Contents

| 1 | Intr | oduction | 1 | | |
|---|---|--|----|--|--|
| | 1.1 | The Performance Management Revolution | 1 | | |
| | 1.2 | The Performance Management Shortcomings | 3 | | |
| | 1.3 | Contributions of the Present Work | 5 | | |
| | 1.4 | Structure of the Book | 6 | | |
| | Refe | erences | 7 | | |
| 2 | The Evolution of the Concept of 'Management Control': Towards a | | | | |
| | Defi | nition of 'Performance Management System' | 9 | | |
| | 2.1 | Towards a Definition of Performance Management System | 9 | | |
| | 2.2 | Different Theoretical Approaches to Organizational Control | 10 | | |
| | | 2.2.1 Economic Theories of Organizational Control | 11 | | |
| | | 2.2.2 Sociological Theories of Organizational Control | 16 | | |
| | | 2.2.3 Psychological Theories of Organizational Control | 23 | | |
| | | 2.2.4 Behavioural Theories of Organizational Control | 25 | | |
| | 2.3 | From Organizational Control Theories to Management Control | | | |
| | | Approaches | 27 | | |
| | 2.4 | From Management Control Systems to Performance Management | | | |
| | | System | 35 | | |
| | 2.5 | The Italian Literature on Management Control | 40 | | |
| | | 2.5.1 The Forerunners of Management Control in the Italian | | | |
| | | Literature: Besta and His Disciples | 40 | | |
| | | 2.5.2 Gino Zappa and the Recent Literature on Management | | | |
| | | Accounting | 42 | | |
| | 2.6 | Conclusions on Management Control Revolution | 46 | | |
| | Refe | erences | 46 | | |
| 3 | Perf | formance Management System. A Literature Review | 55 | | |
| | 3.1 | | 55 | | |
| | 3.2 | Systematic Literature Review of PMS Design | 56 | | |

viii Contents

| | 3.3 | 3.3.1 Contingency Theory | 57 57 |
|---|------|--|----------|
| | 3.4 | 3.3.2 Other Theoretical Approaches | 60 61 |
| | 3.5 | The Strategy-driven PMS. The Levers of Control (LOC) | |
| | | Management Control Framework | 65 |
| | 3.6 | | 70 |
| | 3.7 | 1 0 | 76 |
| | 3.8 | The Italian Literature on PMSs and Their Coupling | 78 |
| | 3.9 | Concluding Remarks on the PMS Design Review | 83 |
| | Refe | rences | 83 |
| 4 | Inno | ovation and the Performance Management System. | |
| | | rature Review | 89 |
| | 4.1 | Introduction | 89 |
| | 4.2 | Methodology | 91 |
| | 4.3 | Evolution of Organizational Control: from Management Control | |
| | | to Performance Management | 92 |
| | 4.4 | Taxonomies of Innovation | 94 |
| | | 4.4.1 PMS Studies According to the Type and Nature | |
| | | of Innovation | 97 |
| | | 4.4.2 Impact of Innovation | 102 |
| | 4.5 | Discussion. The Evolution of the Relationship Between | |
| | | MCS/PMS and Innovation | 104 |
| | | 4.5.1 MCSs/PMSs as Innovation Inhibitors | 105 |
| | | 4.5.2 Coexistence of MCSs/PMSs and Innovation | 106 |
| | | 4.5.3 MCSs/PMSs as Innovation Enablers | 107 |
| | 4.6 | Concluding Remarks and Future Research Directions | 109 |
| | Refe | rences | 110 |
| 5 | The | Loose Coupling Performance Management System | 117 |
| | 5.1 | The Diamond Structure | 117 |
| | | 5.1.1 Value Sharing | 120 |
| | | 5.1.2 Strategy Formulation | 120 |
| | | 5.1.3 Strategy Implementation | 121 |
| | | 5.1.4 Performance Measurement | 121 |
| | | 5.1.5 Incentive and Reward | 122 |
| | | 5.1.6 Strategy Execution | 122 |
| | 5.2 | The Concept of Loose Coupling in Managerial Studies | |
| | | and Other Related Disciplines | 122 |
| | 5.3 | The Couplings Within the Diamond Structure | 125 |
| | | 5.3.1 Values Sharing: Strategy Formulation and | |
| | | Implementation Relationship | 126 |
| | | 5.3.2 Values Sharing: Performance Measurement | |
| | | Relationship | 127 |

