

# NAVIGATING THE COMPLEXITIES OF PERFORMANCE MANAGEMENT: A THEMATIC ANALYSIS OF ORGANIZATIONAL CHALLENGES

Adrian BRUDAN<sup>1</sup>, Borbala PENTEK<sup>2</sup>, Teodora GORSKI<sup>3</sup>, Cristina MIHAILOAIE<sup>4</sup>

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*This paper presents insights into the various challenges managers and employees encounter in implementing and using Performance Management Systems (PMS) within their organizations. The analysis draws on a decade of qualitative data collected from participants of The KPI Institute's training programs. The primary objective of the paper is to provide an in-depth understanding of the challenges faced by professionals in the field. Data was collected qualitatively, through focus groups organized at the beginning of each training session between 2012-2022. The research employs a thematic analysis approach to categorize and interpret the data collected through focus groups. In addition to the thematic analysis, a narrative analysis provides a richer, contextual understanding of the data. Data reveals seven key themes where participants encountered challenges. The study identified the primary challenges in performance management systems as KPI selection, organizational culture, system implementation, KPI activation, measurement process standardization, learning and improvement, and employee performance management. Participants emphasized that addressing these challenges requires aligning KPIs with strategic objectives, fostering a supportive organizational culture, ensuring accurate data collection and standardization processes, and mitigating subjectivity in employee performance appraisals.*

**Keywords:** Performance management system, KPI selection, Organizational culture, System implementation, Employee performance management

**JEL Classification:** M10, M12, M14, M19

<sup>1</sup> PhD Student, Doctoral School of Economics and Business Administration, West University of Timisoara & General Manager, The KPI Institute, Melbourne, Australia

<sup>2</sup> PhD Student, Doctoral School of Communication, Babes-Bolyai University & Management Consultant, The KPI Institute, Melbourne, Australia

<sup>3</sup> PhD Student, Faculty of Economics, Lucian Blaga University of Sibiu & Head of Consulting Services, The KPI Institute, Melbourne, Australia

<sup>4</sup> Business Unit Manager-Research Division, The KPI Institute, Melbourne, Australia

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## 1. Introduction

### Background

Performance Management System (PMS) refers to the system through which an organization aligns its resources, employees, tools, and processes to its strategy. This would mean that performance data is collected regularly, performance is evaluated against predefined objectives, and improved to get closer to organizational goals, and therefore mission (Aguinis, 2013). The academic literature on performance management is vast, as performance management issues continue to draw the attention of both academics and practitioners and many authors have addressed this complex subject over the years (Gorski & Dumitraşcu, 2023). However, the intersection of the field of academia and the practitioner field has remained scarce.

A Performance Management System (PMS) provides visibility into current performance levels and integrates processes for a smooth strategy implementation. It links the various tools of performance management at organizational, departmental, and individual levels and indicates how they relate to each other. A PMS helps an organization to move toward better management through consideration of team effort and the results to be generated, ensuring long-term prosperity for the teams and individuals. It operates on three levels.

At a strategic level, the Performance Management System outlines the strategic intent and directions of our organization. At operational level, the Performance Management System ensures regular monitoring of the progress we make towards the achievement of our operational objectives, one of the instruments used in this respect being the Balanced Scorecard. At the individual level, the Performance Management System enables individual development, continuous learning, and growth (Kaplan & Norton, 2015).

A PMS brings forth clarity and focus for the organization. It helps to define the identity of the organization and focuses efforts and resources on key priorities. It enables improvement by identifying processes and executing projects to fill them, while maintaining a line of sight and an alignment from the lowest organizational levels to the highest organizational goals (Ibidem). Other benefits of a performance management system include strategic planning, improving accountability, enhancing the quality of service, resource optimization, support for fast decision-making, and nurturing a result-oriented organizational culture.

However, despite most organizations having a performance management system in place (whether in the form of formal structures, in the form of informal, unlinked measurement instruments, or in the form of employee appraisal systems) (Kappelman et al., 2022; Cascio, 2006), there have been numerous challenges detected in how these systems are

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implemented (Baporikar, 2022; D'souza, 2012). Moreover, it is well known, that implementing such systems has always been a daunting task for management professionals and leaders, not only due to methodology but also due to organizational complexity (Baporikar, 2022).

### **Purpose of the study**

Understanding and showcasing the issues surrounding the implementation of a performance management system (especially in academia), often is based on intra-organizational case studies, smaller scale correlational academic research or literature reviews (Thangavelu & Sudhahar, 2012). These methods are great for spotting common trends and problems in systems; however, the scope and scale of research often lacks the broadness to draw general conclusions. There is a noticeable lack of firsthand data from performance management professionals, or employees working within these PMS structures, which makes it hard to deeply understand the detailed challenges they deal with, as well as the commonalities of their experience.

At this point there is an understanding in the field regarding the fact that traditional performance management systems suffer from subjectivity, lack of continuity and ineffective use of data (Lekshmi & Prakash, 2024). However, empirical research conducted by practitioners further expands this perspective by identifying a broader spectrum of challenges. Although the age of big data brings with it many new issues (Thangavelu & Sudhahar, 2012), many of these faced by performance management professionals are persistent and affect a wide range of organizational settings, pointing to systemic issues within traditional frameworks (Smither & London, 2009). These studies show the need for an ongoing evaluation of performance management challenges, and this data must come from the practitioners in the field.

The purpose of the current study is to offer additional insights in the academic research surrounding performance management, from The KPI Institute's last ten years of training in the field. Over the past decade (2012-2022), The KPI Institute has made a concerted effort to understand the challenges faced by professionals in the field. Every participant in the training programs offered by the organization has been asked to share the obstacles they encounter in their roles. Their rich feedback has been systematically gathered across a diverse range of course offerings.

