that, besides enabling the company to see whether its goals had been achieved and whether its processes were effective and efficient, would
also work as a tool that could help it tackles the issue concerning the actuation of its strategies.

IT2 implemented a BSC following a circular approach and hence featuring these phases: determination of individual dashboards, identification of the implicit strategy map, definition of the desired strategy map and definition of a balanced dashboard (Garengo and Biazzo, 2012).

Determination of individual dashboards. All the main organisational positions (namely the top managers and the middle managers of first and second levels) were involved. The three managing partners, as well as the production manager, the sales manager, the accounts and purchasing manager, the quality assurance manager and the logistics manager expressed the measures that were under control and used, to better manage their activities, both at the “managerial” level and at the operational level. About 60 measures were collected, categorised and synthesised into a report that informed the top managers about the indicators that were used within the company. Prior to this activity, the managers referred to an annual plan of indicators that was included in the quality manual – which was annually defined during the management review. The reconstruction of individual dashboards contributed to greatly widen the view of the company’s implicit management dashboard because it was built after the information that was used in support to the decision-making process was analysed.

Identification of the implicit strategy map. From the implicit dashboard, then the implicit strategy map was derived; to this end, the motivations that each person had for using a certain indicator were examined, measure by measure, and briefly described in one sentence that expressed the underlying phenomenon. The final list of phenomena was subsequently placed in the four perspectives to visualise the implicit strategy map (Figure AB. 4), however, the ties among phenomena were not precisely pointed out; there was also a discussion of the systemic relationship that existed among the various factors and on the fact that the most critical interdependencies (those where there is a trade-off between factors) were all well evident and shared by everybody.

Definition of the desired strategy map. The implicit strategy map was drawn up on a big poster board where a Post-it note was affixed for each phenomenon; this was the basis for the definition of the desired strategy map. The first two meetings to discuss the definition of the desired map were hence dedicated to the customer perspective; starting from a critical observation on the implicit map,
several aspects pertaining to IT2’s value proposition emerged. During two subsequent meetings, the above-mentioned elements were summarised into a series of critical success factors; in the formulation of the CSFs IT2 preferred to adopt, whenever possible, some verbal expressions that would emphasise an action and a goal; meaning that the critical success factors were formulated in terms of “strategic objectives”.

The next step then was to explore the processes’ perspective: two more workshops were planned for identifying the activities that were especially important for the achievement of the customer perspective goals.

The work team was then advised to reflect on aspects concerning productivity/efficiency, growth and profitability. Emphasis was also put on the relationship between the BSC and accounting reports.

The last perspective dealt with – the human resources one – happened to be the most difficult to define in terms of results to pursue because, like in many SMEs, IT2 did not have any competency map, not even any systematic data on corporate climate and cultural profile. In this view, two generic objectives were identified (aligning individual

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**Figure AB. 4 - IT2’s implicit strategy map**

The work team was then advised to reflect on aspects concerning productivity/efficiency, growth and profitability. Emphasis was also put on the relationship between the BSC and accounting reports.
competencies and improving personnel satisfaction and corporate climate) in order to stress the importance of such aspects and to formalise the necessary initiatives to be undertaken for the realisation of the operational measures accountable for the achievement of such objectives. Figure AB.5 shows the desired strategy map.

**Figure AB. 5 – IT2’s Desired Strategy Map**

From a strategy map to a balanced dashboard. The majority of the indicators – the conceptually simplest ones – were built in concurrency with the clarification of the strategy elaborated during the meetings described in the previous; the specification of the indicator took place at the same time as the attempt to clarify the meaning of the objective.

There is no human resources perspective; the first implementation of the Balanced Scorecard focused upon the other perspectives while waiting for the results of the competence mapping project that began upon conclusion of the BSC project.

