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Performance Measurement Systems, Middle Managers, and the Fight over Control

A qualitative study on middle managers' experience regarding performance measurement systems and the effect these have on organizational motivation

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Preface

It has been incredibly interesting to research the subject of performance measurement systems, as it has become all the more important in recent years in the gaming industry in Malta, which is represented by the chosen company for our study. The competition in this industry is saturating and pressuring companies to outperform their competitors.

Organizational issues and internal effects of such performance measurement systems have been explored, however not to the extent of also taking into regard the individuality and variations within the company that our study does. This gave way to many new perspectives and possibilities to further study and explore this area and further nuance organizational theories.

We would first and foremost like to thank the company we have chosen for our study and the employees who were willing to partake in our interviews. They provided us with honest opinions, insights, and great discussions that were instrumental to our study, without them we would not have been able to achieve the results that we have.

Secondly, we would like to thank our classmates, who contributed with feedback, opinions and suggestions that were instrumental to our study and helped us redirect our thoughts toward more rewarding research.

Lastly, we would also like to greatly thank our supervisor Johan Jönsson for his thorough feedback as well as illuminating and valuable opinions, your guidance was of great help to our study.

Thank you and enjoy reading!

Nicole Kronkvist, Fritjof Jansson and Maja Muscat Scerri

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Abstract

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Authors	Nicole Kronkvist, Fritjof Jansson and Maja Muscat Scerri
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Five Keywords	Performance Measurement Systems, Expectancy Theory, Middle Managers, Control, Motivation
Research Questions	How do managers experience performance measurement systems and the effect it has on motivation? How do managers perceive the control they have over performance measurement systems?
Purpose	The aim of this study is to provide a more nuanced understanding surrounding the effect performance measurement systems have on motivation, from a middle managerial perspective. Furthermore, it aims to analyze how the level of control which middle managers possess over performance measurement systems affects motivation.
Theoretical Perspective	The theoretical chapter in this study involves a literature review which looks into previous research regarding middle managers, motivation and performance, as well as performance measurement systems. It also presents the expectancy theory as the theoretical framework which will be used to analyze the empirical material.
Methodology	A qualitative study has been conducted with semi-structured interviews conducted with 6 employees from the studied organization, and an abductive approach was taken.
Empirical Foundation	The empirical part is divided into two parts, first part being middle managerial perception of performance measurement systems, which had both positive and negative results. Second part looks at how control over performance measurement systems affect the middle managers.
Conclusion	Healthy competition, feedback loops and salience of numbers were considered to be positive motivational outcomes of the performance measurement systems. The biggest issue with the systems was the lack of control the middle managers had over these, which resulted in unrealistic, stressful and demotivating measurement systems.

Sammanfattning

Examensarbetets titel	Performance Measurement Systems, Middle Managers, and the Fight over Control
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Författare	Nicole Kronkvist, Fritjof Jansson and Maja Muscat Scerri
Handledare	Johan Jönsson
Fem nyckelord	Prestationsmätningssystem, Motivation, Mellanchefer, Kontroll, Expectancy Theory
Forskningsfrågor	<p>How do managers experience performance measurement systems and the effect it has on motivation?</p> <p>How do managers perceive the control they have over performance measurement systems?</p>
Syfte	Syftet med denna studie är att bidra med en mer nyanserad förståelse kring effekterna av prestationsmätningssystem på motivation, från ett mellancheferns perspektiv. Därutöver, har arbetet som mål att analysera hur nivån av kontroll som mellanchefer har av performance measurement systems påverkar motivationen.
Teoretiska perspektiv	Teorikapitlet i denna studie inkluderar en litteraturgenomgång som undersöker tidigare forskning gällande mellanchefer, motivation och prestation, samt performance measurement systems. I kapitlet presenteras också det teoretiska ramverket som kommer att användas, vilket är <i>the expectancy theory</i> .
Metod	En kvalitativ studie har gjorts med semistrukturerade intervjuer med 6 anställda från det studerade företaget, med en abduktiv ansats.
Empiri	Empirin är uppdelad i två delar, den första delen handlar om mellanchefernas uppfattning om prestationsmätningssystem, uppfattningen är både positiv och negativ. Andra delen granskar hur kontroll över prestationsmätningssystemen påverkar mellancheferna.
Slutsats	Mellancheferna uppfattar hälsosam konkurrens, återkopplingslingor och vikten av siffror som positiva motiverande konsekvenser av prestationsmätningssystem. Det största problemet med prestationsmätningssystemen var mellanchefernas avsaknad av kontroll över dessa, vilket resulterade i orealistiska, stressfulla och demotiverande measurement system.

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1. Introduction

This study will focus on how middle managers experience performance measurement systems and the effect that these have on not only their own motivation, but also the motivation of their subordinates. The aim of the study is to give a deeper understanding of how key performance indicators (KPI)s, as a form of performance measurement system, can effectively be used to enhance employee motivation based on opinions received from middle managers.

1.1 Background

Performance measurement systems is a thoroughly discussed topic within organizational management and has led to the implementation of these systems becoming more popular in organizations (Euske & Lebas, 2007; Berdicchia, Bracci & Masino, 2021; Meyer, 2007). Despite it being a growing subject, several companies and organizations feel unsatisfied with the performance measurement systems they currently have in place (Meyer, 2007). The subject is one which is constantly evolving and has not yet been perfected, which creates room for further studies to be conducted within the area (Meyer, 2007).

In an empirical study by Lee & Yang (2011), the effects performance measurement systems (PMSs) have on performance with regard to organizational structure and market competition were analyzed. Their results illustrated a positive relationship between market competition and significant performance measurement systems in the organization. The authors further define performance measurement systems as being the mechanism for the allocation of responsibilities, implementation of performance targets, and rewarding the achieved targets (Lee & Yang, 2011).

The most popular way for organizations to implement performance measurement systems is either top-down cascading from top management down to the lower parts of the organization, or bottom-up building and improving the performance measurement systems from the bottom of the organization up to top management (Meyer, 2007). The role of middle managers is the key focus of this study and is related to the location of managers below top-level managers and

above first-level frontline employees in the hierarchy. Middle managers being positioned between the top-level executives and the frontline employees (Mintzberg, 1980), are situated in a role not in direct contact with the most popular ways of implementing performance measurement systems. However, middle managers play a crucial role by serving as the link between top-level executives and frontline employees and thereby bridging the gap between strategic objectives and operational execution (Mintzberg, 1980). Middle managers are a big part of the communication between different levels of the organization and have a great role in leading and managing organizational change, and are therefore an interesting aspect to study to understand what makes performance measurement systems successful. (Armenakis and Bedain, 1999; Mintzberg, 1980).

1.2 Case study

This study is focused on middle managers from the company CashKing¹, an iGaming company based in Malta with 275 employees. The middle managers that were interviewed were all part of the operational division, working in customer support, responsible gaming, and payment and risks, where the performance measurement systems in place were of a similar character, disregarding the varying nature of the different departments.

The relationship between the middle managers and the employees in the company was of a casual nature and there was frequent communication between the two positions. The middle managers also worked right next to the employees in an open space environment, and when needed, could jump in and do the same tasks as their subordinates.

Furthermore, the performance measurement systems at CashKing were defined in the interviews as KPIs. These had several different objectives that the organization measured and used for the decision of rewards that the middle managers and employees could receive, such as bonuses or promotions. The KPIs in the departments were set up in a manner that entailed that the employees had clear objectives to achieve, and the middle managers' KPIs were based on the performance of their employees and the team as a whole.

¹ CashKing is a pseudonym

In recent years, CashKing has expanded and developed into a more bureaucratic structure, with the board of the company having stronger control over the changes in the organization. Depending on their position in the company, the middle managers that were interviewed were responsible for a different number of employees, and reported to either one or two managers above them in the organization.

With all interviewees being responsible for other employees while simultaneously reporting to someone else higher up in the organization, and considering the focus of our study, we believe that the different positions, departments, and roles of the chosen interviewees do not affect the study. Furthermore, the existing KPIs for all the different departments are of a similar nature, and all of the managers' KPIs are directly associated with the performance of their subordinates. This is due to the middle managers and their subordinates being measured and evaluated based on the same sets of KPIs. This also made it interesting for us to conduct this study, to further look into the middle managers' perception of the KPIs set in place for their subordinates, since their subordinate's performance affects their own performance as middle managers.

1.3 Research Problem

Despite the topic of performance measurement having existed for a long time (Pulakos, Mueller-Hanson & Arad, 2019), the main focus of the subject is efficiency and the enhancement of performance, with great amounts of research existing in this area (Pulakos et al. 2019; Euske & Lebas, 2007). Middle managers' perception of performance measurement systems and how they adapt to them is however an area that is not yet explored to a great extent (Jääskeläinen & Luukkanen, 2017). Studies exploring performance measurement systems in organizations have been neglecting middle managers and have instead focused on either higher positioned managers or the views of frontline employees (Van der Hauwaert, Hoozée, Maussen, & Bruggeman, 2022; Berdicchia et al., 2021). Since middle managers have such a significant role in successful operational execution, taking their perceptions into consideration when designing performance measurement systems could be of high value, and has not been studied enough (Jääskeläinen & Luukkanen, 2017).

Chen, Gao, Wang, Xue, (2020) present a study focusing on performance measurement in both managerial as well as middle managerial positions, along with how subjective and objective performance measurements are implemented in both positions. The study looked at the

difference between the performance measurement in the two positions, and how the value of different aspects of the work is dependent on the position (Chenet al., 2020). While Chen et al.'s (2020) study looks at performance measurement systems in relation to middle managers and how the effect of these systems contrasts with the effects they have on top managers, the focus of Chen et al.'s (2020) study does not explore how middle managers perceive performance measurement systems and their thought processes around the subject. Performance measurement systems are typically designed, implemented and controlled by the top management team, including executives and senior managers (Cäker & Siverbo, 2014). The top management team defines the organization's strategic goals and objectives and uses performance measures to monitor and evaluate performance, as well as make informed decisions (Cäker & Siverbo, 2014). This means that middle managers are rarely given the opportunity to take full control of the performance measurement systems. With middle managers being the link between corporate and the employees in an organization, it is of great interest to get a better understanding of their perception of performance measurement systems, and their opinions on the amount of control they have over these systems.

1.4 Purpose and research question

The purpose of our study is to contribute to a greater understanding of the complexities concerning performance measurement and the perception middle managers have on the subject within the organization chosen for the study. Through the perception of middle managers concerning performance measurement systems in the workplace and the level of their ability to control these, we intend to contribute to the understanding of how organizations can effectively and fairly measure performance, not only to promote growth but also to maintain and increase the motivation in the company.

CashKing is a middle-sized company with a clear and strong hierarchical structure. Through analyzing the middle managers' perception of the KPIs in place at CashKing, along with their ability to control and influence these KPIs, our goal is to understand how middle managers view performance measurement systems and how they are affected by them, as well as how they believe their subordinates are affected by them. The middle managers interviewed for the study all have a team of employees below them, who are central for the performance of these managers. We intend to contribute to greater not only practical but also theoretical

understanding concerning the complexities of performance measurement systems with regards to performance, through the focus on motivation.

The study will be focused on middle managers and their perceptions, as they all have employees below them as well as report to managers above them, making them a strong link between organizational strategy and its implementation. Understanding what needs to be done to allow for performance measurement systems to be effective from a middle manager perspective is therefore interesting to shed light on what it is that makes these systems successful.