Contents

| | | 5.3.3 | Values Sharing: Incentive and Rewarding System | |
|---|------|----------|---|------|
| | | | Relationship | 128 |
| | | 5.3.4 | Strategic Formulation: Strategic Implementation | |
| | | | Relationship | 128 |
| | | 5.3.5 | Strategic Formulation and Implementation: Performance | |
| | | | Measurement Relationship | 128 |
| | | 5.3.6 | Strategic Formulation and Implementation: Incentive | |
| | | | and Rewarding System Relationship | 129 |
| | | 5.3.7 | Performance Measurement: Incentive and Rewarding | |
| | | | System Relationship | 129 |
| | | 5.3.8 | Strategy Formulation and Implementation: Strategy | |
| | | | Execution Relationship | 130 |
| | | 5.3.9 | Performance Measurement: Strategy Execution | |
| | | | Relationship | 130 |
| | | 5.3.10 | Incentive and Rewarding System: Strategy Execution | |
| | | | Relationship | 130 |
| | Refe | rences | | 131 |
| 6 | The | Values S | Sharing Mechanism | 133 |
| | 6.1 | | on of Values Sharing and Organizational Values | 133 |
| | 6.2 | | of the Organizational Values and the Value Sharing | |
| | | | iism | 135 |
| | 6.3 | | sign of the Value Sharing Mechanism | 136 |
| | | | | 138 |
| _ | T) | G | | 120 |
| 7 | | | Formulation Mechanism | 139 |
| | 7.1 | | Formulation: Definition | 139 |
| | 7.2 | | Formulation Process and Typologies | 140 |
| | 7.3 | | ate Strategic Change | 141 |
| | 7.4 | | Trends in Strategy Formulation: Internationalisation | 1.42 |
| | 7.5 | | ovation | 143 |
| | 7.5 | | Trends in Strategy Formulation: CSR | 144 |
| | кете | rences | | 146 |
| 8 | The | Strategy | Implementation Mechanism | 151 |
| | 8.1 | Introduc | ction: Definition and Strategy Implementation Tools | 151 |
| | 8.2 | | ary Control | 152 |
| | 8.3 | Non-fin | ancial Performance Indicators | 155 |
| | 8.4 | Target S | Setting | 156 |
| | Refe | rences | | 159 |
| 9 | The | Perform | nance Measurement Mechanism | 163 |
| | 9.1 | | ction to Performance Measurement Features | 163 |
| | 9.2 | | c Performance Measurement/Balanced Performance | - 00 |
| | | | es | 164 |
| | 0.3 | | ad Parformance Measurement System Pafarance Model | 166 |

x Contents

| | 9.4 | Performance Prism | 166 | | |
|----|---------------------------------------|--|------------|--|--|
| | 9.5 | SMART Pyramid | 169 | | |
| | 9.6 | Results and Determinants Matrix | 169 | | |
| | 9.7 | The Taxonomy of Performance Measurement Frameworks | 170 | | |
| | 9.8 | The Cost of Performance Measurement | 173 | | |
| | Refer | ences | 174 | | |
| 10 | The Incentive and Rewarding Mechanism | | | | |
| | 10.1 | Incentive and Rewarding: Definition and Purposes | 177 177 | | |
| | 10.2 | Psychological and Economic Theories of Incentive | | | |
| | | and Rewarding Mechanism | 178 | | |
| | 10.3 | Design of an Effective Incentive and Rewarding Mechanism | 179 | | |
| | | 10.3.1 Selection of the Performance Measures | 179 | | |
| | | 10.3.2 Assessment Frequency | 182 | | |
| | | 10.3.3 Rewarding Model Selection | 183 | | |
| | 10.4 | The Link with Strategic Objectives | 185 | | |
| | 10.5 | The Assessment of the Incentive and Rewarding Mechanism | 186 | | |
| | 10.6 | Dysfunctional Effects of the Use of Biased Incentive | | | |
| | | and Rewarding Mechanisms | 186 | | |
| | Refer | rences | 187 | | |
| 11 | The S | Strategy Execution Mechanism | 189 | | |
| | 11.1 | Definition and Recent Themes in Strategy Execution | 189 | | |
| | 11.2 | Conceptual Approaches to Strategy Execution Failures | 189 | | |
| | 11.3 | Frameworks and Tools for Effective Strategy Execution | 192 | | |
| | Refer | rences | 195 | | |
| 12 | Imple | ementation, Use and Diagnosis of the Performance | | | |
| | | agement System | 19 | | |
| | 12.1 | Performance Management System and Contextual | | | |
| | | Variables Fit | 19 | | |
| | | 12.1.1 External Environmental Variables | 198 | | |
| | | 12.1.2 Internal Contextual Variables | 200 | | |
| | 12.2 | Performance Management System Use | 203 | | |
| | 12.3 | Diagnosis and Review of the PMS | 20 | | |
| | 12.4 | Events Associated with Hypotheses of PMS Review | 209 | | |
| | 12.5 | Conclusions and Research Implications | 210 | | |
| | Refer | References | | | |