The company has yet to identify some indicators for the intangible perspectives. However, an in-depth analysis and design work centring on human resources management has already been concluded. Therefore it is expected that those aspects would be concluded as well.
IT2 Organisation Culture
The organisational culture is characterised by easy communication and democratic management style and an attention to all the people working in IT2. The relationship between the top management and the middle is both contractual and based on trust. All the main decisions are taken by the three entrepreneurs, considering their role and competence. Other employees are rarely involved. The relationship between top management and middle management are friendly and based on trust.
In IT2 the culture is mitigated by the positive climate. One of the entrepreneur is very sensitive to the employees feeling, and this approach favours the friendship relationship between employees.
In IT2 One of the owner spent many times in Uruguay and he has recently decided to move permanently in Uruguay with his wife in order to improve his quality of life. Also, the other two owners have a simple lifestyle, based on sporting life and healthy.
In IT2 the culture which drives the most important decision of one of the entrepreneurs: she presses to invest in knowledge in innovation in all the functions in order to support the growth of the company.
In IT2 prevails Uncertainty Avoidance culture. The organisation is managed with roles and the capabilities and knowledge of the employees. Everybody knows the daily activities and the overall company objective and take decision considering not their own objective but the company aims.
In IT2 everybody expects and accept that power is distributed unequally, the distribution of roles is mainly based on the skills, although in some cases the links with households owning influence the distribution of power. For instance, the son of the entrepreneur who is in charge of production, occupying positions of responsibility for production management. The son of the entrepreneur who is in charge of sales, occupying positions of responsibility for sales management.

IT2 Performance Management System Design
The Performance Management System was designed using a structured approach. As described before the design and implementation process was based on a consultative approach: all the staff analysed the current Performance Management System, then the managers of each function were involved in the re-design of the system and in the definition of the main strategic indicators.

IT2 Performance Management System Implementation
The implementation of the dashboard led to some important changes within the enterprise. The top management’s decisions are now supported – at least partly - by information on structured performances based upon specific business needs.

**IT2 Performance Management System Use**

The results are discussed mainly by the three entrepreneurs and the GM. Performance Management System is used not to assess achieved performance, but to support management activities and improvement. As mentioned above company decided to postpone the implementation of a performance management not to influence a person's behaviour.

Data are collected daily and weekly, and the results are discussed weekly and monthly by the managerial team, how try to understand the determinants of the negative results and identify the possible solutions. Particular attention is given to the process perspective to reduce cost and increase efficiency. Despite the company's objectives, the Performance Management System is not supporting the improvement of empowerment and engagement.

The final aim was also traditional, i.e. the managerial team want to design a Performance Management System able to support management activities and company
control. During the design process the different approach and objectives of the three entrepreneurs came out clearly, and this partially obstructs the definition of some objectives and targets.

IT2 use the Performance Management System to **monitor the critical success factors shown** on the balanced scorecard.

1.1.4. **CH1 Case**

**Background**

CH1 has been founded in the 1958 and is specialised in manufacturing and selling of food products manufacturing equipment, such as dumpling maker, stuffing and cutting machines, flour mixing machine, hoisting rapid freezer, walnut cake maker and other machine with different capacities and sizes. The company's markets include the domestic market in China, and about sixty-four countries. The company has about 180 full-time employees. The company is privately owned by about hundred shareholders. The shareholders elect the supervisory board, to assess the management team, and to appoint the General Manager (GM). Every year, the supervisory board meets with the GM inspecting the financial performance through the financial statements, and the contract of the GM would be renewed if they are satisfied with his performance.

The GM appoints the board of vice general managers to manage the different departments of the company, and the GM and vice general manager constitute the board of directors of the company, they are responsible to run the day-to-day activities of the company. The company has eight departments and one subsidiary. At the end of each year, the GM discusses the yearly performance figures with the board of directors, and they will conclude their next year plans.

When an order is received from the customer, the order is disseminated into different tasks to the responsible departments, starting from the steel frame in which the machinery is housed, to the different workshops that would receive the tasks, and the task is distributed to different staff. After completion of their tasks, the quality department issues a statement stating that it had been successfully done. The time required for this process is measured, and when the time is exceeded, there would be questions to see the reason of failure. CH1 management structure is displayed in Figure AB. 7)
CH1 was founded in 1958; it has a big industrial complex close to the city of Harbin in China. The company has about 180 full-time employees, among them eight vice general managers and a GM. The gender distribution of the top and middle management is male dominated, with only one woman in the middle management position. The GM is an engineer with an MBA degree, and his middle managers are mostly college educated. The organisational culture is characterised by the friendliness of the members of the management team, and in the term used by the GM, 'not in rush', care for others and their work is their focus, with the easy communication process between the managers and the staff. The homogenous composition of the people allows for ease of the human dealing with the people.

