



Effects of performance measurement system inconsistency on managers' role clarity and well-being

Mikael Cäker^a, Sven Siverbo^{a,b}

^a School of Business, Economics and Law, University of Gothenburg, S-405 30 Göteborg, Sweden

^b University West, S-461 86 Trollhättan, Sweden

ARTICLE INFO

Keywords:

Performance measurement systems (PMS)
PMS inconsistency
Loose control
Managerial support
Job autonomy
Role clarity
Well-being

ABSTRACT

In this paper we explore the impact of PMS inconsistency on managerial role clarity and well-being. In addition, we investigate if problems with PMS inconsistency can be dealt with by convincing superiors to loosen their control reactions to variances, giving managers job autonomy and providing managers with support from superiors, peers and staff functions. Based on survey responses from 799 managers in one public sector organization and 187 managers in one private sector organization we conclude that PMS inconsistency has negative effects on managers' role clarity and well-being. This situation does not improve if superiors practice loose control; on the contrary, it seems to make managers' work situation worse. Job autonomy and support appear to be better coping methods since they have direct positive impacts on managers' role clarity and well-being that counteracts the negative effects of PMS inconsistency.

1. Introduction

In accounting research there has been great interest in studying diverse and strategically aligned performance measurement systems (PMS), which in addition to financial measures contain a set of non-financial performance measures (e.g., Ittner, Larcker, & Randall, 2003; Van der Stede, Chow, & Lin, 2006; Burney & Widener, 2007; Hall, 2008, 2011; Burney, Henle, & Widener, 2009; De Geuser, Mooraj, & Oyon, 2009; Grafton, Lillis, & Widener, 2010; Speklé & Verbeeten, 2014). The merits of these systems have been described extensively, as well as some of their deficiencies (Nørreklit, 2000, 2003). However, although several researchers acknowledge that diverse PMS may force managers to deal with an inconsistent set of performance measures (Burney & Widener, 2007; Ittner & Larcker, 1998; Kaplan & Norton, 2001; Lillis, 2002; Marginson & Bui, 2009; Sterman, Repenning, & Kofman, 1997; Tillema & Van der Steen, 2015; Van der Stede et al., 2006; Wouters & Wilderom, 2008), there has so far been almost no research on potential negative effects of PMS inconsistency on managers.

By PMS inconsistency we refer to a situation where the set of performance measures is internally conflicting, making it difficult or impossible for managers to improve the score of one measure without impairing another. Examples are when PMS simultaneously contain measures on customization, responsiveness, quality and efficiency (Lillis, 2002; Van der Stede et al., 2006), on budget-goal attainment and innovation (Marginson & Bui, 2009) and on cost containment,

employee satisfaction and customer satisfaction (Siverbo, 2016).

PMS inconsistency may be problematic for managers for at least two reasons. First, it imposes uncertainty on managers, which is contrary to the intended uncertainty-reducing purpose of performance measurement (Hartmann, 2000; Latham & Locke, 2013; Merchant & Van der Stede, 2012). Our way to capture managerial uncertainty in this paper is to study managers' role clarity, which is defined as the degree of certainty of what to achieve and how to achieve it (Hall, 2008; Sawyer, 1992) and is often used in accounting research as a dependent variable because clear role expectations have been shown to improve managerial performance (Collins, 1982; Hall, 2008). From an organizational control perspective, reduced role clarity as a consequence of inconsistent performance measurement would be an unintended and unfortunate outcome.

Second, PMS inconsistency may be a strain for managers since they must struggle with contradictory demands and unclear priorities, which may negatively affect their well-being at work (Latham & Locke, 2013). The risk that PMS inconsistency decreases managers' well-being must be taken seriously considering that well-being, besides being an end in itself, is an important factor for productivity, good decision-making and work attendance (Danna & Griffin, 1999). In previous accounting research, the expected link between various dimensions of well-being, such as job satisfaction, job-related tension, job relations, job stress, and motivation, commitment and performance has made well-being a frequently used outcome variable (Hartmann, 2000). In this paper we use

* Corresponding author.

E-mail addresses: mikael.caker@handels.gu.se (M. Cäker), sven.siverbo@hv.se (S. Siverbo).

managers' job satisfaction and stress as measures of well-being.

It is far from obvious, though, that PMS inconsistency endangers managers' role clarity and well-being. PMS inconsistency may be caused by multiple stakeholder pressures (Ferreira & Otley, 2009; Lillis, 2002; Malmi & Brown, 2008) and goal complexity (Hofstede, 1981; De Bont and Grit, 2012; Nielsen, 2014) that managers cannot disregard. If managers of multiple goal activities are not supported by measurement systems that mirror the goal quantity and complexity, this may be a source of uncertainty and strain for managers. The lack of clarity about the impact of PMS inconsistency on managers motivates our first aim with this paper, which is to explore the relationship between PMS inconsistency on the one hand and managerial role clarity and well-being on the other.

Another important question is what can be done if managers are exposed to and negatively impacted by inconsistent PMS. One obvious solution would be to eliminate PMS inconsistencies at the design stage. This is suggested by theorists of goal setting, who argue that goal inconsistencies should be avoided. In cases where managers face multiple goals, superiors should practice priority management and instruct managers which goal to focus on (Locke & Latham, 2013a; Sun & Frese, 2013). Another method for eliminating inconsistencies is to combine conflicting measures into single measures, although far from all inconsistencies can be handled this way (Lillis, 2002)¹. In this paper we are not primarily interested in exploring how PMS inconsistency may be eliminated, but rather how to cope with it when it exists. The reason is that PMS inconsistency due to goal complexity and multiple stakeholder demands will never be fully avoidable (Ferreira & Otley, 2009; Lillis, 2002; Malmi & Brown, 2008) and we need knowledge about how this challenge can be handled so as not to cause negative effects on managers. In previous research this issue has not been much discussed or empirically examined. This means that not much is known about how inconsistent PMS can be handled. Therefore, the second aim of this paper is to explore how organizations may cope with negative effects of PMS inconsistency on role clarity and well-being.