## **2. Methodology**

### **2.1. Research design**

The study employs a qualitative research design to understand the challenges in performance management. participants were asked to respond to one open-ended interview question

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about their experiences with performance management. The only question asked during the data collection part of these sessions was “What challenges have you faced when working with performance management systems in your organization?”

This qualitative approach allowed for the gathering of detailed, nuanced data directly from those involved. Data was analyzed thematically because it allows for a systematic identification, organization, and interpretation of themes that were emerging from the responses (Braun & Clarke, 2021; Frost, 2021). The analysis process comprises two stages: becoming familiar with the data and generating initial codes relevant to the content of the responses. Then, recurring patterns were identified, and categorized into main themes and sub-themes, which were sub-categories focusing on one specific aspect of the main theme they were categorized under. This was done through a reflexive approach, as opposed to the coding reliability approach.

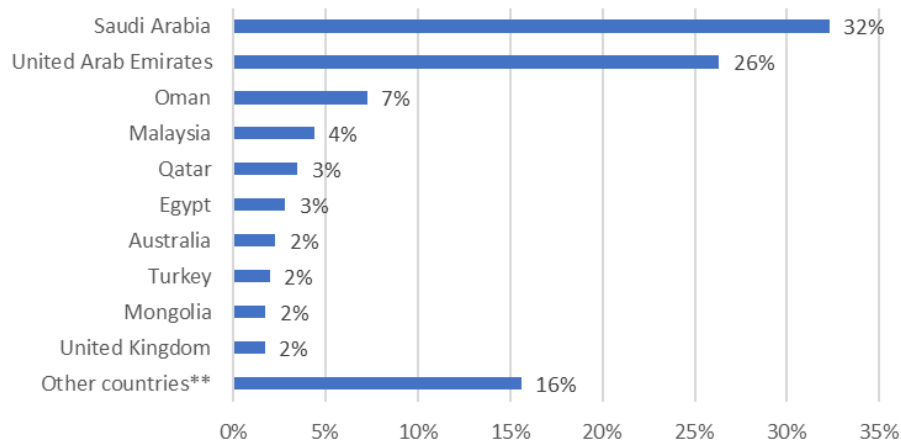
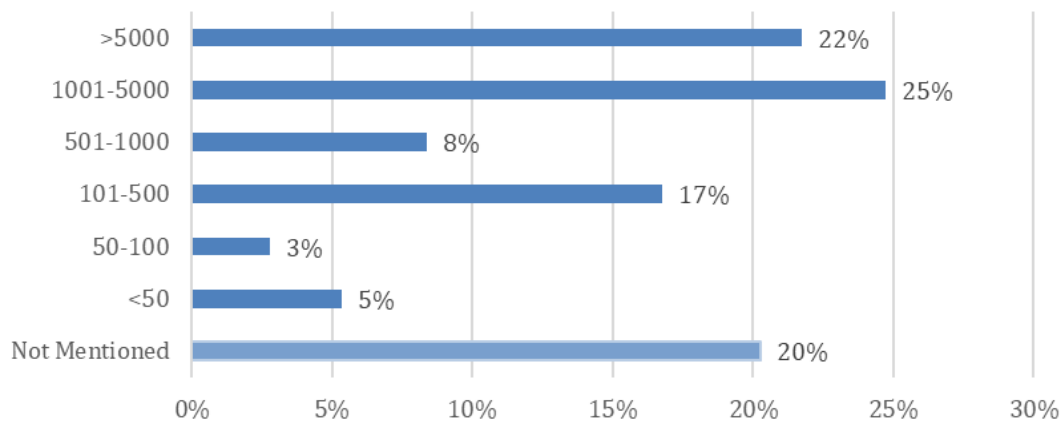
Reflexive approaches involve later theme development based on the data collected, instead of using a previously created codebook. This resulted in a more inductive, less reductive approach, with a focus on meaning, and the implication of the researchers’ pre-existing knowledge, experience, and social position (Braun & Clarke, 2021). This approach was necessary considering the dual nature of the researchers’ conducting the data collection and interpretation: that of trainer and that of academic researcher.

The recurring themes and subthemes were then refined and reviewed, to ensure that they reflect the overall data collected. This was followed by a narrative analysis of the major themes, which provided a structured, but deep dive into the interpretation of the themes, and highlighted key stories and experiences shared by the participants. This combination of qualitative and quantitative lenses applied to the same dataset, together with the vastness of practical data collected, is one of the ways the paper contributes to the current literature.

## 2.2. Data collection

Data for this study were collected over a ten-year period through a series of focus groups held at the beginning of each training session, aimed at understanding the challenges in performance management. Participants were selected from various organizations that participated in these training programs. The focus groups on the topic of challenges have been the starting point of each of the training sessions organized by The KPI Institute in the period of 2012-2022. The following professional certifications fell within the scope: Key Performance Indicators, Balanced Scorecard, Strategy and Business Planning, Performance Management, Employee Performance Management.

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*Navigating the Complexities of Performance Management: A Thematic Analysis of Organizational Challenges**Source: Authors aggregated data based on course notes, 2012-2022**\*\* Each individual country in the "Other" category accounts for less than 2% of the total respondents.***Figure 1.** Distribution of participants by country of origin*Source: Authors aggregated data based on course notes, 2012-2022***Figure 2.** Distribution of participants by organization size

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### 2.3. Data preparation

Each session of the training included in the data collection period involved noting down the participants' responses verbatim. Because responses were not linked to individual participants, or to the organizations they represented, such an approach ensured anonymity. While demographic metadata was included in a separate section of data collection (hence the charts above), they were not correlated with the participants' responses, which aligns with best practices for ethical qualitative research (Saunders et al., 2015). This anonymity meant that correlations between performance management challenges and organizational size or industry could not have been made, however, the approach resulted in more depth and honesty in participants' responses, who were shielded by this anonymity offered.