Further, the middle managers that were interviewed were from different departments with differing ways of operating, which is interesting for the understanding of how the KPIs are implemented and used as well as perceived differently depending on the situation. In order to address the discussed aspects the following research question has been formulated:

How do managers experience performance measurement systems and the effect it has on motivation?

Through the analysis of the perceptions that middle managers have over the performance measurement systems present at CashKing, we decided to further explore the topic of control over performance measurement systems. Thereby, the following second research question was formed:

How do managers perceive the control they have over performance measurement systems?

1.5 Disposition

The study includes 6 parts in total, these being the introduction, literature review, methodology, analysis, discussion and conclusion.

In the introduction chapter the object of study and the reasoning behind the study is introduced. Here, both the practical and theoretical relevance of the conducted study is presented. Building on the practical and theoretical implications of the study, along with the research question that guided the study, the purpose of the study is presented.

The theoretical chapter, which showcases the literature review, follows the introduction. Here, relevant research and theoretical concepts which are highly relevant for the area of our study are presented. The main focus of this chapter is on middle managers, motivation and performance, and performance measurement systems. The theoretical framework used is based on the expectancy theory, which provides insight on what motivates employees to reach successful performance.

The method chapter describes the process of our study and the practical approaches taken, such as how the choice of study was made, the method used for the gathering of empirical data, how the analysis process took place as well as the study's credibility and authenticity. A continuous argumentation for why we believe that the methods used were relevant for our study is also brought up in this chapter.

In the analysis, the presentation of the study's findings begins. Here, the most important empirical findings of the study are presented, complemented by our own interpretations of the material in the form of an extensive analysis. From the empirical data both positive and negative perceptions have been identified surrounding the performance measurement systems. The main positive themes present throughout the interviews were the healthy competition, feedback loops and salience of numbers which the KPIs brought about. The main negative aspects which these systems resulted in were unrealistic KPIs, which in turn had an effect on stress levels, monetary rewards and overall motivation. Control is also a prominent theme in the analysis, and the middle managers expressed the frustration surrounding their lack of control over the performance measurement systems. The analysis chapter is divided into these mentioned themes.

The empirical material is placed into a theoretical context by placing this in relation to existing theories and literature in the discussion. Thereafter, the theoretical contribution which this study aims to give is explained. Finally, the conclusion is presented, where we conclude that middle managers felt both positively and negatively about the performance systems in place, but had strong opinions regarding their own control over these systems. Here it was also concluded that middle managers are not only motivated by their ability to control their personal rewards, but the ability they have to allow for their subordinates to succeed, which is negatively affected by their lack of control to influence performance measurement systems. The

limitations were also presented along with suggestions for further studies in this particular area of research.

1. Literature review

2.1 Middle managers

Middle managers have been claimed to play a crucial role in organizations due them serving as a crucial link between top-level executives and frontline employees (Mintzberg 1980). They are responsible for taking top-level strategic goals and making these into actionable tasks and initiatives. Middle managers act as implementers by bridging the gap between strategic objective and operational execution and are therefore an important part of contributing to a successful strategy implementation within organizations (Mintzberg, 1980). Middle managers are also important within organizations as they facilitate coordination and communication by acting as channels for the flow of information, where strategic directives are communicated from top management to frontline employees (Lengnick-Hall, Lengnick-Hall, & Rigsbee, 2013). Middle managers are essential communication agents, as they provide feedback and insights from the operational level to upper management, and thus link the strategic and operational levels, which fosters organizational integration (Lengnick-Hall et al., 2013).

Kramar, Bartram & De Cieri (2011) further expand on the importance of middle managers, and how they also play a pivotal part in engaging employees and ensuring development by providing guidance and support to frontline employees, and facilitating their career advancement, skill development and job satisfaction. They also act as advocates for the needs of employees, and represent employee interests and concerns to senior management (Kramar et al., 2011). Middle managers therefore play a crucial role in fostering employee motivation and development (Kramar et al., 2011).

A study by Armenakis and Bedain (1999) highlighted the important role that middle managers played in leading and managing organizational change efforts, which strongly contributed to successful change implementation. They explain how middle managers are a key factor in driving change initiatives and encouraging innovation within organizations (Armenakis and

Bedain, 1999). This is due to middle managers having a deep understanding of operational realities which makes their involvement in change processes crucial for facilitating the change, overcoming resistance and promoting innovation (Armenakis and Bedain, 1999).

The performance of middle managers is therefore very closely linked to that of their subordinates, since part of their job involves fostering employee motivation and development (Kramar et al., 2011). Understanding what affects their subordinates' motivation is therefore a crucial part of their jobs, and something which can be used when the managers are acting as advocates for their subordinates' needs.

2.2 The relationship between performance and motivation

Organizational performance has been defined by many sources as the extent to which an organization reaches its strategic goals and objectives, as well as the extent to which the organization satisfies the expectations of different stakeholders such as customers, owners and employees (Richard, Barnett, Dwyer & Chadwick, 2009; Ettlie and O'Keefe, 1982; Storey & Westhead, 1997). This definition highlights the holistic nature of organizational performance, and places emphasis on the achievement of goals, stakeholder satisfaction, as well as effective resource utilization. However, it is important to note that organizational performance is a multidimensional concept which involves various different aspects, and the definition can be tailored to the specific context and goals of the individual organization (Richard et al., 2009). Different indicators and metrics can be used to evaluate the organizational performance, based on the organization's individual goals.

Organizational and employee performance have mutual influence on each other (Den Hartog, Boselie & Paauwe, 2004). Employee performance is defined by Borman and Motowidlo (1993) as the extent to which an employee meets the requirements and objectives of their role within the organization through their behaviors and actions. Campbell, McCloy, Oppler & Sager (1993) expands on this and explains how employee performance involves the quantity, quality, effectiveness and timeliness of the employee's contributions to the organization. Borman and Motowidlo (1993) highlight that employee performance incorporates both the tasks and responsibilities that are directly related to the job, together with the broader contextual behaviors that support the organization's general goals. Employee performance can be

measured based on various aspects depending on the specific job objectives and requirements of the job and the organization (Campbell et al., 1993). The overall performance of employees contributes to the general success and performance of the organization, and thus organizational performance and employee performance are interconnected.

Harter, Schmidt & Hayes (2002) found a strong relationship between organizational performance and employee motivation, showing that motivated employees contribute strongly towards organizational success. Motivation is defined within organizational theory as the internal and external forces that push individuals towards behaviors that result in the achievement of goals within the organizational context (Steers, Mowday & Shapiro, 2004). It has also been defined as the factor which accounts for an individual's intensity, direction and persistence towards attaining a specific goal (Robbins & Judge, 2019), whilst guiding and maintaining human behavior in a way that influences employees to increase effort and engage in goal-directed activities (Steers et al, 2004).

Harter et al. (2002) showed through their study how high levels of engagement and motivation in employees resulted in higher levels of performance. This research suggested that engaged employees had a positive impact on the organizational performance through increased customer satisfaction, productivity and profitability (Harter et al., 2002). When it comes to the different factors that drive and influence employee motivation, there are many different motivation theories in organizational theory which provide frameworks to understand these factors (Robbins and Judge, 2019). Understanding what motivates employees is a fundamental part to understanding what can improve organizational performance, through the enhancement of employee engagement, productivity and overall performance (Robbins and Judge, 2019)

2.3 Performance Measurement Systems

2.3.1 Defining Performance Measurement Systems

Performance measurement systems (PMS) have become a widely discussed topic in organizational performance, with a wide range of definitions and approaches (Euske & Lebas, 2007; Berdicchia et al., 2021). Kadak and Laitinen (2016) define performance management systems as a process of quantifying and improving the efficiency and effectiveness of an organization, which does not only show whether or not an organization is successful, but can

also help the organization implement its strategy and improve performance (Kadak and Laitinen, 2016). Berdicchia et al. (2021) define performance management more broadly, viewing the area as a wide range of managerial tools to improve the performance of individuals, groups and organizations.

Instead of using the term performance management systems, DeNisi and Murphy (2017) separate the term into performance management and performance appraisal, with performance appraisal as a starting point of performance measurement systems. Here, performance appraisal is defined as a formal process in which employees are evaluated along a set of dimensions, whereas performance management is viewed as a variety of activities, policies, procedures, and interventions to help improve employee performances (DeNisi & Murphy, 2017).

As shown above, different authors have different definitions for the term performance management and, although similar, these vary in description. This flaw in performance management is brought up by Euske and Lebas (2007) who view the definitions of performance management and performance as a suitcase term meaning that it is defined by the context and made specific for the situation. They define performance and performance management through several different propositions instead. These propositions conclude that performance can only exist inside specific parameters. Euske and Lebas(2007) define performance management as a social construct, where the meaning of the term is personal to each individual, and the definition would not be the same inside an organization as it is outside of the organization. However, Euske and Lebas conclude that although the definition of performance is individual, all performance needs to have the ability to be measured (Euske and Lebas, 2007).

The above definition by Euske and Lebas (2007) does not discredit other definitions, such as those mentioned by Kadak and Laitinen (2016) or DeNisi and Murphy (2017). Instead, Euske and Lebas (2007) see all different kinds of definitions for performance measurement systems as being part of their suitcase term where performance measurement systems are defined depending on the situation and organization. Whilst this definition is inclusive for several different circumstances, for this study this definition is overly broad and can spark confusion with regards to how one should view performance measurement systems as a whole. We have therefore chosen to focus this study on the above mentioned definition by Kadak and Laitinen (2016), where performance measurement systems are defined as a process used to quantify and

improve the efficiency of an organization, not only by showing the success of the organization, but also by helping the organization implement strategies and improve performance.

2.3.2 Performance Measurement systems and their Effect on Motivation

Performance measurement systems involve processes which identify and measure performance, and thus provide performance-related information (Berdicchia et al., 2021). However, Smither, London & Reilly (2005) show that there are a number of issues which relate to these systems and the effect they have on employee efficiency and motivation. These issues concern both the difficulty in relation to the structure of the systems, and also the role which these have on the social context in which they are designed and implemented (Pulakos & O’Leary, 2011; Levy & Williams, 2004). Coens and Jenkins (2000) provide further issues related to the belief that when an excessive importance is placed on the reward process and formal performance of employees, employees may feel that other important aspects of their work are being marginalized, such as feedback and sharing, which could trigger resistance and dissatisfaction. This results in a lower motivational level according to Berdicchia et al. (2021). These issues brought up in different studies have created doubts among certain managers and scholars about the real consequences performance measurement systems have, and whether these systems are beneficial at all (Berdicchia et al., 2021; Pulakos and O’Leary, 2011).

Nowadays, retention of employee and manager well-being and job satisfaction are seen as key factors within sustainable company performance (Combs, Crook, Ketcher, Todd and Woehr, 2011; Peccei and Van De Voorde, 2019).

Van der Hauwaert et al. (2022) highlight that the well-being of employees should be highly considered when performance measurement systems are designed. Performance measurement systems can be used in such a way which helps managers and employees to make correct decisions, by guiding them towards the right behavior (Van der Hauwaert et al., 2022). However, they could also be seen as formal controls used to intensify the monitoring of behavior, putting more pressure on employees by directing their work towards the performance targets (Van der Hauwaert et al., 2022). The negative perceptions may have a negative effect on employees’ attitudes, since distrust can arise when the fairness of the measurement systems is in doubt (Nørreklit, Jacobsen & Mitchell, 2008).