For this purpose, three promising coping methods are explored. Guided by the accounting literature we explore the importance of superior managers practising loose control related to variances (Hartmann, 2000; Lillis, 2002). *Loosening control reactions to variances* means superior managers have a relaxed attitude to goal fulfilment measured through the PMS. In accounting research, this is so far the only suggested method for dealing with PMS inconsistency, but it needs further exploration (Lillis, 2002). Directed by the Job Demand-Control-Support model from work-life research (Johnson & Hall, 1988; Karasek & Theorell, 1990; Karasek, 1979) which has dominated research on occupational well-being the last 30 years (Van der Doef & Maes, 1999; Häusser, Mojzisch, Niesel, & Schulz-Hardt, 2010), we investigate to what extent managerial support and autonomy are effective in dealing with PMS inconsistency. Managerial *job autonomy* means responsible managers have leeway to deal with strains, and managerial *support* implies that responsible managers are backed up by peers, superiors and staff functions.

Our exploration is based on survey responses from 799 managers in one public sector organization and 187 managers in one private sector organization. We find that PMS inconsistency has negative effects on managers' role clarity and well-being. This situation does not improve if superiors practice loose control, and in fact seems to make managers' work situation worse. Job autonomy and support appear to be better coping methods since they have direct positive impacts on managers' work situation, which counteracts the negative effects of PMS inconsistency.

This paper is organized as follows. In the next section we present our theoretical framework where we discuss the direct impact of PMS

inconsistency on role clarity and well-being and how the coping methods may be influential. This is followed by a results section and a discussion section. In the last section we present the conclusions of our research.

2. Theoretical framework and research questions

We have a broad interest in PMS inconsistency in this paper. Motivated by the scarcity of theoretical and empirical research on PMS inconsistency, we first discuss the relationship between PMS inconsistency on the one hand and managerial role clarity and well-being on the other. Then we discuss how potential negative effects of PMS inconsistency may be handled by three *coping methods*: loosening control reactions to variances, increasing managerial job autonomy, and strengthening managerial support.

2.1. The impact of PMS inconsistency on managers' role clarity and well-being

Theoretical and empirical guidance for predicting the effects of PMS inconsistency on managers' role clarity and well-being is scarce. Goal-setting theory is in its early stages when it comes to multiple goals and even more so when it comes to conflicting goals, as is the case when PMS are inconsistent. The studies that have been carried out on multiple goals have not focussed on effects of PMS inconsistency and the typical dependent variables are not role clarity and well-being, but motivation and performance (Locke & Latham, 2013a; Sun & Frese, 2013). Still, goal-setting theory can be a starting point for discussing consequences of inconsistency.

According to goal-setting theory, specific and challenging goals stimulate attention, effort, persistence and learning, which have positive effects on motivation and performance, although the effects are contingent on moderating variables such as ability, goal commitment, performance feedback and task complexity (Locke & Latham, 2013a, 2013b). The problem with inconsistent PMS, from the perspective of goal-setting theory, is not necessarily lack of specificity and challenge, since each measure in an inconsistent PMS may be both specific and challenging. Rather, the problem is that managers' ability to perform and be committed to all measures is limited. This is a reason for assuming that inconsistent PMS reduce managers' well-being (Sun & Frese, 2013) although so far this has not been tested in empirical studies. It is also reasonable to assume that inconsistent PMS reduce managers' role clarity since the system forces managers to pay attention to conflicting performance measures, which imposes uncertainty on them (Lillis, 2002; Marginson and Bui, 2009; cf., Latham & Locke, 2013). As argued in the introduction, this is contrary to the intended uncertainty-reducing purpose of performance measurement (Hartmann, 2000; Locke & Latham, 2013a; Merchant & Van der Stede, 2012).

However, if PMS inconsistency is an organizational response to multiple stakeholder pressures (Ferreira & Otley, 2009; Lillis, 2002; Malmi & Brown, 2008) or goal complexity in activities (Hofstede, 1981; De Bont & Grit, 2012; Nielsen, 2014), it mirrors a situation of multiple goals that managers need to act upon. If PMS are consistent in control situations characterized by inconsistent goals this could confuse and frustrate managers who experience disjunction between the actual goals of the activity and the PMS. In this situation inconsistent PMS may be better adapted to complex goal-setting, and even though they are challenging for managers to handle, they do not create conflicts between goals and the measurement system, but instead make managers more ready to adapt (Hedberg & Jönsson, 1978). Seen from this perspective, in goal complex contexts PMS inconsistency is less likely to have negative impact on managers' role clarity and well-being.

Since there is only weak theoretical and empirical guidance about the impact of PMS inconsistency on managerial role clarity and well-being, the relationships remain to be empirically explored. We pose the following research question:

¹ According to Lillis (2002) it is mainly measurements of efficiency and quality that are combinable.

Download English Version:

<https://daneshyari.com/en/article/7254819>

Download Persian Version:

<https://daneshyari.com/article/7254819>

[Daneshyari.com](https://daneshyari.com)