There is a regular monthly meeting in the company where the head of departments would meet with the GM to discuss their next monthly target and to discuss on previous matters. It was observed by the author there were two meeting rooms, and the GM mentioned there is another meeting room that can accommodate forty people.

I have observed that a basketball court inside the factory, and there is a canteen which provides subsidised meals to the staff. I have seen some staff gathering their meeting room in a relaxed manner.

*CH1 Performance Management System*
The performance of an organisation is comprised of financial measures and sales measures. The sales department is given a target to achieve, and when orders are confirmed, each department is given his share of participating in the manufacture of the sales order. A manufacturing plan is done to make sure a stable production schedule is going on.

Time taken to produce certain component is taken as a measuring procedure, and choosing the time of execution as a performance measure could be due to the varied number of products, and the gained experience of the management team of the factory, as they can estimate the optimum time required to finish a particular job. The quality is part of the performance measurement, as any finished product should be inspected by the quality staff and approved.

The production of the company can be measured by having the number of machinery units produced in different workshops, and the total number of finished product units delivered to the customers provides is an overall measure of the capacity of the factory.

At the end of the year, various heads of departments report their actual performance, explaining their departments' performance, comparing with last years' performance, giving reason(s) for failures, and suggesting new year's target. The last step is done while collaborating with the GM to reach an acceptable target. Consequently, the chairman and GM would be determining the next year target of the sales team, and the target's production load would departments, and these recommendations are revised with the consultation of the GM before it is notified to the manager. The GM determines each division target for the next be affecting all departments of the company. These measures, when announced by the GM, would be notified to various departments.

The measures are financial measures, which is lagging measures, and plans and sales target are leading measures. (Figure AB. 8 displays Ch1 PMS)

**CH1 Performance Management System Design**

The measures are designed based on the end of year reports written by the head of year, based on director's suggestion and the GM opinion. The process involves the cooperation between both sides.
CH1 Performance Management System Implementation

On the department level, every month, through a department meeting, the target is handed over to the employee, and he is asked to perform it. When asking the GM if anyone could protest, the answer was it is quite unlikely. The target constitutes, the task required, and the time given to execute it. Usually, the task chosen, and the time required is divided based on the experience of the and the nature of the task given. The targets are assigned to individual employees by the head of the department and usually announced to the staff of that department in a meeting. When asking the GM about the participation of the staff in the division of the tasks, and his answer was this is 'not necessary'.

On the factory level, the planning done at the end of a year, serve as a platform to build next year's target. The year's plan in divided into months’ plans, and it is each director's duty to implement his target.

CH1 Performance Management System Use

Measurements are used to assist leaders to take decisions, and to know how well line-managers run their departments. As for decision making, they are used in for pricing, as pricing depends on the time taken by the staff to manufacture and assemble a machine. The more time required for manufacturing of a product, the more expensive it would be priced in the next season. Though, the price of finished products should not be more than similar competitors' price. Comparing the company's price with other competitors
in the market serve as a sort of the benchmarking tool with competitors and it examines the company's efficiency in manufacturing.
Additionally, the performance measurements help to assess the work done by managers of different departments. For managers producing their products with higher execution time than expected are queried by the GM on the reasons behind the delays, sorting out the reasons of the delay and improving efficiency of production. Bonuses are given to the staff when they perform more than their target.

1.1.5. CH2 Case

Background
CH2 has been founded in the 2008, and is specialized in the manufacturing of berries related products such as confectionery and juices. Naturally growing fruits such as blueberry, lingonberry, black currant, raspberry, and honeysuckle are collected, then cleaned, then infused with sugar, air dried, and inspected, and then packaged in different packages and distributed in different retail outlets. The main characteristic of the company's products apart from the distinctive taste is their suitability for health-food, continuous customers as these confectioners are made without adding any preservatives or additives.

