

Performance Measurement Systems for Operative Departments

Is monitoring support only applicable for departments situated at companies' top levels, dealing with strategical and tactical decisions? Would it not be valuable to also monitor activities and processes conducted in operative departments considering their large impact on the organizational results? If so, why does research within the field focus so much on strategic and tactical decisions made at top-level departments?

Strategic and tactical decisions are crucial for a company to succeed with their organizational strategy and reach their primary objectives. These decisions can be facilitated using a performance measurement system designed to measure and monitor desired processes and operations. With this type of system, the objective is to influence behaviors and decisions, making sure high performance is achieved. However, designing a performance measurement system can be difficult, and a poor design might cause damage to the company if the wrong behaviors are promoted. Hence, it is of great importance for business leaders to understand the theory and process of designing a successful system before taking on such a task. Searching for guidance, plenty of research is available within the field which provides information regarding criteria for success, the development process, how to use the system, and much more. However, one detail seems to have been lost, namely, the importance of measuring and monitoring not only at strategic level, but operative level as well. Information of how to design a performance measurement system suitable at an operative level is limited, making it even more difficult to design successful systems for these types of processes.

Within the case study *A Performance Measurement System for SCO Industrial Base Performance Converting Sales* (Trulsson 2021), the development of such a system was further explored. From existing literature within the field, a theoretical research model was developed, presenting a step-by-step process for developing a performance measurement system especially designed for an operative department. This process included steps such as understanding what high performance is, translating organizational strategy into applicable objectives, and formulating measures based on

criteria summarized from previous research. During the case study research, the initial part of this development process was further examined and tested on an operative department responsible for managing an order-to-delivery process for a large industrial company. The result of the study was an initial design of a performance measurement system suitable for their order-to-delivery process.

In the process 14 interviews were conducted to establish what is high performance for the operative process and how a system with ambition to capture this could contribute to the organizational strategy. From the results, three success factors were formulated, namely *according to plan and/or agreement*; *information flow*; and *on-time delivery*. Further, these success factors gave base to the three priority areas *customer satisfaction*; *time dimension*; and *transparency*. Concludingly, the performance measure *on-time delivery ratio* was selected and designed in a two levelled structure. With this metric expectations are that the initial system design can provide monitoring support, identify bottleneck activities, and help the department to increase their performance even further. A system that was left for further testing and evaluation by the investigated department.

Based on the result in this case study it can be concluded it is possible to transform criteria, processes, and system designs developed for strategic departments to fit a more operative one. Doing so, criteria, processes, and recommendations should be adjusted to suit an operative department, without forgetting the strategic and tactical impact that the system might have on the company.

This popular scientific article is derived from the master thesis: *A Performance Measurement System for SCO Industrial Base Performance Converting Sales*, written by Hanna Trulsson (2021)