During the next step of the data preparation process, researchers curated and cleaned the data to remove unnecessary, incomplete, or irrelevant information. Responses that weren't relevant in the field of performance management, such as ones discussing the organizations' value models, strategy, governance, or leadership practices were excluded based on researchers' evaluations. Here it was important once again, that the type of reflexive qualitative coding was chosen for the research. In the data preparation phase, the researchers' expertise helped exclude out of scope statements from the data.

Once cleaned, the data was organized into a structured format using Excel. Each entry (one entry means one challenge) had details included as follows: challenge mentioned, name of the course, date and year of the session, and source file. This structure ensured better manageability of the data.

### 2.4. Data analysis

Each statement collected from the focus group sessions was clustered using an inductive approach via reflexive thematic analysis. This method was ideal for the study because the researchers and data analysts had vast experience in performance management. Reflexive thematic analysis not only helps in identifying and organizing themes but also allows leveraging the researchers' expertise to focus on pertinent aspects of the data. The perception of research expertise - as previously mentioned- in qualitative research is a highly debated subject, with a lot of contrasting viewpoints (Rubin & Rubin, 2012).

Particularly in academia, there is a tendency to scrutinize the field expertise of the researcher (in this case, the performance management expertise of the team) and label it as bias, due to the concerns about the preconceived notions that might shape the data interpretation process. However, reflexive qualitative coding acknowledges the positionality of the researcher and encourages those involved in the focus groups as well as the data analysis process to critically engage with their own biases. Through reflexive qualitative coding, the

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researchers' expertise has become an asset due to the insider perspective that helped create the subcategories and later the main themes (Nicmanis, 2024). The first step was fragmentation of participants' responses into individual statements.

A total of 1,869 individual statements were collected. The first round of clustering involved identifying initial themes from these statements, capturing the wide range of issues discussed by participants. The second round of clustering refined these themes into subcategories, considering the repetitive nature of many arguments, and the emerging patterns, which helped in streamlining and organizing the data into coherent subcategories (Ward & Delamont, 2020).

The third round of coding focused on synthesizing these subcategories into overarching main themes. Here, the research team's expertise in performance management was particularly beneficial. Although we had preconceived notions from our training materials and 20 years of primary and secondary research conducted by The KPI Institute on performance management, (such as the State of Strategy Management Global Report, or the State of Employee Performance Management Global Report the organization has published over the years), the researchers made a conscious effort to avoid imposing these predefined categories on the data. Instead, we let the main themes emerge naturally, ensuring our analysis was grounded in the participants' actual experiences (Braun & Clarke, 2019).

The result of this thorough three-round coding process was the identification of the main themes of challenges in performance management. These themes provided a first overview of the key issues in the field, reflecting the complexity and multifaceted nature of the participants' experiences. By letting the data guide the development of themes, it ensured that the analysis was both reflective of the participants' perspectives and rooted in practical realities.

## 2.5. Key findings

There is precedent in the academic literature to present the sources of ambiguity in performance management systems, which is in alignment with the results of the thematic and narrative analyses conducted and presented in this paper. The paper "Ambiguity in Performance Management Systems of Complex Multi-stakeholder Organisations" delves into the sources and implications of ambiguity within performance measurement systems and practices in organizations with multiple stakeholders (Ojiako et al., 2022). The innovative aspect of this paper is the vastness of the data presented.

### 2.5.1 Results of thematic analysis

Through thematic analysis, key challenges participants experienced in performance management were summarized. Proper identification and ordering of recurring themes enabled us to identify significant issues across the following areas (Figure 4): KPI selection,



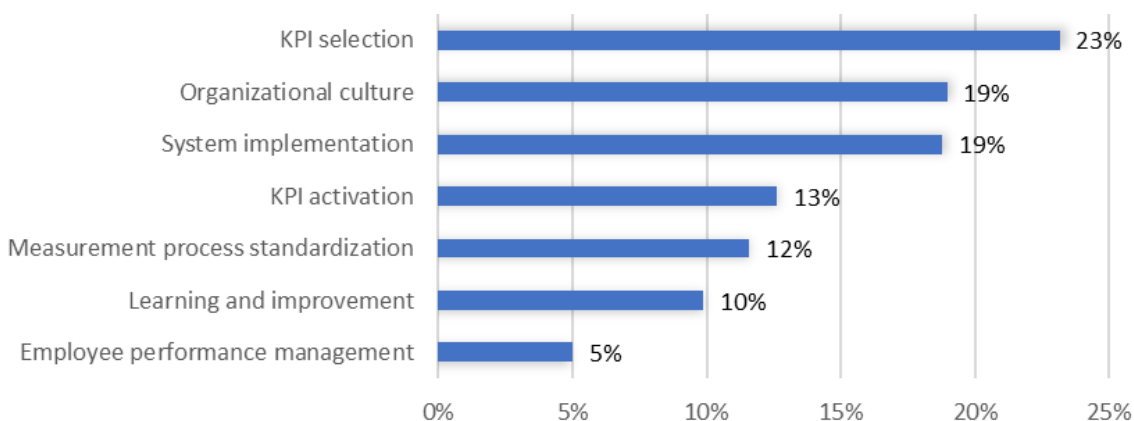
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organizational culture, system implementation, KPI activation, standardization of the management process, learning and improvement, and employee performance management. At the root of each of these themes, a concern can be linked: relevance and formulation of KPIs, engagement of employees, accountability, government, and data quality.

The use of different charts helped us visualize, and in that way, we were able to see vividly where the main challenges are. This analysis will not only provide a view of important areas to be considered but also give invaluable insights that will be useful in planning and designing more effective performance management strategies.

The conclusions drawn from the thematic analysis are presented in a set of charts, which visually depict the key challenges and their specific areas of concern within performance management.