The highest authority in the company is the supervisory board, which represents the shareholders, and they have extensive powers such appointing the General Manager (GM) and approve his appointments, dismissals of senior managers, approve next year budgets, plans, and performance measures of each financial year. As for the GM, he suggests appointments and dismissal of senior managers, responsible for the implementation of the next period’s plans, and implementing performance measures approved by the supervisory board. The company has different departments of manufacturing, administration, R&D, quality, and sales departments. The organisation structure is shown in Figure AB. 9.
The company sells goods to the external and internal markets, the external market includes Asian countries, European, and North American countries, while the internal market is the Chinese market. The main advantage of CH2 products is their use of natural and healthy products, as they use wild blueberry of primaeval forests and high-quality water as raw materials, and does not add any additives or preservatives. The company introduced international advanced sugar-infused technologies and is equipped with special cleaning production lines independently developed in China. Among the state of the art, facilities is a full set of sugar infusion facilities and technologies, high-tech stems-removing machines and testing instruments. The product quality is well ensured as it follows the standards of the HACCP, ISO9001, and ISO22000 management systems from plant design to distribution. The case study would include an overview of the performance measurement system, the culture involved, drivers of Performance Management System introduction, the impact of national culture on design, implementation, and use of Performance Management System.

**CH2 Organisation Culture**

The organisational culture is characterised by a hierarchical culture with the GM standing as a towering figure, serving like a father for employees. The culture resembles a family with the GM as the father figure, and the directors are the elder brothers. The GM controls and protects employees that are expected to be loyal and obedient to his role ‘centralised and democratic at the same time’. He mentioned that the leader should provide the final say in the running of an organisation to prevent chaos and disagreements of opinions. The hierarchical structure is served with an efficient
communication system with systematic meetings at different levels, ensuring the organisation work as a single unit. The structure is well-defined structure of authority and control, and there are standard operating procedures, with specialised job functions. The organisational culture resembles the compare (market) in the Cameron and Quinn model.

The senior management team were ambitious, planning more business expansion, we're looking to be relaxed and tolerant, and even the GM mentioned that the company released their annual profits and revenues to the staff at the end of the year. The culture in the organisation looked open to new ideas and innovative. Additionally, the company looked competitive keen on expansion, and improvement.

CH2’s organisational culture is greatly influenced by the Chinese culture, particularly its respect on the GM and his command and leadership, the high Power Distance, the significance of them, and the organisation, which shows the collectivism of the culture. Employees in the China have traditionally been more willing to put the needs of their teams ahead of their own personal needs. This collectivism, coupled with high Power Distance has promoted cohesion between the management and the employees, coupled with low UAI and experienced leadership making the organisational culture in a relaxed and confirmative to the existing national culture.

**CH2 Performance Management System**

The performance management system is comprised of financial plans and performance measures (Figure AB. 10). Financial measures are comprised of the balance sheet, the statement of earnings and cash flow statements. Whereas the plan measures are comprised of the most important measure is the accomplished profits, which demonstrate the degree of ROI earned on the capital invested and the skills in the management of the project.

The plans would try to predict values of sales, production quantities that would produce the expected profits. The sales measures constitute, the expected sales quantities, expected selling price and eventually the expected revenues. As for the expected production measures are the expected produced quantities, expected production costs, and planned profits for the next financial cycle.
Figure AB. 10 CH2’s Performance Management System Structure

These performance measures are determined by the supervisory board in collaboration with the GM. The expected purchase costs are laid out and hence estimating the financial requirements for the supply chain department. While the financial measures of profitability are lagging measure and is prepared only once in one year, the plans are a yearly, leading measure, but is revised on a monthly basis by all the heads of the department.

CH2 Performance Management System Design

The design was performed by a meeting of the supervisory board with the GM. The supervisory board is made from experienced members representing the shareholders. The process of designing relies on historic measurement, and predicting the growth in the next financial year, and then whether the means to achieve the expected growth are available. The type of measures chosen was leading and lagging, financial, and operational measures.

First, those who are involved in the design process are the highest in the hierarchy of the organisation. The measures are designed to measure the performance of the team as a whole as typical in collectivist cultures. For example, the production, sales, production
costs is not broken down to individual teams and left as a team measurement typical of collectivist societies.