Accordingly, as shown by employment studies, most performance measurement systems fail, which is to a large extent due to the restricted perceived utility of performance feedback to employees (Murphy, 2020), but also due to the lack of improvement between manager and employee communication (Pulakos and O’Leary, 2011). Through examining many studies which confirm the positive performance as a result of a high level of motivation in the workplace, Van der Hauwaert et al. (2022) explain how benefits could arise through the designing of performance measurement systems in a way that trigger motivation in the workplace together with psychological need satisfaction. Many studies have shown that performance measurement systems are effective when they are designed in an enabling way, meaning that the people whose performance is being measured consider the systems to be supporting rather than being a control device used by management (Burney, Radtke & Windener, 2017; Groen, Wouters & Wilderom, 2012; Sundin, Granlund & Brown, 2009).

2.4 A lack of Existing Literature

Scholars have given performance management systems an increasing amount of attention with the aim of understanding what organizations need to do to improve their performance. (Lapsley & Miller, 2019; Chau, 2019). Since motivation has such a large effect on performance, as seen through Chapter 2.2, we believe that getting a better understanding of the role that performance measurement systems play in affecting motivation is of great importance for organizations to better understand how to effectively use performance measurement systems to their advantage in order to increase performance levels amongst employees.

Although many authors agree that performance measurement systems aid in creating favorable conditions to improve performance (Gruman & Saks, 2011), this is not a unanimous opinion amongst literature as there remains uncertainty surrounding how these systems should be designed and implemented (Adler, Campion, Colquitt, Grubb, Murphy, Ollander-Krane & Pulakos, 2016, Bregm, 2013; O’Leary, 2019). A recent study done by Pulakos et al. (2019) expresses how the effectiveness of performance measurement systems should be further evaluated, and that our current knowledge about motivational reactions to these systems is still incomplete. In this paper, we will focus on understanding the influence that these systems have on the motivation of employees, with a strong focus on middle managers, since these motivational dynamics are likely to affect behavior and thereby their performance.

Understanding the actual effects of performance measurement on motivation and performance from a middle manager perspective is important in order for companies to tailor and adapt their approach to the particular situation to maximize the successful outcome, due to the strategic hierarchical position middle managers are placed in (Mintzberg, 1980). Simply incorporating performance measurement systems without considering the effect these might have on employee and managerial motivation can also affect the actual performance in the company (Harter et al., 2002). Understanding these complexities is therefore of great importance for the organization to effectively and fairly measure the performance, not only for growth but also maintenance of the motivation in the company.

2.5 Theoretical framework

This part of the literature review will provide the theoretical framework for this study. The study has been analyzed from the perspective of expectancy theory to view middle managers' role in an organization working with performance measurement systems.

Research and theory surrounding motivation exist to a great extent, and the theory presented in this chapter is only a certain perspective looking at the sources, influences, and issues that come with motivation. The reason for using expectancy theory is the large number of studies supporting this motivational theory (Greguras & Deifendorff, 2009; Deci & Ryan, 1999; Chen, Liu, & Yao, 2011; Robbins & Judge, 2019). Although this theory is fairly old (Vroom 1964), it is an established theory and widely accepted explanation of motivation (Robbins & Judge, 2019). Despite the theory receiving criticism, most of the evidence surrounding the expectancy theory supports it (Robbins & Judge, 2019).

The expectancy theory explains how an individual's behavior and actions are dependent on their motivation to select a specific behavior over others because of what the expected result of that behavior will be (Oliver, 1974). The motivation of a person's behavior is thereby determined by the desirability of the outcome of that behavior. The most popular expectancy theory which is applied to organizations is a theory developed by Vroom (1964). The expectancy theory shows that employees will exert a high level of effort if they recognize a strong relationship between effort and performance, performance and rewards, and rewards and satisfaction of personal goals. (Robbins and Judge, 2019). The theory is based on the

expectation that high effort will lead to a good job performance, that good performance will lead to rewards, and that rewards for high performance are consistent with individual goals (Robbins & Judge, 2019).

Within the expectancy theory, external rewards are considered to be extrinsic motivational sources, meaning factors that induce motivational states that fuel behaviors through external forces that are not directly associated with the enjoyment of the work itself, instead of being natural motivators (Leonard et al, 1999). Such rewards include bonuses, monetary rewards, praises, or recognition. Shamir (1990) explained how motivational theories that are based on the concept of extrinsic motivation assume that individuals make decisions in a way that maximizes self-interests. Intrinsic rewards, on the other hand, refer to those positive outcomes that come as a result of the job in and of itself, such as personal satisfaction, pride or self-esteem (Ferris, 1977).

Building upon Vroom's theory, Porter and Lawler (1968) developed a theoretical framework that suggested that the level of individual effort is determined by the level at which an outcome is considered attainable and the degree of value the individual places on the outcome of the effort. Although Porter and Lawler's framework is typically also known as the expectancy theory, it is sometimes referred to as VIE theory, standing for valence, instrumentality and expectancy (Mitchell & Mickel, 1999). These three elements are used to make a connection between motivation, effort and performance (Porter & Lawler, 1968).

Expectancy relates to the belief that effort will result in accomplishing desired performance. A high level of expectancy relates to a high level of motivation (Vroom, 1964). The level of expectancy is determined by three main factors, which are self-efficacy, goal difficulty, and perceived control (Chiang & Jang, 2008) and is usually based on one's past experiences, self-confidence, and how difficult the performance standard is perceived to be (Chiang & Jang, 2008).

Self-efficacy refers to one's belief in their own ability to successfully perform a behavior based on their own assessment of whether they possess the necessary skills and knowledge needed to achieve their goals (Bandura, 1997). Goal difficulty refers to situations where the goals set in place are excessively high, or where the performance expectations are too challenging, which may lead to low expectancy (Chiang & Jang, 2008). This occurs when there is a belief that the

desired outcomes are unattainable. Perceived control refers to an individual believing that they possess a level of control over the expected outcome (Ajzen, 2002). When it is perceived that the outcome is beyond one's control, their expectancy, and thus motivation, is low (Ajzen, 2002). Furthermore, in order for effort to result in good performance, the individual must believe that they possess the ability to perform and that the performance appraisal systems are fair and objective (Robbins & Judge, 2019).

Instrumentality refers to the belief that a person's performance will lead to a certain reward should a performance expectation be met (Gupta & Shaw, 2014). This belief can affect motivation to perform a task or engage in a particular behavior through the reward system. For example, should an employee not believe that their performance is directly linked to receiving a reward, which could be through a bonus, promotion, etc., then they may be less motivated to perform that task (Gupta & Shaw, 2014).

Valence refers to the value an individual places on the rewards of an outcome and reflects the degree to which an individual desires a specific outcome based on their personal opinion on the value of the reward at hand (Vroom, 1964). The valence of an outcome depends on the individual. A promotion may have positive valence for one employee who values career advancement, but a negative valence for an employee who values work-life balance (Vroom, 1964). The valence of an outcome is an important component of the Expectancy Theory due to its influence on one's motivation to perform in order to achieve a particular goal or engage in a specific behavior (Vroom, 1964).

According to the expectancy theory, job performance is directly linked to an individual's ability to perform the job, their perceptions of the job role, and their motivation to excel (Ferris, 1977). The theory suggests that when an individual's ability to perform a job is low, increases in motivation will have a lower increase in job performance compared to when the ability is high (Galbraith & Cummings, 1967). Furthermore, if an individual lacks a proper understanding of the job requirements, the expectancy theory suggests that a high level of motivation would have a lower impact on their job performance (Galbraith & Cummings, 1967). Should the individual's perceptions of the role be in correspondence to the perceptions of their superiors in the organization, then applying effort will result in successful performance as defined by the organization (Porter & Lawler, 1967). On the other hand, if the individual's perceptions are incorrect, and therefore do not correspond with the perceptions of his/her superiors, then it is

possible that the individual will put high amounts of effort without an organizationally defined successful performance as the outcome (Porter and Lawler, 1967).

Porter and Lawler (1967) integrated these basic propositions of the expectancy theory into a model of job satisfaction. This model shows how where there is a strong connection between performance and desired rewards, a positive relationship between job performance and job satisfaction should exist. The reason behind this prediction is the idea that this rewards system creates an environment where high performance produces high levels of desired rewards, which in turn leads to higher levels of job satisfaction (Porter & Lawler, 1967).

2. Methodology

3.1 Theoretical background to the methodology

This work is a qualitative study as it is formed through collecting empirical data and further analyzing it. It is meant to help develop existing theories in the field of performance management systems and motivation, and further create new interesting and valid perspectives on these theories. These theories have been altered and developed through viewing the empirical data both from the pilot interviews and the final interviews with middle managers from the company CashKing, which is based in Malta, to better complement the empirical data collected. The approach for this study has been to sort through the collected data, and from this find the suitable theories. With this in focus and not solely applying and testing existing theory, this would be classified as an abductive study.

The abductive approach to a study could by Bryman and Bell (2017) be described as the process that has its starting point in a certain situation or problem that could be described with the help of existing theory, and then further complemented by new understandings of the situation where the existing theories are identified to be lacking. Bryman and Bell (2017) further define the abductive approach as a process of shifting focus between empirical findings and existing theory. Alvesson and Sköldböck (2008) also explain the abductive approach as the process of using existing theories to better understand a certain situation or problem.

Furthermore, the study is looking to understand individuals' perceptions of performance management systems and their felt effects on their performance and motivation. Since this is their perception of the situation today and constantly changing, and not a final conclusion (Bryman & Bell, 2017), the ontological perspective of this study is constructivist.

3.2 Choice in the Object of Our Study

When deciding on the object of our study, the main focus was finding a team where we knew that performance measurements would be clearly present. Upon conversations with multiple companies, we found that the chosen organization was most enthusiastic about our study and willing to participate. Since performance measurements are a common tool used within customer care teams, this was a clear choice for us as it also became interesting for us to understand what motivational factors influence this team.

Through an initial contact held through Zoom with the head of customer support within the organization, we were told that it would not be possible for us to conduct individual interviews with the customer support agents working on the floor, as this would take away valuable time spent actively working and would have too much of a high impact on their response times to customers. However, they were very willing to allow us to interview middle managers within the team. We therefore decided to switch our focus to middle managers and their opinions on performance measurements. To give us more qualitative data through multiple interviews, we were also given the opportunity to interview people within other departments of the operations division, where performance measurement systems were in place. This allowed us to study three different departments within operations, these being customer support, responsible gaming, and payments and risk. We decided that a total of six interviews will be held, four from the customer support team, one from responsible gaming and one from payments and risk.

In the early stages of the study the approach was to interview the employees within the customer support team in the chosen company and try to understand their view of the performance measurement systems in place. However, through communication with the company it was made clear that the employees working in those positions did not have time to

attend interviews, with demanding tasks to complete and no time to spare for interviews. Consequently, the study was instead refocused towards the middle managers in the company and emphasized on trying to understand how they perceive the performance measurement systems with regards to their managerial positions, as well as their perceptions on how these systems impact their team as a whole.

3.3 Gathering of Empirical Material

The gathering of empirical material was executed through the process of a series of qualitative, semi-structured (Bryman & Bell, 2017) interviews over Zoom with middle managers in the operational division of our chosen company. Initially, we conducted two interviews with another company as well, however in order to not complicate our study we chose to go forward with only one company. As an initial preparation, we assembled a document with questions we thought would be relevant to extract relevant information and an empirical basis for our analysis. These questions were then tested in the two interviews with another company as well as in our introduction meeting with the head of customer care of the chosen organization for our study. The two interviews conducted with the other company were not used further in this study but were seen as practice interviews for us to understand which questions worked best for our study. After these meetings, we revised the interview document and created a manuscript more fitting for the objective of our study. Please see Appendix 1 for the full interview guide.