*Source: Authors aggregated data based on course notes, 2012-2022*

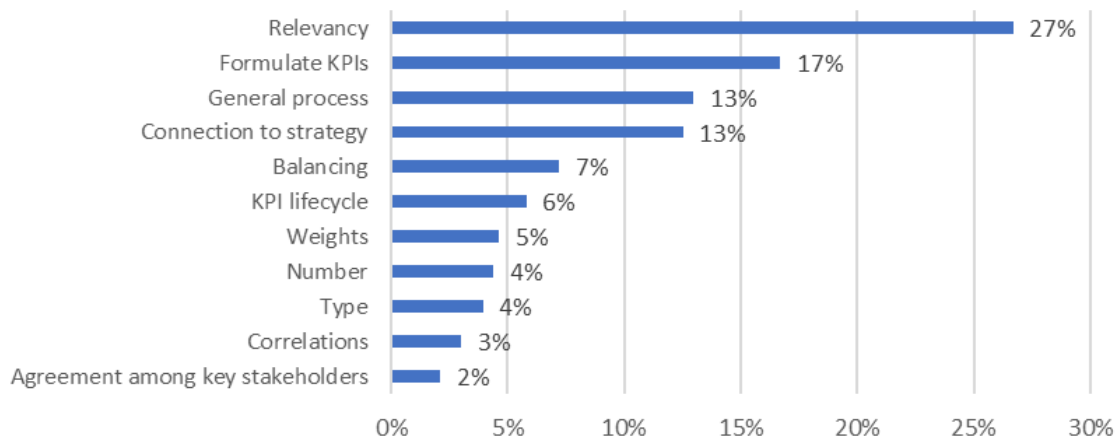
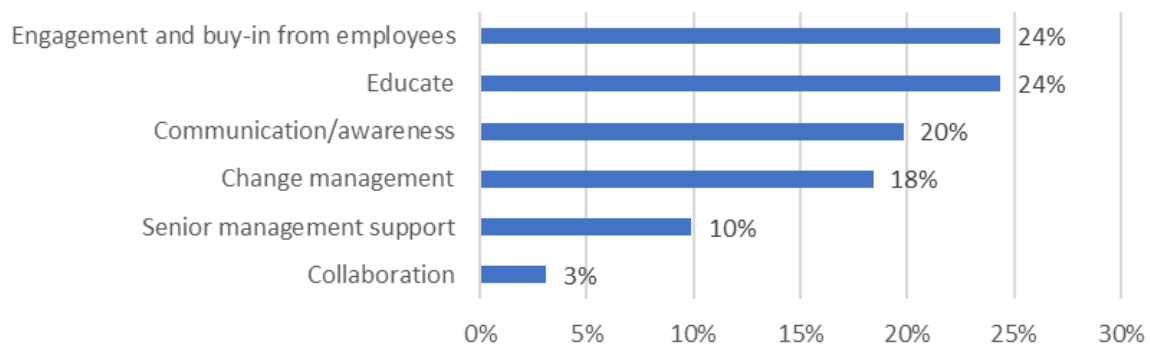
**Figure 3. Key challenges in performance management**

Figure 4 illustrates the critical challenges identified during the selection of KPIs for the first theme. This theme was further broken down into the following sub-themes: Relevance, Formulate KPIs, General process, Connection to strategy, Balancing, KPI lifecycle, Weights, Numbers, Type, and Correlations.

Concerning organizational culture, the sub-themes identified were as follows: Engagement and buy-in, Education, Communication and awareness, Change management, Senior management support, and Collaboration (see Figure 6).

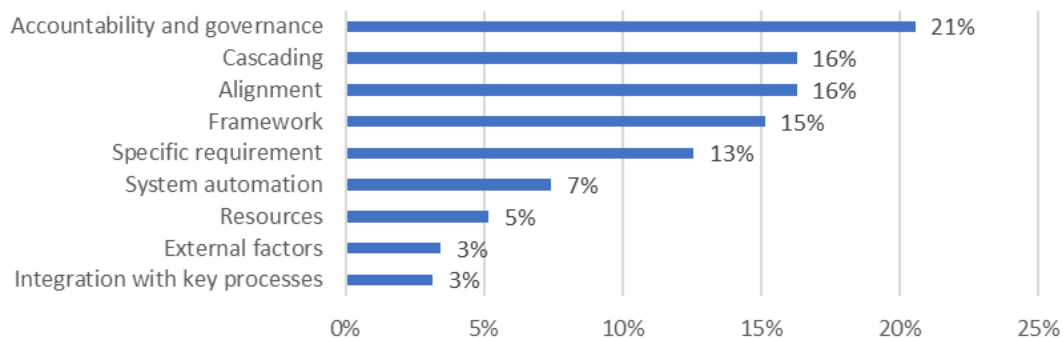
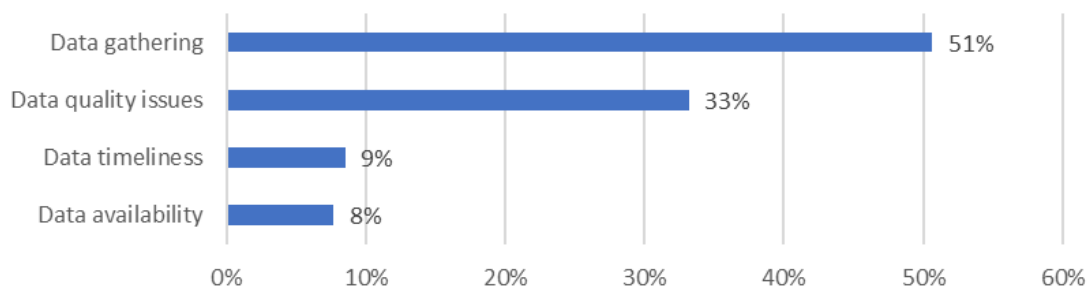