**CH2 Performance Management System Implementation**

The implementation phase was primarily communicating to the top managers, the agreed performance measures that were chosen and designed by the supervisory board for the next financial period. The top managers can participate in the process by requesting their needs to achieve the given target. They are not consulted in the value of the performance levels expected, and their approval and achievement is the only route for them. The top manager can choose the way to reach the target, by assigning his employees in a way he finds suitable, and again the subordinate is expected to deliver on the given performance target. Different level meetings provide the ground to have discussions between top management and employees bringing opinions together and providing different consultations to reach the common destiny. Usually, they are privileged to having access to thorough, comprehensive, and frequent company data, hence their performance measures are usually, practical, up-to-date, and useful. They determine the type of performance measures and the magnitude of measurement. Meanwhile, employees neither expect to be consulted, nor are willing to risk the burden of decision taking, and they tolerate implementing given decisions rather than suggest measures or even suggest improvements to a measurement system.

**CH2 Performance Management System Use**

In CH2, internal contextual reasons contributed to the introduction of Performance Management System, such as the amount of investment needed, dividends that might be distributed, and the how much funds shall be assigned to purchases, maintenance, and staff compensation. Having leading performance measures or plans is important to see the efficiency of the top management team and their ability to produce and profit. The company is keen on advancement, and growth.

CH2 uses different formal meetings to carry out performance management reviews; these meetings are held at different levels and for different reasons, including quality meetings, production meetings, executive meetings, board meetings and so on. Performance results are distributed through formal meetings, which are used to discuss and review performance results, featuring relaxed information sharing between different departments.

The measures provided a common language of communication between top management and the employees. As for Management, monitoring the production
figures put them in command of the production process, honouring markets’ demands, ensuring the proficient running of the company internal functions. The results would help in securing the customers’ orders at their time of choice and keeping the costs at a bay. The result of the measurement was used in the decision-making process, and information from the performance measurement measures would allow timely and informed decisions. As done before, the measurement results are an important tool used by the supervisory board to plan the next strategy for the next period in the investment decision, human resources, or financial resources strategies. Measures are used to estimate performance in the short and long term. In the long term, measurement provides assessment about the GM performance, whether the strategy used is a successful strategy, or whether the profits earned justifies the financial investment made in the organisation. Measurement in the short term was used to communicate strategy employed, reward staff who is achieving online with the declared strategy. For example, energy consumed in the production process, the raw to finished product ratio are measured every month and monetary reward grants to the hardest working member who is chosen by the head of the department to be the person behind the achievement. Another use of measurement in the reward award to staff at the end of the financial year, where depending on the profits, rewards are allocated to staff, measures are achieved hundred percent, the employees are paid hundred percent bonus, the less they achieve, the less bonus would be paid to them.

1.1.6. QA1 Case

Background

QA1 was established in 2007, and has branches in Syria, Lebanon, and Algeria, with the head office in Doha. QA1 is medium sized private company working in the field of manufacturing and fitting of aluminium and glass for buildings. Their products include doors, windows, mirrors, glass partitions, shop windows, or external cladding in flats, high-rise buildings. QA1 was established in 2006, and its sales in Syria increased from a million dollars in the first year to seven million dollars in the year 2010. QA1 has a staff 125 and has a design and sales office in Doha city centre and a workshop in the industrial zone. The office is where the CEO, the managers are located, and where design takes place.
QA1 is a family business, and the CEO is a family member. The family council has no control of operations, but follows the operations, revenues, costs of QA1 closely. The organisation structure is flexible depending on the size of signed projects, and when executed projects become drained, and revenues are reduced, then the organisation structure would shrink to reduce costs, and as more projects are awarded hierarchical structure would gradually form.

*Labeled Diagram: QA1 Management Structure*

QA1 has lost market share because of external problems, and now it is under the Breakeven point, and struggling to move to profitability. The management structure (shown in Figure AB 11) is headed by the CEO who is responsible for dictating strategies, laying out policies, and authorising payments. The CEO is followed on the structure by the account manager, the sales manager, the purchasing manager, and the branch managers. The account manager was responsible for the accountants, and his job has kept record of accounts payables, receivables, salaries, and responsible for the ERP system. He is the confident of the CEO and has authority to sign for the CEO when it is necessary. The sales manager is responsible for the operations management in Qatar, as he is responsible for the sales team, and manufacturing, and fitting team.