The interviews started out with introductions of our study, with the possibility for the interviewee to ask further questions to gain more insight and understanding of what was required during the interview. Going forward, the interviews started with basic introductory questions about the interviewee and their role, then moved on to questions concerning the theoretical areas central to our study, such as “If you were able to change any KPIs in your department today, how would you change them and why?”. The questions were structured in a relatively open manner that invited the interviewee to fill in with insightful input that might have gotten lost in the case of more strictly structured questions. This also allowed for follow-up questions that were not part of our initial interview guide, but that seemed appropriate based on the answers we received.

Zoom was used to conduct the interviews which were, with permission of the interviewees, recorded for us to ensure an accurate transcription and be able to go back and more closely examine the material to enable a nuanced and rich analysis (Bryman & Bell, 2017).

To more easily analyze what the employees have expressed during the interviews and more effectively approach the process of analyzing the empirical material, the interviews were transcribed. This also ensured that valuable empirical data was not lost through bad memory. The interviews were between 45 to 70 minutes and a total of six semi-structured interviews were conducted. To ensure honesty and transparency, anonymity was promised to all the interviewees through the use of pseudonyms. This was done to anonymize both the interviewees and the company as a whole. We have therefore renamed all the middle managers together with the name of the company.

THE INTERVIEWS		
NAME	INTERVIEW LENGTH (min)	TRANSCRIBED PAGES
David	50	12
Samantha	55	14
Anna	63	17
Kyle	48	11
Emma	54	13
Alice	61	15

When speaking to the interviewees, we found that there was a big difference between the perception of the KPIs in general, compared to the KPIs which the managers together with their subordinates found to be unrealistic. Upon discussing these unrealistic KPIs, we wondered why these were not changed if they were deemed to be unachievable, which brought us to understand that there was an issue surrounding the amount of control and influence middle managers had over the KPIs set in place.

3.4 Analysis process

The process of sorting out the empirical material began with a transcription of the interviews into documents in written form, with each interview in its own document. Consecutively, the interview transcriptions were carefully read, with the mission to identify recurring patterns and trends. From the findings, the main takeaways and ideas were then compiled into a document. The quotes that we found of most interest and with the potential to help create a rewarding and nuanced analysis were marked and sorted into our chosen topics of analysis. This step-by-step process helped get an understanding of the material and clarified the direction of the study, as well as created the means for an untroubled process of analyzing going forward, and is by Rennstam & Wästerfors (2011) described as *initial coding*.

Going forward, the findings prompted a change of focus of the study, which also meant a change of the initially chosen theories and research question, to fit what appeared to be a more interesting path for the research. This described analysis process could further be recognized as being in line with the abductive approach (Bryman and Bell, 2017), described and discussed in chapter 3.1 of this study. With the construction of an initial analysis surrounding the chosen topics and their corresponding quotes it became more clear what theories would be an interesting contribution as a theoretical foreground and addition for further nuanced and in-depth analysis. The gathered empirical material was examined in the manner of an ongoing process, with quotes both added and replaced. Keeping the question of “*Why do you think this is the case?*” in mind also helped create an understanding of what theories would be of interest for the study and fitting for the empirical material. This process of creating a coherent and integrated whole in the analysis, with the newly defined focus, can further by Rennstam & Wästerfors (2011) be described as *focused coding*. An example of this was the answers' common theme in the interviews surrounding stress and demotivation, and how the middle managers explained that the KPIs in CashKing were managed by the board. The question “*Why do you think this is the case?*” led to the study's focus on control over performance measurement systems.

3.5 Credibility and Authenticity of the Study

When considering the reliability and legitimacy of our study, we have been mindful of two primary criteria, credibility, and authenticity, in order to evaluate our study (Bryman & Bell, 2017).

3.5.1 Credibility

According to Bryman and Bell (2017), credibility in turn consists of four criteria: confirmation, transferability, reliability and dependability.

Confirmation of the study concerns how well we have managed to maintain an objective view and not let our preconceived ideas influence the study (Bryman & Bell, 2017). To avoid our personal bias getting in the way of our study, we made sure to ask open-ended questions during our interviews so as not to influence the answers we received. Furthermore, when analyzing the empirical data, all three of us were allowed to privately analyze the data first, making sure that our personal biases do not influence each other's opinions, and later discussed all personal perspectives between us, to create an open and fair study.

Bryman & Bell (2017) further discuss the importance of the unique context and social reality of the studied object, referring to the transferability of the study. While our study takes into consideration the different social realities and unique contexts within the organization, the transferability of the conclusions made in the study could be questioned. With regard to the unique reality and context of the company, the conclusions made in the study based on our findings could perhaps not be applicable in other organizations due to their unique contexts and social realities that differ from the company in our study.

The reliability of our study can be discussed concerning how well and honestly the interviewees have described the reality and actual context of the company Bryman & Bell (2017). As the subject of performance and motivation is a sensitive subject for some and with risk that the interviewed managers would not like to portray themselves in a negative way towards the company, the answers risk not being completely open and instead restrict instrumental information. Further, the subject of the performance measurement systems in the company in place, organized and decided higher up in the company could also be a subject for the middle managers to tread lightly on, as some could feel that they would not like to openly critique the

corporate of the company and risk their position. However, we have done our utmost to bring forward honest and open empirical material from our interviewees and the perception of the interviewees, as they were promised to remain anonymous in our study. The questions in the interviews were open in the sense that the interviewees were allowed to bring forward personal input, as well as possibilities for us to ask further questions that would lead to more open answers. Furthermore, while the open and varying questions in the interviews helped us bring forward more open and honest answers, the respondent validation aspect discussed by Bryman & Bell (2017) could be questioned, as the interviewees consequently were not asked the same questions, and their responses could therefore not be cross-examined or validated effectively. The openness varied among the interviewees, and it was made clear who was more open and honest and who was more restricted, which also was instrumental for our analysis and the result of our study and brought forward an interesting aspect.

Lastly, the dependability criteria according to Bryman & Bell (2013) concern the importance of having a critical and scrutinizing approach to the research process, in order to create a complete and clear account throughout the entire research. This has been made possible in our study with peer reviews and feedback from our supervisor. With these controls and opportunities for an outside opinion of the study, we had the opportunity to change and revise the study to cater effectively to the dependability aspect.

3.5.2 Authenticity

The authenticity of a study refers to the level at which the researchers show an accurate representation of the research procedure and discoveries (Bryman & Bell, 2013). This involves transparency concerning the methods used and the data that has been collected, together with the interpretations that have been made through this data. To achieve authenticity, we provided a clear and comprehensive account of our research process by including details about the data collection methods used and our analysis process. We have also been transparent about the potential conflicts of interests present together with the personal biases our interviewees may possess, which may have had an influence on our research. To minimize these influences, we decided to anonymize our interviewees, which induces the interviewees to present a more honest picture of their opinions and perceptions. We have also been careful not to misrepresent these opinions, but to instead present them accurately and in line with their true intent.

The ethical considerations which have been taken into account during this study are respect, confidentiality, avoidance of harm, and integrity and objectivity (Bryman & Bell, 2017). These were taken into account in our study, by asking the interviewees questions concerning their wellbeing, ensuring that we had their consent to record the interviews and document their replies. We avoided harm and ensured respect by keeping all the interviewees anonymous, as per their wishes. The aspect of quality (Bryman & Bell, 2017) concerning the study was also effectively taken into consideration, as the interviews were recorded and additionally transcribed in written form, to ensure that all the quotes used were correct and that no data was analyzed incorrectly.

3. Analysis

To get a better understanding of how performance measurement tools were perceived by middle managers within the company, we have chosen to start by analyzing the managers' general perception of the KPIs in place. The KPIs for both middle managers and employees were one of the main focuses in their work, and during the interviews it was clear that the KPIs had a great impact on how and what they worked on. In Chapter 4.1 the general positive perceptions are discussed, with the main positive aspects of the KPIs brought forward. Here, the most common positive effects of the performance measurement systems are brought up, which were healthy competition, open communication, and the salience of numbers. Chapter 4.2 will discuss the negative perceptions of the KPIs, as a trend detected among all interviewees from the different departments was the question of quality, fairness and relevance of the implemented KPIs in relation to the department-specific tasks. In chapters 4.3 and 4.4 we will analyze the lack of control middle managers have to influence the performance measurement tools, along with the contradiction concerning the importance of quality opposed to the numerical nature of the KPIs.

4.1 Middle Managers' positive association with performance measurement systems

The general perception of the performance measurement systems detected in the company within the different departments was a positive one, as it was described by the interviewees as a tool used to enhance their motivation and also create a sense of guidance.

The corporate objectives were effectively communicated to the different departments in the company that are included in the study through the KPIs implemented into each department. As KPIs were of a similar character in the different departments included in the study, a unanimous objective was created that defines the performance expectations on the different hierarchical levels within each department. Further, since middle managers' performance was measured based off of their subordinates, the performance within the company was described as an interdependent relationship between the hierarchical levels, making the success of the lower-level employees of great importance for middle managers. The shared KPIs therefore became a platform for communication and open conversation in the vertical sense, in the strive toward a certain level of performance for each department.

4.1.1 Healthy competition

The first positive aspect concerning the KPIs that was identified was the competitive environment in the organization that came as a result of the KPIs and were perceived by the middle managers as creating an environment of development if done correctly. This meant that the competitive environment could be of great benefit for the performance and motivation in the departments if the competition was well-managed and the KPIs used accurately. The middle managers had a fond view of this environment and when speaking on this subject, talked proudly of the competition that existed in the organization, defining this as being "*healthy competition*".

"It is kind of a competitive thing, however in a healthy way [...] it's healthy competition."
(Anna)

“I think when they are achievable and you have space to grow and develop and it's not just about numbers, I think they can be very beneficial. I think healthy competition is good in the team if it's done correctly.” (Alice)

“The different personalities that we have, because there are some people that come to work, do their things and go, but there are others that like to have healthy competition.” (Emma)

When asked about the impact of the KPIs on the employees in the workplace environment and whether the KPIs are perceived to increase competition in the workplace, the interviewed middle managers described it as contributing towards “*healthy competition*”. The interviewees described how, although the KPIs were the same, the different departments showcased the KPIs in different ways depending on the nature and specific specialization of each of these departments. Some took on the approach of discussion, evaluation, open communication and feedback, while others created a more competitive setting by showcasing of statistics and performance numbers for all employees in the department to see.

Anna’s quote describes the environment as being competitive but in a healthy way, which could be understood by how the use of KPIs eased the employees' work to be more competitive. The competition and its healthy contribution was seen as a contributor to the growth and performance of the team.

Alice’s quote also sheds light on how the KPIs could result in healthy competition. Here, however, she emphasized the importance of using the KPIs correctly in order for the competition to be a positive effect on the systems, and thus allowing employees to grow and develop. However, she implied that if used incorrectly, the healthy competition mentioned by other interviewees might not be the result of the performance measurement systems set in place.

Further, the KPIs could, through Emma’s quote, be seen as being a factor to incentivize employees to contribute to the work environment and partake in the competitive environment within the department. As Emma described, the team consisted of a variation of personalities which are motivated in different ways, and the environment of healthy competition in the company could contribute to more colleagues becoming interested and joining in on this competition, if it has a positive connotation.

“So when it comes to the KPIs, numbers are there all the time. Actually we have monitors in the office[...]That show all of our numbers, so numbers are visible for everybody to see.”(Samantha)

The more numerical and tangible competitive settings seemed to nevertheless be perceived positively, with a notion towards enhanced motivation among employees, as well as increased motivation amongst the middle managers. What Samantha described in her quote can be understood as a visible incentive for the employees to outperform each other. As long as the visibility of the performance measured by the KPIs is understood as positive, in the sense of it being an incentive to outperform each other and visibly be an effective contributor to the team, the KPIs could be viewed as a contribution to a healthy yet more competitive environment, increasing motivation to perform and thereby, consequently, also contribute to the performance.