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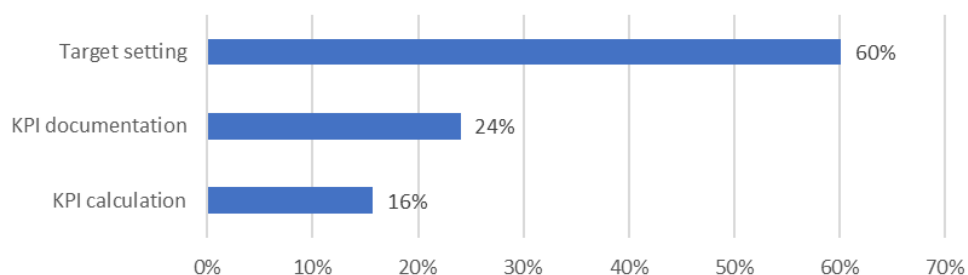
*Navigating the Complexities of Performance Management: A Thematic Analysis of Organizational Challenges**Source: Authors aggregated data based on course notes, 2012-2022***Figure 4. Subcategories for KPI Selection***Source: Authors aggregated data based on course notes, 2012-2022***Figure 5. Subcategories for Organizational Culture**

Within the topic of system implementation, the research uncovered nine distinct sub-themes: Accountability and governance, Cascading, Alignment, Framework, Specific requirements, System automation, Resources, External factors, and Integration with key processes (see Figure 6).

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*Navigating the Complexities of Performance Management: A Thematic Analysis of Organizational Challenges**Source: Authors aggregated data based on course notes, 2012-2022***Figure 6. Subcategories for System Implementation***Source: Authors aggregated data based on course notes, 2012-2022***Figure 7. Subcategories for KPI Activation**

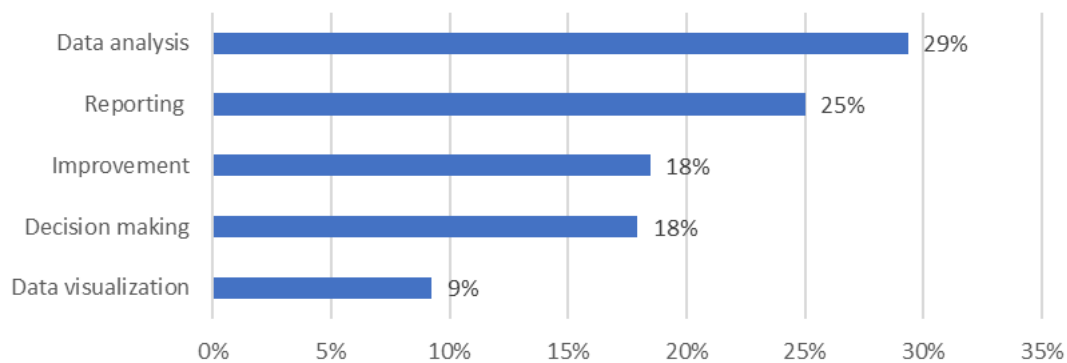
A common theme identified in the study (ranking fifth) was the standardization of management processes. This theme is broken down into three sub-themes: Target setting, KPI Documentation, and KPI Calculation (Figure 8).

*Source: Authors aggregated data based on course notes, 2012-2022***Figure 8. Subcategories for Measurement Process Standardization**

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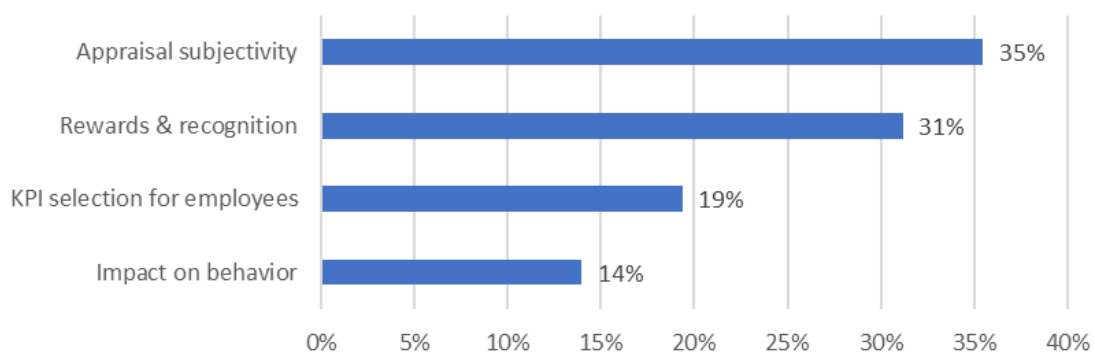
Concerning learning and improvement, participants mentioned 5 themes frequently: Data analysis, Reporting, Improvement, Decision making, and Data visualization (Figure 9).