*QA1 Organisation Culture*

The organisational culture is characterised by a hierarchical culture with the GM standing as a towering figure, serving like a father for employees. The culture resembles a family with the GM as the father figure, and the directors are the elder brothers. The GM controls and protects employees that are expected to be loyal and obedient to his
role ‘centralised and democratic at the same time’. He mentioned that the leader should provide the final say in the running of an organisation to prevent chaos and disagreements of opinions. The hierarchical structure is served with an efficient communication system with systematic meetings at different levels, ensuring the organisation work as a single unit.

The senior management team were ambitious, planning more business expansion, we're looking to be relaxed and tolerant, and even the GM mentioned that the company released their annual profits and revenues to the staff at the end of the year. The culture in the organisation looked open to new ideas and innovative. Additionally, the company looked competitive keen on expansion, and improvement.

QA1 Performance management system

The Performance Management System (shown in Figure AB. 12) in place is composed of financial measures and sales measures. The financial measures are prepared at every quarter, and the sales report is prepared daily. Each report is prepared by the respective head of department, and the only person that receives the report is the CEO.

The Sales Measures

The sales report is the tool by which the CEO is measuring the performance of different divisions of the company. The sales report is comprised of different reports all put in an A0 paper. These reports are total contracts offered for tender in Qatar, total awarded contracts, list total contract awarded to QA1, list of executing contracts by QA1.

Budget Report (Estimation Report)

Any job is priced using the budget report. Later, if the contract is awarded to QA1, the contents of this report would be part of the ‘current jobs’ report. It is called the budget report, but it is an estimation report, whereby there is detailed quantities and cost of the materials used, the expected cost of the installation (called productivity) of the staff, transportation costs, the expected wastage cost of one per cent of the materials’ cost. Then the budgeted fixed costs, which is calculated at a percentage of the expected job, the bonuses paid to the salesmen are added to the budget; then the contribution margin is obtained from subtraction of the total of costs from the total revenues.

The quoted price is entered at the end showing the expected profit, profit margin. As long as the company has capacity, it could reduce the quoted price to the customer. This report is written by the sales associate, signed by the sales manager, and signed by the CEO. Usually, the contribution margin is in the range of thirty percent, and the sales
manager said he has the power to reduce it to 15%, and the CEO mentioned, that sometimes he concedes the profit on a particular project if he thinks the project tendered as strategic to the company.

Figure AB. 12 QA1 Performance Management System Structure

The budget report is a strong instrument of controlling purchases, as it provides a way to estimate needed purchases depending on the number of projects awarded. Additionally, budget report helps to see whether the designed materials were correctly designed, and correctly priced, as deviations could point to those responsible for wrong estimation. If the wastage is more than one percent, an investigation would be conducted to determine who is responsible, and he is fined with 50% of the waste.

Accumulated Budget Report

Upon signing the contract for a new job, the budget report would be transferred as a new row in the accumulated budget report. As the table includes all the signed contracts, under headings such as the contract value, the percentage of executing work, the sum of the invoiced work, the sum of paid work, variable costs. The sum of the rows would provide the total value of contracts, the total variable costs, the value of the total jobs,
and the total value of the invoices, and the total payments received from the customers. This report is prepared daily by the sales manager and communicated to the CEO. This report represents all the related sales operations and activities.

The Financial Measures
The financial measures are comprised of the normal statement of accounts; these are the balance sheet, profit and loss statement, and statement of cash flow. There was not much discussion on the contents of these statements, but there was mention many times that the company is in the red.

*QAI Performance Management System Design*

The design of measures as a process is usually headed by the CEO who has the final say in the design of measures, and who consults the middle management to a varying degree. For example, a sales manager was consulted in setting the sales target, while the consulting the production staff with their measures is 'tricky'. The CEO has the authority to add, cancel, and amend any measure. In cases when a middle manager would like to change any measure, he should consult with the CEO, who has the power to accept or reject the amendment.