The interdependent relationship between the middle managers and their subordinate employees has further made these middle managers take on the role of motivator and mentor, where employees who feel disillusioned or unmotivated were encouraged and motivated by the middle managers through the promotion of this healthy competition. The motivation element created by the implemented KPIs could therefore be seen as an incentive for the employees to improve and it enhanced the described positive competitiveness in the department. It was also understood that the KPIs and the competition they created were balanced out by the communication within the department and space for feedback.

4.1.2 Open communication and support

Another positive aspect the middle managers highlighted when speaking about the KPIs, was the positive effect they had on the communication between them and the employees, along with the feedback structure that comes with these KPIs. With KPIs implemented and being of central importance in the workplace, communication, and feedback would become of all the more interest, as all parties involved have both personal and group incentive to understand and contribute with insights into the effects of these. The managers spoke about the different communication tools used around the KPIs, such as monthly meetings, continuous feedback, the support around the targeted goals, and communication around the performance.

“I make sure I have monthly meetings with everyone in my team where we go over KPIs and I have a few members of my team that are very vocal about them. And if it's something I feel I can take to the management and say can we try a different approach on? This I will.” (Kyle)

The described vertical open communication and support between team leaders and subordinate employees as an effect of the implemented KPIs created a space for feedback. As the communication surrounded the set objectives and performance needed to reach these, the KPIs in place were a natural part of the conversation. These were discussed and communicated within the departments, thereby creating feedback loops with both positive and negative feedback and any concerns. The interviewees all talked about the importance of communication and the successfully implemented feedback loops within the departments. In particular, the interviewed middle managers described the communication both among subordinate employees and with middle managers as open and supportive. This manner of communication and level of support that was described and evident in the department further catered to the notion of healthy competition, as the KPIs themselves created the means for competition in the sense of both personal improvement for the employees as well as department-wide, while simultaneously a positive and supporting conversation was conducted within the team along with the middle manager.

“I always try to give some feedback of OK, Yeah, you might have missed the target, but it wasn't your fault this month or you've missed your target[...]It's just very much open communication about them.” (Kyle)

“I mean, I believe there's feedback in every environment, but also the KPIs have a wide range of feedback because you're focusing on some goals. And there is not only one way to achieve those goals, there's many different ways.” (Emma)

Both the quotes from Kyle and Emma describe how the implementation of KPIs has created not only space and opportunity for communication and feedback but also a legitimate reason for interaction, communication and feedback to take place both among the employees and vertically to the middle managers. This environment of interaction described by the interviewees balances out the element of competition created by the KPIs, that is described in the previous chapter and contributes to the “healthy” element of the mentioned competition. Through open communication and feedback, the competition that otherwise could have risked

turning into rivalry among the employees to outperform each other for personal interest, took on a more positive element. The employees were instead more inclined to compete for the good of the team as well as for personal improvement, with communicated feedback as benchmark complementary to the numerical KPIs.

The support from communication and feedback described by Kyle and Emma could further also be of great importance for the motivation of the middle managers and their employees in the sense of them finding guidance and support. To maintain motivation and be able to continue performing, both positive and negative communication and feedback could be of instrumental meaning. To work towards certain goals, especially numerical, could be disillusioning if the work conducted and the results are not successful at all times. The mistakes could be difficult to understand or solutions could be hard for the employees to find on their own. Through communication and feedback, both middle managers and the employees could get a certain guidance on how to proceed and what is required in order to increase performance.

When talking about how KPIs create a space for feedback, it was also brought to attention how these measurement tools were also used for problem-solving. When goals were not met, the middle managers could look closely into the results and use these to ask their team members questions such as:

“Why have you missed your goals? Have you had any problems? Have you had any issues? What was the issue?” (Kyle)

“It's necessary to have them to have an idea of how somebody is performing. You need to know how you are performing to be able to improve if nobody tells you that you did something good or bad, you will not change, you will not be able to grow. You will not be able to improve or develop. So I think it's necessary to have an idea how I am performing, how somebody is conforming.” (Anna)

Here, the middle managers once again stressed the importance of open communication particularly as a tool to be used together with the KPIs in order to get the best results. An additional dimension of change and growth was mentioned and how this was dependent on communication and feedback for both personal and group level development. The communication and feedback loops were therefore not only instrumental for the performance

in the sense of good or bad results but also of importance in a strategic sense for the employees and middle managers to grow and develop personally and thereby contribute to a group level development, which is of great importance to maintain motivation. If there is a sense of growth and development for the middle managers and their employees in the workplace, this could contribute to their stimulation and satisfaction in the workplace and could be seen as a stimuli to keep them motivated. As growth is an important personal aspect for each individual employee and also on a group level for the department as a whole, open communication and feedback could be viewed as an indirect factor of both personal and group level incentive that could create and maintain motivation and thereby increase the interest to perform.

The results were here not used as only a measurement of success or failure, but rather as an analytical tool to highlight potential problems and opportunities, both on an individual and group level. The different departments, the middle managers and their subordinates could therefore in a collaborative effort achieve growth and maintain or even increase performance.

It can hence be concluded that when the team worked with the KPIs and used them in a meaningful way by adding the element of open communication and support, and not only using the KPIs as a measurement of success or failure, space was created for feedback loops vertically between the middle managers and their subordinates. The complementary communication concerning the KPIs also created means for problem solving, as the root causes of both positive and negative results could be not only communicated but also discussed and used for further growth.

4.1.3 Salience of numbers

Along with the positive aspects of healthy competition and open communication, there could be identified a third positive consequence created by the KPIs. The use of the KPIs was to record and evaluate the performance of the employees. By constantly having numbers visibly on display in the departments regarding their performance, the employees were helped to stay on the right track in relation to their tasks and were also able to evaluate and develop their performance on a constant basis. This also helped the middle managers to be able to give the necessary feedback at the right time.

“We send this productivity report out to the team every day so they know they see the percentages and when it goes over a certain percentage, their productivity goes on green or either red.” (David)

“We perform monthly quality checks on the agents and all tasks.” (David)

The middle manager David explained how productivity reports are being sent out every day to the employees, along with monthly quality checks. By making the KPIs visible both for the individual as well as for the team as a whole, several aspects get affected where the first affected aspect concerns healthy competition. By having information on everyone's performance through the monitors, the employees could strive to outperform the others and further develop their performance. Second aspect affected was the opportunity for the employees to have a more clear overview of their own work and thereby be able to direct their focus towards the tasks at hand without distractions and misunderstandings concerning their performance. Further, the performance charts provided to the employees gave the opportunity and insight for the employees to quickly and easily detect aspects of work in need of improvement. The third and last aspect concerns how the numbers helped middle managers get insight for feedback concerning the group performance. By constantly having the performance recorded, the middle managers could quickly detect if and where feedback was needed. This in turn meant that the numbers created an opportunity for increased communication surrounding the employees' performance, thereby creating a motivating environment for employees to feel supported. So we can thereby see how the salience of numbers contributed towards the previously mentioned positive factors, which are the healthy competition, and open communication and support.

The quote below made by David shows how the use of the numbers gathered from the KPIs gave employees the opportunity to self-evaluate their work. Accordingly, the middle managers could also evaluate their employees and then compare these evaluations with those made by the employees. These comparisons could illuminate and highlight possible gaps and issues concerning aspects of self-confidence and motivation of the employees. Middle managers could therefore with the help of the numbers get a better understanding of the situation in the department and with more insight communicate with the employees in order to help them stay motivated or increase their motivation. By doing so, they could indirectly improve the performance of the employees, through motivating and open communication about the numbers.

I have one agent, for example, that is very negative about what he does. However, he is very good at what he does. When he goes through the good things that he did, he realizes that he is very self-critical of himself. However, doing this recap of the past few months helps him get more confidence in himself, (David)

It could, from the quote, further be concluded that the KPIs were used to constantly improve the feedback, communication and overall performance of the employees. The KPIs in place helped both the middle manager to communicate and improve the motivation of the employee, and the employees could personally evaluate their work and change their thought process concerning their performance.

4.2 Middle Managers' negative association with performance measurement systems

Although the managers felt strongly about the positive sides of performance measurement systems, some middle managers also had negative associations concerning the systems in place and brought forward these concerns.

Despite the KPIs giving opportunities for better communication, healthy competition, and the benefits of the statistics they provide, flaws in the KPIs were visible. Three negative aspects of the existing KPIs were observed, these being unrealistic KPIs becoming a stress factor, the focus on quantity over quality, and unrealistic KPIs in relation to monetary rewards. From these three negative aspects of KPIs, it was clear that motivation, stress, and the view of the organization was affected.

4.2.1 Quantity over Quality

The performance measurement systems were used as a way to control the work process of employees, and some middle managers perceived the KPIs as being too focused on the quantity rather than the actual results of the work performed. By having standardized KPIs across the

company, not taking into account different situational circumstances, the consequences became a KPI system that valued accomplishing a multitude of tasks rather than perfecting a few.

Further, with the work within the departments and the performed tasks described to be of varying nature and being different on a day to day basis, it was misguided and hard to fairly measure the employees performance based on the same KPIs, forcing the employees to work towards quantity and neglecting the quality of their work.

“You're never gonna see two cases that are identical. [...]you could have two phone calls in a day and one takes 5 minutes and you achieve your goals and the other one takes 3 hours and you barely feel that you've achieved your goals[...] we should work more on the results that we're achieving than the actual amount of work we're doing.” (Alice)

“Instead of having all the time in the world to really do a good job and take like an hour and a half talking to one person asking about their family, you know, really going deep and maybe building a connection and building a rapport and having a very meaningful interaction, I feel like we lose a lot of that because we're we're racing through the numbers and it's more the business needs than the social responsibility.” (Alice)

In this situation, the middle manager presented the work performed as unique in every individual case, with some tasks taking five minutes and some several hours. With the organization and their KPIs valuing time management and short interactions with the customers over the quality of the interactions, the KPIs created means for concerns regarding the quality. With the implemented PMS, the employees were coerced to focus on being effective rather than qualitative, which in the opinion of the above-mentioned middle manager's experience was the wrong approach to measuring performance and growth. The measurement system in place and its standardized nature was in other words not adapted to the large variety of tasks and situations the employees had before them, with a negative culture for both employees and customers as a result. The work the employees were assigned to do and the work middle managers are there to help and improve was placed on the sideline, and the job's number one priority becomes accomplishing tasks as fast as possible. By working this way the work itself changes and loses core attributes that motivate and interest the employees and middle managers to the work. Alice mentioned feeling like a lot is lost when speaking about the meaningful interaction the work creates. These meaningful interactions could be the aspect that motivates

the employees and middle managers, and if lost can be the source of the demotivation shown in both the middle managers and the employees.

“I would change how we check the quality. I would assess the employee” (Anna)

Here, when explaining what she would change about the current performance systems in place, the middle manager describes the importance of quality assessment of the employees, and further defines the qualitative performance of employees as more represented by soft values of communication, empathy and effective negotiation. These values not being taken into account when evaluating the employees could give a misleading understanding of the actual performance of the company. Further, if the employees who conduct work at a slower pace, more intricately and of higher quality get overseen and neglected and in the company understood to be performing less than their colleagues who work at a faster pace but less qualitatively and with less effort towards doing a careful and attentive job, this can have long withstanding negative effects on the motivation in the company, not only on the employees but also on the middle managers in charge.