*Source: Authors aggregated data based on course notes, 2012-2022*

**Figure 9. Subcategories for Learning and Improvement**

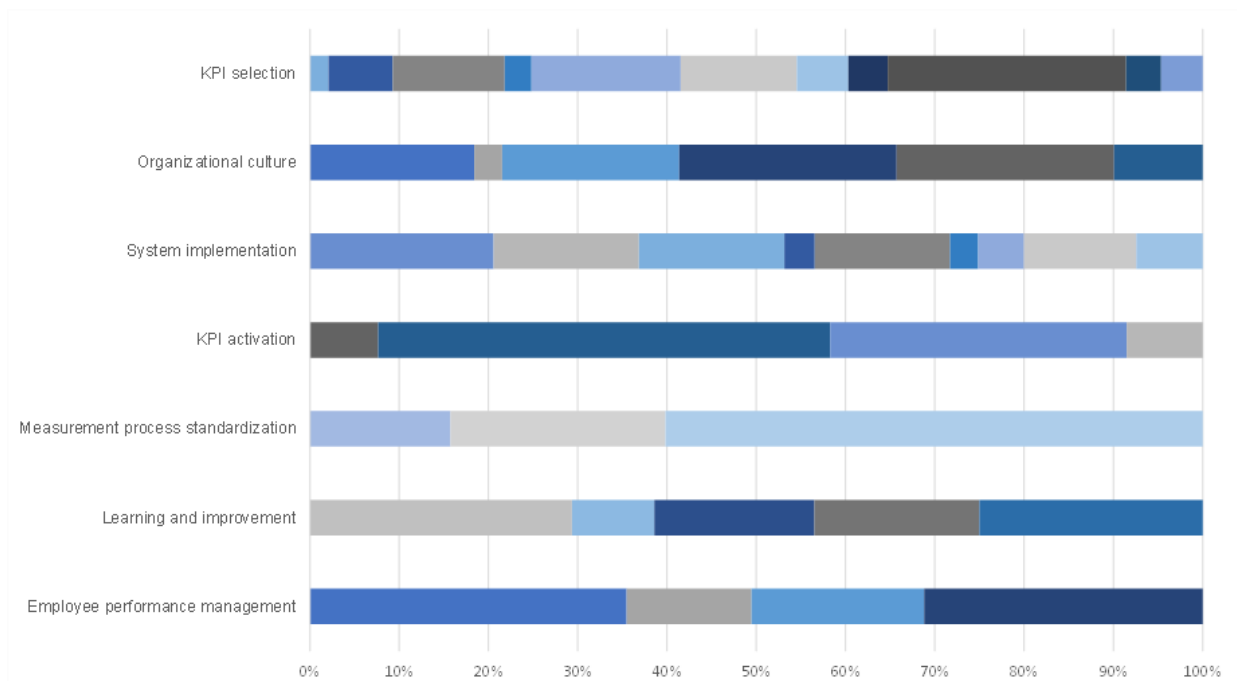
During the analysis, employee performance management emerged as the seventh key theme. Participants highlighted four important aspects related to this theme: Appraisal subjectivity, Rewards and recognition, KPI selection for employees, and KPI impact on behavior (Figure 10). Figure 11 provides a visual representation of these diverse challenges and the frequency at which participants expressed them.



*Source: Authors aggregated data based on course notes, 2012-2022*

**Figure 10. Subcategories for Employee Performance Management**

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*Navigating the Complexities of Performance Management: A Thematic Analysis of Organizational Challenges**Source: Authors aggregated data based on course notes, 2012-2022***Figure 11. Diverse challenges in performance management**

### 2.5.2 Narrative analysis

Although the thematic analysis (TA) provides a structured way of identifying and categorizing key challenges and themes in performance management, it is just as important to personally represent the data with a narrative.

The narrative representation captures the subtle, lived experiences of participants, offering deeper insights into the context and personal aspects of the challenges they face (Frost, 2021).

#### Theme 1: KPI selection

The selection of KPIs is the very base for efficient performance management throughout organizations that had participants enrolled in The KPI Institute's service offerings. KPIs are vital tools for measuring progress towards strategic goals, operational efficiency, and overall success (Domínguez et al., 2019). However, selecting the right KPIs is a complex process presenting many challenges, thus this main theme was the highest rated among participants, resulting in 431 individual statements from 11 subthemes. This analysis explores the key challenges in KPI selection based on data grouped into various subthemes, as follows: Agreement among key stakeholders, Balancing, Connection to strategy, Correlations, KPI

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lifecycle, Formulation of KPIs, General process, Number, Relevancy, Specific context, Type, and Weights.

The most often indicated challenge that management professionals faced regarding KPI selection was ensuring the relevance of the indicators selected. This difficulty was a common concern, with many highlighting the need to select KPIs that are both appropriate and impactful. Training participants also mentioned the struggle to balance the simplicity of measurement with the relevancy of the collection of KPIs that are considered final. Moreover, relevance to participants also meant the need for KPIs to reflect the specific context and objectives of the organization, ensuring that they are practical and applicable. It is also important to mention that relevancy in this context means that KPIs should not just be relevant when selected but stay relevant throughout their lifecycle. A problem often mentioned was the continuous readjustment of KPIs during the year.

The formulation of KPIs also emerged as a significant challenge, with participants highlighting several issues in how to phrase KPIs that are simple, easy to understand, quantifiable without a complicated calculation formula, and standardizable. The need to have standardized KPIs that could be consistently applied across different contexts and scenarios was considered crucial. Another aspect of KPI formulation mentioned by participants was ensuring the quantification of qualitative data, and the translation of intangible aspects (such as morale or creative outputs) into quantifiable KPIs. This included challenges in the formulation of KPIs for activities that don't usually have straightforward metrics.

Another often signaled issue of KPI selection was ensuring the connection to strategy. In this section we clustered the answers that explicitly stated the issue of making KPIs directly measuring strategic objectives. Misalignment can lead to KPIs that do not accurately reflect the organization's strategic priorities, rendering them ineffective in guiding performance towards the desired outcomes.

The overall process of KPI selection was mentioned multiple times as a distinct challenge participants faced. Identifying what to measure, establishing proper selection guidelines, adapting the selection process to the organization's specific context were mentioned as recurrent issues. Statements emphasized the difficulty of selecting KPIs that also reflect the organization's maturity level both generally, and specifically regarding performance management. Moreover, it was mentioned multiple times that it is difficult to create a KPI framework without clear customized guidelines.

Balancing various aspects of KPIs is another major challenge. This includes finding the right mix of leading and lagging indicators, outcome, and output indicators, etc. Statements highlighted issues with maintaining comprehensive and focus through balancing techniques. Other critical issues were dealing with the KPI lifecycle: a need to find the right number of KPIs, as too many KPIs can blur the focus, while too few may result in an incomplete

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performance assessment. Within this framework, another important issue is determining the proper weighting of the KPIs to reflect their relative importance, which should be done with scientific rigor. Knowing and managing the interrelationship and interdependence of KPIs is important to ensure that no conflict between KPIs occurs. Lastly, it is a significant challenge to get key stakeholders to agree on a common set of KPIs, as the importance assigned and the perspective in interpreting the objectives may differ.