*QAI Performance Management System Implementation*

Implementation of measures is a move that requires some political clout, as change is delicate, and implementation for it to succeed should be attached with incentives. The CEO mentioned the way he introduced the measures in the Syrian office. He mentioned preparing the measures, and gathering the staff in different departments, and attaching achieving the new measures with incentives leaving the original salaries intact. This reduced the resistance to the measures from the majority and those who resisted and objected the process were given an audience with the CEO for more convincing to take place. The CEO is advantaged by years of experience.

*QAI Performance Management System Use*

The result of the measurement was used in the decision-making process, and information from the performance measurement measures would allow timely and informed decisions. As done before, the measurement results are an important tool used by the supervisory board to plan the next strategy for the next period in the investment decision, human resources, or financial resources strategies.
The budget report is used for estimating the extent of reduction in quoted price to be awarded a contract. Sometimes, when there is a capacity in the manufacturing and fitting or the project is strategic, the CEO has the authority to reduce the offered price. The executed jobs report is used to follow executed jobs, relative invoices, and the paid invoices by clients. Failure to invoice a client and reluctance of clients pay can be easily discovered. The total jobs offered in Qatar and the total jobs awarded to QA1 can show the company’s market share and can help to raise questions at the effectiveness of the sales team. The difference between the initial budget report and the real report at the end of the contract could help to see where losses are coming from. The CEO has informed the staff that mistakes leading to waste in fabrication, or fitting more that the budget report could hold them liable for 50% of the incurred cost of replacing them.

1.1.7. QA2 Case

Background

QA2 has been founded in the 1986. The factory has twelve production lines producing facial tissues, sanitary napkins, baby diapers. Raw materials are imported mainly from Sweden and transformed into final products using Italian machinery. There is no marketing budget as the company’s products, target lower segment of consumers, preferring to give advertisement, better packaging, and other marketing costs as discount to customers, making their products selling price beyond local and foreign competition. The main consumers reside in villages, and farms outside the larger Damascus area, and other major cities in Syria, with some exports to Iraq. The company has about 80 full-time employees and headed by a General Manager and owner who built his experience through the years from the time he founded his business and who is assisted by his son.
In the organisation structure, the GM is heading production, administration, and accounting directly, while his son is directly responsible for sales management and supply chain management. The son reports to his father the GM. The company is located in an industrial zone close to the city of Damascus, Syria. It has a four million US Dollars turnover and twelve production lines. The GM is the sole owner of the company, and he is in direct charge of production, and accounting systems, and his assistant (his son) overseas sales, and purchases. The age of the GM is late forties, and his son is in the twenties.

**QA2 Performance Management System**

The performance management and measurement report is comprised of accounting trial balance report, production report, and sales report. These accounts and the production reports are prepared daily and presented to the GM, while the sales reports are presented to the son of the GM.

Trial balance is prepared daily by the account manager. The account manager also highlights figures that he considers abnormal. The GM inspects these highlighted figures with the head of the accounts and gives his instructions on the daily routine. The
trial balance report is accompanied with stock report of raw materials and finished product inventory. Raw material affects the production, and sales while finishing a product report affect the way production is scheduled, and the sales efforts. Costs of production, which are variable costs such as the cost of raw materials are calculated from the cost of daily batches of producing goods, monitoring levels of materials needed for production, and keeping the cost at bay is helped by monitoring costs. If the consumption of the raw materials is found to be excessive, the line manager would be informed to take care. It was observed that the GM provides the communication link between the accounting, warehousing, production, and sales departments.

Sales report is prepared by sales agents who are distributing goods to the final consumer who are the small grocery stores. The sales manager then compiles individual sales reports and present a joined sales report, with sales broken into different products, different geographical areas. Quality complaints, customers’ suggestion, competitor activity are also mentioned as received from the sales agent, as they are asked to gather intelligence while they are moving into different areas.

The accounting, production reports are lagging reports, while sales report is a mix between the lead and lagging report, whereby the daily target achievement is shown.