With middle managers valuing the quality of employees and their work and this being neglected by the implemented performance measurement systems in the company, their work as managers and responsibilities can be seen as neglected as well. The neglect and sense of failure of not performing well according to company standard, while doing their utmost to execute their work of highest quality could be demotivating and have implications on the whole department.

While the KPIs functioned as a motivational tool for the employees, their standardized nature created problems within the departments due to the uniqueness and varying nature of work across departments as well as within departments. A key issue or concern was that of quality, as time management and quantity was by an interviewed middle manager perceived to be prioritized over work quality, therefore creating misguidance and unnecessary pressure for the employees with stress as a result.

The standardized KPIs can be seen to not only influence the employees' work, but negatively affect the work of the middle managers. The middle managers having KPIs that are connected

to the employees' performance, they fall in a position to encourage their employees to ignore the quality of their work, and just focus on task accomplishment.

4.2.2 Unrealistic KPIs as a stress factor

The level of stress caused by KPIs on the whole team was a frequent mention in the interviews and a recurring theme was that the KPIs in place were perceived as both motivating while also being a major stress factor. It could be said that the KPIs were focused on the business needs and neglecting the social responsibility aspects of the work, which the middle manager in question perceived as building pressure and as a result further increased the stress levels for the employees.

“I know that there are some agents who are very stressed, especially with the bad ratings”
(Anna)

“The KPIs are high for a lot of the departments across the company. So I think in general people feel a lot of stress and a lot of pressure. Being rated on things that aren't necessarily fair. So for example, in customer support, one of their ratings is customer satisfaction scores, but one customer support agent might not be able to fix a customer's problem, and then the customer is unhappy.” (Alice)

Here, the manager explained how the KPIs currently present reflected aspects out of the employees' control, causing a level of stress among team members. In this specific case, it was caused by the implementation of customer satisfaction ratings, where customers were able to give a low rating even if the agent technically was not at fault. This was described as not only being stress inducing but also demotivating. The issue of stress as a result of unrealistic KPIs was also discussed by Alice. Here, there was an even more apparent perception of unrealistic KPIs as a source of stress. The effect of this stress was made very apparent, and had a great effect on the quality of work.

The position of not being able to affect the outcome of their performance is what created the lack of motivation and stress for the employees. Opening the door for demotivation and stress in the workplace could create a negative spiral in the organization, affecting the employees

performance more, and further increasing the demotivation and stress, which would further increase the negative spiral. The unrealistic KPIs could therefore have major effects on the situation in each department and could be the starting point for this negative spiral.

“I think people are constantly pushing to not only do more work to meet productivity targets, but they're also cracking down on quality... So I see a lot of stress in the team from people trying to meet these targets. I see a lot of demotivation in the team as well ... there's no human assessment of it.” (Alice)

“Assessment of it is just a tick in a box of it.” (Alice)

The lack of human sentiment as an effect of the KPIs set in place was very apparent, being described as being *“just a tick in a box”* reflecting whether numbers were reached, which then determined whether or not expectations were being met. The point made by this middle manager was that, since the employees were measured on the number of cases finished everyday, some employees would rush through their work to increase the numbers. When more difficult cases would arise, which would take more time, there was no way to reflect this in the KPIs, which instead just showed that the employee solved less cases that day.

“They expect you to be productive kind of every second and every minute of every day. So I'd say there's not much room for someone being tired one day, someone having a rough personal situation and going through something. It's very robotic[...]But I think in other cases they could be very beneficial, just not the way that we're doing ours.” (Alice)

“...when you're pushing people to achieve such high numbers in a situation which isn't really fair[...]It leads to burnouts...” (Alice)

This middle manager further elaborated on the aspect concerning the lack of human sentiment, by also calling it *“robotic”* and further pointing to the personal aspect of the employees. Not only was the quality of the work affected by the unrealistic nature of the KPIs with their numerical focus, but also the well-being of the employees. The pressure to meet the expected target numbers left no room for employees to tend to their personal well-being, which in turn could have implications on the motivation of the team and therefore lead to negative effects on the team's performance. The mention of the word *“burnout”* to explain the effect these KPIs

have on employees shows that their overall wellbeing is being affected, and this is being neglected by the organization according to this middle manager. Due to this, the motivation to contribute to the team performance and meet set targets risks being diminished, as the incentive to perform becomes less prominent.

The unrealistic nature of the KPIs could be traced back to them being formulated further up in the company and imposed on all the departments equally. Formulated with targets attractive for the business objective of the company, the KPIs were disregarding the individuality of the departments and their way of operating. The differing nature of operations both across departments as well as within the departments made the KPIs unrealistic, especially for the departments with a higher level of dependence on qualitative results rather than quantitative. This described pressure of unrealistic expectations could further be a cause of more stress for the employees and if not handled correctly have negative effects for the company concerning the motivation of employees.

“There are certain KPIs that are in my opinion a bit unreachable because the business decided it was a business decision, not a department decision that the KPI needs to be affixed let's say, 15 minutes on a specific task. However, I know the reasoning behind it would be to push the agents to work more.” (David)

“I would still change the KPIs of some of the tasks because myself, having been an agent, I know the reality of it right and some KPI's are somewhat unrealistic.” (David)

The notable problem of stress among employees caused by KPIs can be traced to their unrealistic nature. As the KPIs are formulated further up in the organization without regard to the individuality of the departments and their needs, the standardization of the KPIs were perceived as infeasible, which can be harmful to the employee's motivation. With misleading representation of the KPIs they risk becoming a source of demotivation, with the focus on quantity rather than quality being an all the more apparent source of stress.

4.2.3 The effect unrealistic KPIs have on monetary rewards

When asked about what mainly motivates employees to strive for high performance, one factor which was often mentioned was the use of monetary bonuses as a motivational tool.

“They have a quarterly bonus which they can obviously increase according to their performance. So for the agents who are meeting their goals and are doing a good job, that is something which is possibly a good motivator, because they continue striving to get more score results” (Samantha)

Many of the interviewees explained how the KPIs were a good tool to use to indicate whether or not an employee deserved to receive a bonus, and was one of the main reasons why the KPIs are taken so seriously within the organization. However, the issue concerning how relevant and achievable these KPIs are was also discussed by the managers. It was frequently explained how having unrealistic KPIs was an added stress factor due to the effect that these have on potential salary bonuses.

“We know that it’s not their fault for receiving a bad rating, but they’re still kind of taking the blame for it and for example not receiving a bonus because we also have a quarterly bonus based on this” (Anna)

“It’s not a fair rating to judge someone on their performance based on the fact that they can’t pull a white rabbit out of the magic hat. And that’s something that then impacts their bonus and their motivation.” (Alice)

It was explained how the performance was often based on factors which the employees could not control, such as how long it took to solve a case or the rating that they achieved after helping a customer. Should a case take long because this was required to properly solve the case, the employee's performance would be rated lower. In the same way, the performance would be rated low should a customer give the support agent a low rating even if the agent was not necessarily at fault.

Having unrealistic performance measurement systems in place is something which the middle managers could agree demotivates employees, and creates an environment where the

company's desired outcomes are unattainable. It also creates a sense of lack of control over their rewards, since the employees feel they have no control over their performance due to the unrealistic way this was being measured. From a middle manager perspective, it was made clear that this creates frustration as seeing their subordinates succeed was a strong motivating factor, so when this was taken away it created a high level of stress.

“It's absolutely soul destroying. It's stressful. It's really hard work seeing good people who are very, very good at what they do be cut out and told that they're not good enough because they're not meeting a very square box” (Alice)

4.3 Lack of Control over KPI's

As seen in the previous chapters, the unfairness of certain KPIs was a recurring theme throughout the interviews, which made us question the reason behind these performance measurement tools being set in place. More specifically, we wondered why these tools had not been changed considering the feedback received. It became apparent that the KPIs were decided higher up within the company, with a large influence from stakeholders focusing on efficiency, profit and performance. Additionally, there seemed to be a lack of department-specific insight, and a low possibility for middle managers to have an effect on the KPIs in place.

The lack of control over the performance measurement systems in the company influenced the managers in multiple ways both directly and indirectly. Directly, the lack of control affected the managers' way of adapting their leadership style and improving the work process, which is showcased in the quote below and by the dilemma of them having a lot of ideas to improve the department but it taking a lot of time. Indirectly, the lack of control over the performance measurement system affected the managers through the employees, by not being able to adapt the performance measurement system to the situation and the employees, stress and demotivation were created. This could affect the managers by their own motivation and their own performance measurement system being connected to that of the employees.

“Things need to be approved by the board as well, so we can't make very big changes without creating a business case and getting approval... We have a lot of ideas on how to improve the

department but it takes a long, long, long time and it would be much much easier if it would be faster.” (Anna)

Even though the middle managers expressed the importance of feedback loops, and that the KPI systems created a space for feedback to be received, there was a concern over the way this feedback was in turn communicated higher up within the company. There was a clear lack of allowing middle managers to be part of developing and forming the performance measurement systems, as the middle managers are not given enough opportunity to give input obtained from their subordinates. This created a sense of frustration for the middle managers, as they found themselves stuck in the middle between the company and their subordinates.

Having such a long process to change the performance measurement systems created a lot of frustration amongst the middle managers. They expressed that this was also due to the managers feeling a high level of motivation from seeing their employees grow and develop, and not having any power over the systems in place negatively affected this motivation since they could not have any influence over the systems which measure their subordinates’ performance.

“That motivates me a lot when I see that I can support and help somebody to grow that much and do better than me.” (Anna)

“Motivation, for me personally, is also watching my agents be happy and come into work happy.” (Kyle)

“[the subordinates] know that we push, they know that we do our best to try improve things, but they know that so often we push things forward, they get turned down, so it's frustrating.” (Alice)

“Because if they feel better, they will perform better and the company will be having better results as well, so. The main thing is for me, taking care of the agents and the people around me.” (Emma)

In all quotes, the middle managers showed that a lot of their work was influenced and affected by their employees. Some managers see the development of the employees as motivation and

some are frustrated by not being able to help their employees. The middle managers were motivated by seeing their subordinates succeed, and the lack of ability to help their team was clearly damaging this motivation. This shows how the motivational source did not come mainly from KPIs but instead from the growth of the employees and their well-being. As Kyle presented, motivation came from the employees being happy and coming into work happy, whereas, as mentioned above, the KPIs created a work environment influenced by stress and task orientation instead of the quality of the work.

The result of this frustration was the employees feeling as though they were working against the company, instead of towards a common goal. This frustration transferred into other aspects of the work, both into stress and demotivation, but into also a resentful view over the organization.

“I think it makes people quite resentful of the company overall... It kind of turns them against the company a little bit as opposed to the management of their own team.” (Alice)

Many interviewees discussed how having better-managed KPIs would be more effective and reduce the stress element within the organization. From the interviews it was made clear that the middle managers affecting the KPIs in place was very rare, and when made a possibility it would take a very long time for this change to be made.

4.4 Contradiction, when numerical measuring KPIs backfires

When analyzing the empirical data, a very clear contradiction could be identified, as quality and soft skills were mentioned by the interviewed middle managers as being of utmost importance when evaluating the employees and their performance. However, the KPIs which are actually implemented in the company do not include these aspects focused on quality and soft skills and are instead focused on performance in numerical terms. With KPIs based on numbers, the qualitative aspects of the employees are not taken into consideration, therefore giving a misleading understanding of the actual performance. Numerical evaluation based on speed and effectiveness could therefore be said to not reflect the actual success of the departments where qualitative aspects were said by middle managers to be of more importance and a central feature in the operations.