### **Theme 2: Organizational Culture**

Another important theme that emerged was organizational culture as a challenging aspect of implementing and maintaining performance management systems. 353 individual statements were categorized into five subthemes: engagement and buy-in from employees; education; Communication/Awareness; Change management; Senior management support and Collaboration.

Engagement and buy-in were major concerns that many mentioned. Participants noted that it is much harder to implement performance management systems in organizations where employees do not accept or approve of the importance of using this system. Many also emphasized the need to communicate what KPIs and performance management offer to gain buy-in from various organizational levels. Employees should understand the importance of KPIs and their contribution to organizational success, which will be the basis of a performance-oriented culture. Education also emerged as a crucial theme, meaning the importance of training and knowledge sharing within the organization. Participants pointed out a lack of understanding and expertise in performance management which often resulted in effective implementation of even properly selected indicators. They also emphasized the need for customized training programs to make sure everyone involved understands the same methodology the same way.

The aim is to cultivate a knowledgeable workforce capable of leveraging KPIs to enhance performance. Effective communication and awareness creation were also considered critical factors. Respondents reported that clear performance expectations, objectives, and results must be communicated to all employees so that they are all on the same page. Transparency in communication builds trust and ensures everyone fully understands the importance of KPIs in achieving strategic objectives. Miscommunication and lack of clarity were frequently reported as issues hindering the successful adoption of performance management practices.

### **Theme 3: System implementation**

System implementation represents the third major theme which presents issues for participants. This theme brought forward 303 independent statements, grouped under eight sub-themes: Accountability and governance, Alignment, Cascading, Framework, System automation, Resource, External factors, and Specific requirements.

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The most important challenge the participants mentioned was related to the PMS framework building and the maintaining thereof, with a special focus on adapting such tools and systems to the specific organizational context. The concept of framework in clustering refers to the implementation of a structured approach in performance management. This, when it comes to PMS implementation, refers to the processes, and tools used to manage KPIs. Participants expressed concerns regarding the back-end processes of performance management: even though KPIs might be well selected, linked to strategy, and cascaded effectively, without proper processes and tools that guide data collection, reporting and decision making, the efforts don't meet organizational needs. This includes adapting specific frameworks to organizational context and maintaining it over time to respond to evolving needs and challenges.

Accountability and the governance of the system was another of the most often mentioned issues with system implementation. Accountability in system implementation ensures that KPIs are actively managed, and there is a common, committed focus on achieving the targets set together. This involves developing a governance structure that supports performance management, avoiding overlaps in responsibilities, and maintaining actual ownership of KPIs among personnel.

Another key challenge was aligning the KPIs with the organizational strategy and between departments. Participants noted that it was difficult to ensure the KPIs are in line with strategic objectives and are pervasive in all departments within the organization. This didn't mean selection: one can select proper KPIs that are in alignment with strategy, but miss consistency in application, cross-entity alignment (horizontal alignment), and integration of the KPIs with existing systems. Misalignment across different hierarchy levels may lead to conflicting KPIs and consequently deter performance. Ensuring that KPIs are consistent and aligned across all the organizational capabilities is crucial for a coherent performance management system.

While alignment referred to horizontal consistency, the third most important challenge that participants mentioned was related to cascading, or the vertical consistency and alignment across organizational levels, from strategic, to operational, to individual level. Most participants concurred that creating cascading KPIs, from the level of the organization to the level of the individual employee, is a difficult yet very important process. It involves translating strategic objectives into specific, measurable, and time bound KPIs at the respective levels and maintaining them across the KPI lifecycle. According to participants, making sure there is a clear linkage between organizational KPIs, and individual performance indicators helps retain consistency and relevance across the board. Effective cascading aligns individual efforts with broader organizational goals, which is often challenging in practice.

Besides the above-mentioned criteria, participants mentioned several other key challenges they face, including system automation, resource allocation, external factors. Automation of the system primarily aims to reduce workload in performance management, ensure data



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accuracy, and provide real-time performance insights. This requires significant investment in technology and infrastructure. Resource allocation is very important, and respondents emphasized that human, financial, and technological resources must be provided to support the departments responsible for performance management, the lack of them representing a key challenge for them. Flexibility and responsiveness are necessary traits in performance management systems implementation (as well as their selection, hence they were emphasized in the KPI selection section as well), influenced by external factors like market conditions and regulatory requirements. Finally, integrating performance management with major organizational processes, such as budgeting and risk management, is crucial for a coherent approach to managing performance across all functions and levels.

#### **Theme 4: KPI activation**

KPI activation, or the process of introducing new KPIs in the existing (or newly created) PMS framework represented the fourth major theme in performance management challenges. It involved issues mentioned about data availability, data quality, data gathering, and timelines. KPI activation in this sense includes the first data collection process for the newly selected KPIs, and participants noted that a lack of historical data significantly disturbs accurate KPI activation. Issues such as shortage or unavailability of data were mentioned as recurrent concerns across participants.

Closely related to the subject of data availability is the process of data collection, which by itself can pose significant challenges for managers. Participants of the training courses highlighted the difficulties they faced in setting up efficient data collection systems, ensuring consistent data input, and managing the overall process. The lack of such structured processes often leads to inconsistencies, as well as gaps in the data. Therefore, the third most often mentioned challenge was regarding data quality. In this sense, participants mentioned challenges with data inaccuracies, inconsistencies, and errors. Moreover, participants mentioned data integrity as a concern, meaning that data collection process can be associated with certain negative behaviors. But overwhelmingly, participants talked about the main data quality dimensions: consistency, completeness, accuracy, timeliness, uniqueness, and conformity.