The culture is friendly, family-like culture, and the company tries to gain affiliation from long serving staff by giving them different monetary gifts. The GM assumes a father figure in the organisation and called Alhaji, which is a title given to those with respect. The GM is having an overall control and a centralised decision-making. The maximum education level attained by the GM and his son is up to the secondary school level, but their family culture is characterised by entrepreneurship behaviour, informal relationship, and conservative perspective.
Communication is this company is oral, and reports are expected together with the oral briefings by means of reports especially in accounting, and sales departments. Informal meetings could take place at any time, place, and attendance of these meetings depends on the availability and the wish of the GM and his son.

According to deputy general manager, the top management of the company is based on the GM being physically in the factory, and his son, and without their presence, work would face difficulty. The management style is not dictatorship, in the sense that they do not rely on their opinion only in running the company. But they listen to different arguments, and finally, the GM would choose the winning argument.

Incentives constitute major part of the compensation paid for staff working in sales and production departments. As for sales, compensations are comprised of little basic salary and a percentage of sales, if the sales have exceeded a pre-agreed target. The higher the achieved sales, the more percentage given to sales staff. As for production staff, incentives are in subjective to top management, depending on quantity, quality, and production staff responsive to others. The sum paid, sometimes would depend on his economic situation. There is a mix between incentives and humanitarian assistance to impoverished staff. Incentives to production staff are subjective, depending on the GM opinion of the value of the production staff or manager. When asking the assistant general manager for the reasons behind the performance measures are objective, he
mentioned the lack of unified opinion on the causality of production delays, and this caused problems in determining the bonus before and made them make subjective on many factors.

**QA2 Performance Management System Design**

Financial, manufacturing and sales measurement are the most important reports. Sales reports are based on historical sales with the expected growth added depending on the annual increase in population, and considering market situation. Anticipated sales in terms of quantities, and values and areas are prepared by the GM and his son. These figures are passed to the sales manager who in turn would judge how to achieve the target sales and proposes methods to reach the given target. These suggestions are in the form of either increase in the number of sales personnel or promotions in the forms of special offers and discounts on the goods sold in the groceries, inducing them to buy more than their usual quantities.

The sales manager proposals are studied by the account manager, where the costs of the proposals are determined by the account manager who provides his input. Then the assistant general manager would discuss the proposal with the GM who would give the final decision based on his experience, and costs presented by the account manager.

The trial balance report provides a snapshot of the organisation’s current operations from an accounting perspective. Sales are outlined, as well as the warehouse volume of finished and ongoing work, raw materials, credits and liabilities and so on. The sales report is a large report that compares planned sales to actual sales, and breaks down the sales by geographic location, detailing the total sales for each sale point or salesman. Manufacturing reports detail the total production of each production line, manufacturing wastage and other information, such as total number of workers, shift times, times when production was halted, and consumption of raw materials per finished goods. The GM’s decision is final, and sometimes he must justify it to the sales manager, usually the GM’s decision is flexible and open to compromise.

**QA2 Performance Management System Implementation**

Approved targets are communicated to the sales manager by the assistant general manager in private meetings. Implementation commences after the bargaining process of the target proposed by the top management, and the opinion of the sales manager and the account manager is taken, the final decision is the top management decision. Political tactics are used to convince the middle management with the attainability of
the target, and flexibility is required on both sides. The relation between the Assistant general manager and the sales manager is a delicate relationship, where top management thinks of their more knowledge in the way business is run, and sometimes they have to interfere in the job middle management for the common good.

**QA2 Performance Management System Use**

Reports are used for daily business decisions, of production management, supply chain decisions, and sales management. As the layout of the factory allows for different production lines for the same products in different floors, this is utilised in promoting competition between different line managers, enticing them to produce more quantities with acceptable qualities.

Daily sales reports are significant in determining the customers’ perspective on production, unsolved quality problems, customer complaints, suggestions, and competitor activity (such as new products, and new prices offered by competitors), which is significant in taking the right decision making. Daily sales reports are used to provide evidence of the efforts made by salespersons, and the quality perceived by the customers.

Sales manager for the Damascus Area is not shown sales figures for outside Damascus. Only top management has access to all reports from all divisions.

Production reports help to serve as a communication channel between the production manager and the top management as quality complaints are brought to his attention and his requests requiring capital expenditure is brought to the top management to approve it.

Usually, incentives given to staff at the end of the year does not rely on measures, and incentive amount is subjective on the GM's view and discretion.