With each individual department having its individual needs and approach to successfully operate, the quality aspect of work was mentioned to be of central importance, even more so for the departments that worked close to the customers. The actions and actual quality of each employee engagement were the actual deciding factors of the employee performance, rather than the amount of interactions that the KPIs define as deciding factors for performance.

“The soft skills are very important for the quality assessment. So where we assess checks and they need to show their communication skills, how they are able to calm somebody down, how patient[...]How they are able to provide negative information in a nice way in a positive way.”
(Anna)

“It doesn't take that into account so much and the KPI's are much heavier than our metrics. So it's more important to be productive and to put out quality work than it is to work as a team or communicate well or things like that. We put much more weight on the KPIs.” (Alice)

The quote above made by Anna shows how the middle managers highly value the soft skills of the employees and the quality of their work, with emphasis on skills such as communication, patience, and ability to approach situations in a qualitative manner. While these aspects are highly valued and considered by the middle managers, it could be agreed that the degree to which these are included in the official KPIs is not enough. It could here be said that the values of the middle managers concerning the important factors of performance are neglected by the implemented KPIs in the company. This could have implications on the motivation of middle managers, as the KPIs based on numbers and the neglect of qualitative aspects that they represent could contribute to middle managers feeling neglected as well. The neglect and sense of failure of not performing well according to company standards, both for employees and middle managers, while doing utmost to execute their work of the highest quality could be demotivating and have implications on the whole department.

While the numbers measured with the KPIs are important and shine light on the effectiveness of the work conducted within the departments, using them as primary measurement of performance could be misleading and even detrimental, if the quality of the work is neglected. This is exemplified in the quote made by Alice, where it is described how heavy weight is put on the KPIs with a focus on effectiveness and efficiency rather than quality aspects and focus on teamwork. The KPIs being based on numbers while the value of both middle managers and

employees being focused toward quality and soft values not measured in these KPIs, further contributes to the notion of the performance measurement system being at risk of creating a misleading portrayal of the reality in the company concerning the performance.

“When it comes to the KPIs though, it's just based on numbers, but the competencies are based on build time and actions kind of.” (Samantha)

Did you meet these numbers? No, you didn't. OK. So then, officially, you're not meeting expectations, even if they're someone who tries really hard. (Alice)

Numbers are by the middle managers described to have a clear presence, and KPIs are built solely on these, therefore ignoring the quality of work. This is exemplified by the quote made by Alice, where it is described how hardworking employees are regarded as not meeting the expected performance targets according to the numerically based KPIs. Employees being led to believe that they are not performing enough while conducting work of a high standard could be detrimental for their self-confidence in their work and also motivation, if they feel as if no matter how well they work it is not perceived as enough.

Both individual and department performance is based on the implemented KPIs could therefore mean a race to work more effectively however with less quality. With strong values of middle managers and employees surrounding the quality rather than quantity this could mean great frustration and unfulfillment in the workplace, having detrimental effects on the motivation and therefore also the performance. The described dissonance between the implemented performance measurement systems and the most prominent values concerning performance could create a negative perception of the performance measurement systems in the company.

While performance measurement systems and what they represent are described by middle managers as positive and motivating if used correctly, it is viewed negatively due to the neglect of the qualitative aspect that denies the teams their appraisal they deserve for the actual good job.

4. Discussion

5.1 Middle Managers' Perception of the Effect PMS have on Motivation

5.1.1 The Positive Side of Performance measurement systems

From the empirical findings, three main positive perceptions of middle managers concerning the implemented KPIs have been identified, which could be understood as being motivational effects experienced by the middle managers. These positive perceptions could be understood with the help of the expectancy theory of motivation (Vroom, 1964), specifically through the discussion of extrinsic and intrinsic rewards (Leonard et al, 1999) (Ferris, 1977).

The first positive aspect of the KPIs is the “*healthy competition*” described by the interviewees as being a motivational factor created by the pressure to perform, which was highly influenced by the KPIs. This healthy environment was created through the mentorship from the middle managers which created an interdependent nature between them and their subordinates, which was further strengthened through the open communication and feedback loops set in place. This is described to create a healthy environment surrounding the pressure of KPIs, therefore creating “*healthy competition*”.

Perceived “*healthy competition*” by the middle managers could be explained as an intrinsic reward in the sense of the team members and their middle managers motivating each other by outperforming each other. By competing with themselves to do better as well as performing better than their colleagues, while also having an open discussion and communication through feedback loops, a certain transparency was created that caters to a healthy environment for the performance competition to take place positively. The competitive environment described as healthy therefore creates personal satisfaction, pride, and an increase in self-esteem, factors described as intrinsic motivation by Ferris (1977), for the middle managers both directly as a result of their work and mentorship, as well as indirectly through the satisfaction of their subordinates.

The second aspect brought up by the middle managers is how the KPIs lead to monetary rewards, with monetary bonuses used as an incentive to motivate the employees to perform. As explained by the interviewees, the bonuses increased by the increase in performance measured by the KPIs, and these were perceived as being a motivator for employees and middle managers to achieve better results.

Positive perception of the monetary rewards as a consequence of the KPIs can be explained as being an extrinsic reward, in the sense of monetary bonuses being a source of motivation for higher performance. As mentioned and described by Leonard et al (1999) as an external factor, monetary bonuses increase the middle managers' and their subordinates' motivation to perform, without actually being related to the satisfaction of the work itself. The middle managers' positive perception of these incentives can further by Shamir (1990) be explained as the external stimuli that increase the motivation of the team to perform better due to their self interest in the sense of greater rewards as the primary motive. The implementation of the KPIs is therefore perceived as being positive since the KPIs make it possible for the middle managers to both directly and indirectly maximize their self-interest, by increasing their own performance through the increased performance of their team. If their team is more motivated through the use of monetary rewards then they will perform better, which in turn will have positive results on the middle managers' performance and thus help them reach their own monetary rewards through the achievement of team goals. This interdependent nature of each department is described by the interviewed middle managers and illustrates in this case how the mutual motivation between the middle manager and team is a product of self-interest.

Feedback loops have further been identified as the third main positive aspect. The interviewees described how the KPIs opened up for communication and discussion, along with room for feedback. This feedback created the means for the employees to feel supported and find guidance concerning their performance, which further positively affected their motivation.

The feedback loops and their positive effects could further with the Expectancy Theory (Vroom, 1964) be explained as being both extrinsic and intrinsic (Leonard et al, 1999) (Ferris, 1977). The positive perception of the feedback loops could be linked to the support and transparency that these represent, giving both the employees and middle managers not only a sense of guidance of how well they are performing but also a chance to openly communicate positive and negative aspects concerning their work. By being part of the conversation and

having a sense of contribution to the workplace, the middle managers and their employees could find the work more meaningful and thereby be more motivated. As this refers to the motivation coming from satisfaction of the positive outcomes of the work in itself along with the satisfaction of meaningful contribution to the group performance, this motivation could be defined as intrinsic motivation (Ferris, 1977).

The transparency and open communication that the feedback loops entail further allow the employees through hard work to achieve appraisal, positive feedback and recognition. This could be referred to as external factors affecting the motivation of middle managers and their employees, functioning as an extrinsic source of motivation (Leonard, Beauvais & Scholl, 1999). With the opportunity of getting recognition and appraisal, and the good performance becoming common knowledge in the team, the motivation for the middle managers and employees could increase. Their willingness to perform better could thereby be seen as a decision to act for the maximization of self-interest Shamir (1990). Particularly middle managers are affected by the feedback loops and their intrinsic and extrinsic motivational effects both directly and indirectly, as their motivation and performance are interdependent with that of the employees'. The middle managers often expressed how directly affected they were by their subordinates' well-being and performance, so having the ability to provide their team members with feedback and appraisal was something that also motivated the middle managers, who could see the positive effects this feedback was having on their subordinates.

Existing literature indicated viewpoints that are contradicted by our study. Coens and Jenkins discussed how the emphasis on KPIs could marginalize other important aspects such as feedback and sharing, with dissatisfaction as a consequence (2000). Additionally, Murphy (2020) as well as Pulakos and O'Leary (2011) discussed how common it is for performance measurement systems to fail due to the lack of feedback and lack of improvement in communication (2020). Our study has on the contrary identified how KPIs instead helped enable feedback and communication in the workplace, with increased motivation as a consequence. This was made apparent by the many examples given by the middle managers, who expressed how the KPIs created an environment that welcomed feedback and the opportunity to give their subordinates constructive criticism, which motivated the middle managers further.

5.1.2 The negative side of Performance Measurement Systems

While the implemented KPIs show great benefits for the middle managers and the employees they are in charge of, some negative side effects were also discovered through the conducted study. The biggest problems perceived by the middle managers were the focus the KPIs had on the quantity of quality as well as the existing unrealistic KPIs within the organization, which had a high effect on the level of motivation both on a managerial level, as well as for the subordinates.

The first negative aspect of the KPIs is the higher importance placed on quantity rather than quality in its measurement. The middle managers described the KPIs as creating an environment that was *“racing through the numbers”* and neglecting the quality of the work. By having such a focus on quantity over quality, the middle managers and the employees have to move away from the intrinsic rewards the work creates and focus on completing the extrinsic rewards that the KPIs aim to result in. This created demotivation for both middle managers and the employees, as well as an environment influenced by stress and pressure.

The quantitative aspect of the KPIs can be seen as a clear focus on extrinsic rewards and pushes the employees to appreciate the bonuses that accomplish the KPIs rather than the work itself. The expectancy theory is built on three aspects that connect motivation, effort, and performance (Porter & Lawler, 1968), these three being valence, instrumentality, and expectancy (Mitchell & Mickel, 1999). The valence of the expectancy theory highlights what outcomes the individual strives to achieve, and the perception of reaching this outcome produces motivation. The middle manager's reflection of the quantitative aspects of the KPIs was negative and expressed this as neglecting *“the social responsibility”*. This shows that the valence for middle managers lies in the intrinsic rewards of the work rather than the extrinsic rewards the KPIs create. By not improving or changing the KPIs to fulfill both the intrinsic and extrinsic rewards, the KPIs instead remove the intrinsic value of the work and create demotivation in the middle managers.

The second aspect of the negative perceptions of KPIs is the unrealistic KPIs in place and the stress these create. Along with the KPIs focusing on quantity rather than quality, the KPIs were also formed unrealistically and were perceived to be somewhat unachievable by the employees.

The middle managers describe how the employees are “*Being rated on things that aren't necessarily fair*” and how this leads to stress and demotivation.

The use of unrealistic KPIs that makes the employees unable to achieve the wanted outcome can be described as the absence of expectancy. The expectancy is the belief that the effort put in will accomplish the desired outcome of the individual (Vroom, 1964), and if this is not clear to the individual the motivation will drop. The expectancy for middle managers and employees decreases when the KPIs are unrealistic, which creates demotivation among the team.

The need for employee and manager well-being and job satisfaction are key factors for sustainable company performance (Combs et al., 2011; Peccei and Van De Voorde, 2019). Implementing KPIs that neglect the intrinsic rewards the middle managers and the employees retrieve from their work, and the implementation of unrealistic KPIs creates stress, and demotivation, and turns the employees against the organization.