#### **Theme 5: Measurement process standardization**

Process standardization as a theme includes the need for consistency in KPI data collection (developing consistent KPI calculation formulas and methodologies), KPI documentation as well as target setting. Target setting has been mentioned most often as a challenging aspect of performance management, and particularly the measurement process. Participants often mentioned that determining the right benchmarks or finding the right historical data are difficult to achieve, as such information is often lacking, and resources might not be allocated for benchmarking efforts. Ensuring that targets are challenging and attainable is crucial both in motivating employees and for measuring to improve.

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On the other hand, participants stressed the fact that KPIs should have clear definitions, calculation formulas, data sources and measurement frequency. Well-documented KPIs provide a reference point for employees responsible for data gathering, reporting, as well as decision makers. Other key challenges mentioned were establishing the appropriate measurement frequency, ensuring regular, timely measurement without quality issues, and offering technical support for automation of collection, to reduce manual workload.

#### **Theme 6: Learning and improvement**

The next most often mentioned issue cluster has been related to learning and improvement. This theme is focused on how organizations analyze data, report findings, and utilize insights to drive continuous improvement. The theme has various subtopics addressed by participants: challenges in data analysis, data visualization, decision-making, reporting, and improvement initiatives. Participants of the training programs emphasized the challenge of using data analysis accurately to understand performance trends and identify root causes of underperformance. They also expressed difficulties in standardizing data analysis processes, dealing with biases, and ensuring the analytical skills of KPI owners and data custodians. Challenges also included limitations in conducting root cause analyses based on KPI results, which should be vital for understanding the broader impact of performance metrics. Data visualization was another key challenge. Participants talked about the importance of presenting data in a clear and understandable manner through dashboards, scorecards, and other visualization tools. Developing relevant and improved visualizations that represent performance data in an accurate and meaningful way, remains a challenge for most, although without proper data visualization practices in the organization, data-based decision making can be hindered.

Participants also emphasized the need for standardization of tools and techniques in reporting and visualization techniques to ensure consistency and clarity across the organization. Moreover, ensuring that KPI insights lead to actionable decisions is another issue managers and employees face in the workplace. Participants talked about their difficulties in using KPI results to inform decisions, creating appropriate actions based on performance data, and ensuring senior management support for decisions that are based on accurate data gathered through KPIs. Effective decision-making involves linking KPI outcomes with strategic initiatives, which can be difficult to do in case of a lack of robust processes and clear communication. Regarding the culture of continuous improvement, participants emphasized the need for effective initiative management to translate KPI insights into practical actions. Their challenges revolved around developing and implementing corrective actions, ensuring consistency in improvement efforts, and sustaining progress over time.

#### **Theme 7: Employee performance management**

The last cluster, employee performance management, emerged as a significant theme, totaling 93 statements. The challenges were categorized into four main sub-themes:

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Appraisal subjectivity, Rewards & recognition, KPI selection for employees, and Impact on behavior. With regards to the appraisal subjectivity, participants mentioned concerns about the fairness and objectivity of employee evaluations based on KPIs. Many participants noted difficulty in avoiding biases and balancing the unquantifiable aspects of performance together with KPIs. This included the use of rating scales and proper feedback mechanisms to minimize subjectivity. Another challenge within the subjectivity cluster represented the lack of concrete actions resulting from these performance evaluations.

Another issue regarding employee performance management was the selection or cascading of KPIs to individual level. Participants here highlighted difficulties in keeping the indicators relevant on individual level, while also connected to organizational goals. The most often mentioned challenge was with regards to balancing specificity and alignment to strategy. The impact of KPIs on individual behaviors is also a significant challenge that employees and managers encounter. Here, participants emphasized that KPIs don't always drive the right, ethical behaviors; manipulation and excessive risk taking are behaviors that need to be minimized, while innovation and engagement should be encouraged. The challenge lies in selecting and using KPIs that promote learning, improvement, instead of fierce competition.

## 5. Conclusion and Further Research

This study provides a comprehensive examination of practitioner insights regarding the challenges faced during the implementation and use of Performance Management Systems, as identified throughout a decade of participant feedback collected during short focus groups at the beginning of The KPI Institute's training sessions. The findings highlight the complexities associated with implementing such frameworks, from multiple points of view ranging from KPI Selection (431 statements), Organizational Culture (353 statements), System Implementation (303 statements), KPI Activation (243 statements), Measurement Process Standardization (216 statements), Learning and Improvement (185 statements) and Employee Performance Management (93 statements).

The results of the study have significant implications on both the academic research conducted in the field of performance management and measurement, and for the training and performance management industry. One significant implication is the need for academic research to delve deeper into the specific challenges identified in this study. The nuances revealed by practitioners' experiences show the importance of developing more refined and context-sensitive theoretical models in the field. The collaboration between practitioners and academic researchers, as demonstrated in this study, is particularly noteworthy. It represents a model for how the two spheres can find common ground and work together to address pressing issues in performance management. This partnership is not only beneficial for advancing academic knowledge but also for enhancing the practical relevance and impact of academic research. By engaging directly with practitioners, researchers can ensure that their

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studies are informed by real-world challenges and that their findings are readily applicable in organizational contexts.

Academic research in performance management could delve deeper into the relationships and potential causes behind the identified challenges. For example, examining the connection between data gathering issues and subsequent data quality problems could offer more profound insights into the functioning of performance management systems. Additionally, researchers could investigate the correlation between specific challenges and traits such as industry type, organizational size, and geographic region. This could help to better understand how these factors influence the nature and prevalence of the challenges faced. Such studies might uncover distinct patterns and customized solutions, thereby increasing the relevance and practical application of academic findings in various organizational settings. This focused approach could greatly aid in developing more refined and effective performance management strategies.

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