5.2 The perception surrounding the level of control middle managers have on KPIs

The low expectancy mentioned in the previous chapter can strongly be related to the lack of control middle managers have over the performance measurement systems set in place. As mentioned by Mintzberg (1980) and Kramar et al (2011), middle managers play a very important part in organizations by serving as the link between top managers and frontline employees, and due to a key point of their jobs being to guide and support the frontline employees. The middle managers in our study shared this importance and expressed how they communicate and guide their subordinates through constant feedback, and that they enjoy seeing their subordinates grow and develop. Kramar et al (2011) explained how middle managers advocate for the needs of their subordinates and should express their concerns and interests to upper management. Through our analysis, it was made clear that this is what caused great frustration amongst the middle managers, who felt as though they could not give any input on the KPIs currently in place and thus could not advocate for the concerns the employees had.

Whilst sharing their subordinates' frustration through understanding that the KPIs were unrealistic and unfair, the middle managers still felt a sense of loyalty to the business side of

things and that they had to advocate for the importance of the KPIs set in place. The middle managers all expressed that, if they were given the chance, they would change certain KPIs to better reflect the subordinates' true performance, with more focus on quality rather than quantity, and by removing those KPIs which the employees could not control. However, it was made clear that this was not at all an easy task, and that changes to the KPIs could rarely be made. Having such a long process to change the performance measurement systems affected the middle managers, who expressed how they felt motivated by their subordinates developing and performing well, even though this was not apparent through the numbers delivered through the systems in place.

When it comes to control there were two main identified issues surrounding the performance measurement systems. The first being how having unrealistic KPIs negatively affects the employees' possibility to have control over their performance, and thus affects the perceived control they have over their rewards. According to the expectancy theory, perceived control has a strong effect on the level of expectancy (Chiang & Jang, 2008). When goals are set too high, or are unrealistic, desired outcomes are perceived to be unattainable which negatively affects motivation (Chiang & Jang, 2008). Our study correlated with this theory, as it was explained during multiple different interviews that the employees were very frustrated and demotivated by the unrealistic KPIs in place.

The second issue regarding control over KPIs was more focused on the middle managers directly, who expressed concern over not having any influence or not being able to control the KPIs set for their subordinates. Even though they were the closest link to the frontline employees, the decisions regarding KPIs were made much higher up within the company. The middle managers in our study expressed how they had a several number of ideas concerning how to change the performance measurement systems, but that these changes rarely happen, and when they do the process takes a very long time. By not being given the opportunity to easily and successfully change the KPIs in place which were considered unrealistic, the middle managers felt a low level of motivation as they were thereby not able to improve their subordinates working conditions. When it comes to how the level of control affected the middle managers, it was not about the control over their own personal work and performance, but more so about the ability to which this control allows the middle managers to support and engage their subordinates. Their motivation did not come from their own personal performance levels, but to the degree to which they were able to help their frontline employees. The middle

managers expressed the value they place on seeing their team members perform well, and not being able to control how their team was measured on their performance affected their own personal motivation. In this way, we can see that the lack of control over KPIs leads to a lack of motivation for the middle managers, not in a direct way expressed by the expectancy theory, but rather through the way this control affects their relationships with their subordinates.

Here, we can see a clear difference between the expectancy theory presented by Vroom (1964) and our study. Through his theory, Vroom emphasizes on the individual, and how the outcome which motivates the individual surrounds the individual's outcomes and rewards. However, the middle managers move away from their own personal outcomes when explaining what motivates them the most, and on several occasions expressed that they find it very important that their subordinates are "*happy*" and that they can "*support and help*" them to succeed. So, through our study, we can see that for these middle managers, their motivation is not as strongly linked with their personal rewards, but more so the satisfaction of seeing their team members perform successfully.

From analyzing the middle managers' need for control over performance measurement systems, the need for control becomes two impactful aspects of motivation. Issues concerning performance measurement systems are both the difficulty concerning the structure of the systems and the role these have on the social context in which they are designed (Pulakos & O'Leary, 2011; Levy & Williams, 2004). Viewing our study's results shows the need for middle managers to be in control over the KPIs, for both their motivation and the employees' motivation.

5. Conclusion

The analysis found that middle managers felt positively about the general effects KPIs had on performance and that, when used correctly, these can cause healthy competition, and high motivation through the use of reward systems and space for feedback. However, the middle managers felt a negative impact on motivation when working with unrealistic performance measurement systems they had little or no control over. The effects were stress, demotivation, and resentment against the company. The frustration felt by the middle managers was mostly

directed towards the KPIs which were perceived to be unrealistic and over-quantitative, not considering the quality or soft skills during the evaluation of performance. If given the chance, the middle managers made it apparent that they would change and improve the systems in place, however, they were not given room to do so.

This study has looked into middle managers' perception of performance measurement systems and how the amount of control they have over these systems affects their motivation, as well as the motivation of their subordinates. This was due to the lack of current knowledge surrounding the motivational reactions to these systems. In most studies surrounding the effect performance measurement systems have on motivation, there is a high focus on either subordinates or top management, however, middle managers are commonly overlooked. This study was made due to the lack of previous research surrounding the correlation between middle managers and performance measurement systems. Earlier frameworks have focused on the importance of allowing both top management and subordinates to be involved in the decision-making processes of these performance measurement systems, however through our study we explain why middle managers are a key aspect in understanding what makes performance measurement systems effective. Previous research has had a greater focus on either top management and their implementation of performance measurement systems, or a bottom-up approach, which both neglect the middle manager's perception of the subject. The importance of middle managers and why this was the focus of this study was due to middle managers being the link between top management's business perspective and the perspective of frontline employees. It was therefore very interesting to find out how much the success of their subordinates affected the middle managers' motivation, and that this was one of the main reasons they were so negatively affected by the lack of control given over the performance measurement system. Middle managers work very closely with the frontline employees and therefore have crucial opinions when it comes to what will make their subordinates more motivated.

As explained in our previous chapters, previous employment studies have shown that most performance measurement systems fail due to the restricted utility of performance feedback together with the lack of manager and employee communication (Murphy, 2020). Since middle managers are the closest link to the frontline employees, using their knowledge and opinions to build performance measurement systems would be very beneficial to the success of the performance measurement system. From our study, it was clear that the opinions these middle

managers had on the KPIs tended to be overlooked, which resulted in unrealistic KPIs which had a strong negative effect on employee motivation.

With support from the analysis of this study, it was made clear that the motivation of middle managers together with their whole team experience is negatively affected by the lack of control the middle managers have over the KPIs set for their teams. We have therefore found that the aspect of control mentioned in Vroom's expectancy theory can be looked at from a different angle when dealing with managerial positions. It is not only about the level of control managers have to obtain personal rewards, but the level of control they have to positively affect their subordinates and create a healthy and motivational work environment. This study showed an example of performance measurement systems not taking middle managerial opinions into account, which resulted in unrealistic KPIs and a wide range of middle managers who were frustrated over the company's unwillingness to change the existing KPIs.

6.1 Practical and theoretical implications

The practical implications this study has is that it provides organizations with insight regarding how performance measurement systems can affect employee motivation, but also how middle managers can be used effectively to allow for these performance measurement tools to have a higher level of efficiency and to give a more accurate representation of how employees are performing. By incorporating the middle managers in the implementation and development of performance measurement systems, a more effective system can be implemented, increasing the motivation in both the middle managers and frontline employees, which in turn will have a positive effect on overall organizational performance. Through this study, organizations can also see how not giving middle managers any control over the performance measurement systems in place can hurt the whole team's motivation. Understanding the benefit of allowing middle managers, who are the closest link to the frontline managers, to have an input on the performance measurement systems in place can be of high value for organizations when designing the systems for their departments.

The theoretical implications this study contributes towards is giving a better understanding of how allowing middle managers to have a higher degree of control over performance measurement systems affects motivation in the workplace. Not allowing middle managers to

influence performance measurement systems opens up the potential for negative side effects such as demotivation, stress, and resentment towards the company. Previous research on performance measurement systems involving both the effect it has on motivation and the effectiveness of a performance measurement system has focused on either the top managerial positions or the employees in an organization (Meyer, 2007). This study shows the value of giving middle managers a more central role in the implementation and improvement of performance measurement systems, and how their control over the system in place can be a decisive factor in the motivation of both middle managers and employees.

6.2 Limitations and suggested future research

Limitations of the study include the transferability towards other industries and organizations with different organizational structures and work systems. Since our study is based on a company within an iGaming industry and focuses on departments within operations, this case study might not be applicable or transferable to other industries or departments.

The study is also based on the middle manager's perception of the performance measurement systems in place, which can be influenced by other aspects or of a biased nature. In our study, we focused on the importance of the opinions of the middle managers since they work so closely with the frontline employees. However, the middle managers might not share the same opinions as their subordinates and may provide an unrealistic image of what the frontline employees actually believe. This could have implications on how well the study actually reflects upon the situation within the company and how well the different perspectives are taken into account. The study also does not contribute to a framework for the implementation of middle management in the development of performance measurement systems and provides no practical insight into the implementation of transfer control toward middle managers.

Moreover, the empirical findings have been analyzed with a sole focus on the Expectancy Theory. However, the usage of only the Expectancy Theory could be a limitation, as it does not provide extensive information regarding motivation. Other theories would be of great contribution to further nuance the understanding of the identified phenomenons.

For future research we would gladly see a study similar to ours being conducted in a different organization or industry, to see if the results of this study are situational. Other future research could include a framework of transferring more control over to middle management, or an improvement of the existing frameworks of effective performance measurement systems. This could improve both the existing research in performance measurement systems as well as research in the position of middle management.

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Appendix - 1

Interview Guide - *Semi-structured, follow-up questions in the interviews were common and specific to each interviewee and situation.*

Intro

1. Are we allowed to record?
2. Tell us about your position in the company and what your role entails?
3. How many people are you responsible for and how many people do you report to?
4. Could you briefly walk us through the performance management tools set in place for you?
5. When it comes to your personal performance measurements, how do you view these? Is it something you think about daily during your tasks or something which comes to mind during quarterly evaluations?

Performance measurement related questions

1. Do you have a different approach to your personal KPIs and the ones set for your subordinates?
2. How do you feel about the performance measurement tools set for you?

3. If you could change the performance measurement tools set for you, would you change them? How so?
4. How do your own personal KPIs affect the KPIs you set to the rest of your team?

Communication surrounding performance measurement systems

1. How do you communicate the KPIs to your subordinates? Do you allow them to voice their opinions about these? Why/Why not?
2. How do you communicate with your manager about the KPIs set in place? How does this differ from the communication with your subordinates?
3. Do you feel you can voice an opinion about the KPIs set for you to your manager?
4. How do people within the team communicate about the performance measurement tools in place? Is the overall conversation a positive one?
5. How much do you value being able to voice your opinion?

The culture in the organization

1. How's the culture around KPIs in the company, is it a competitive environment around KPIs?
2. How do you react when an employee does not reach the goals set for them?
3. Do you allow for mistakes to be made?
4. How do you feel when you do not reach your goals?
5. Do you think the amount of performance measurement tools that are in place at the moment are beneficial for the team?
6. Do you feel the KPIs bring about a sense of competitiveness? Is this healthy?
7. Do performance measurement tools make you feel more comfortable in the workplace? How so?

Motivational questions

1. What generally motivates you at work?
2. What demotivates you at work?
3. Do KPIs make you feel supported in some way? How so?
4. Do you feel that having strict KPIs hinders the ability for your opinions to be accepted, should they differ from the norm?
5. Do you feel comfortable when you do not reach the goals set for you? How do you go about this?
6. Does having clear goals motivate you?

7. Do you feel the KPIs affect how much you can trust your team members or subordinates?

Control over performance measurement systems

1. How do you change the KPIs if there is a need for change?

2. How easy is it to affect the KPIs?