Performance measurement in a Transitional Economy: Unfolding a case of KPIs

Abstract

Purpose – The paper aims to make contributions to the debate on 'performance measurement in practice' focusing on how organisational participants respond to the "new regime" of KPIs and whether KPIs materialise as intended in a transitional economy.
Design/methodology/approach –Inspired by the epistemological instruction of Schatzki's practice theory, this paper draws on qualitative data collected through face-to-face interviews, observations and documentary analysis of a single organisation.
Findings – KPIs were introduced at PK (a manufacturing concern in Czech Republic) but widely seen as contradictory, inconsequential, top-down and unrealistic. These lead organisational participants to adopt a pragmatic approach toward PM embracing KPIs' subjective assessment and manipulation, common sense or doing the job as given, and superficial compliance (symbolism).
Research implications – The paper would be interesting to researchers because of its explanation of performance measurement practice in a distinct empirical setting, for its application of a practice theory inspired by Schatzki, and for inspiring new research agendas in transitional economies.
Originality/value – The paper has focused on "organisations of practice" to unravel the "doings" of organisational participants to explore the micro-processes of PM which otherwise would have been ignored. These 'doings' and 'sayings', linked by pools of understanding, rules or instructions, and a teleoaffective structure, enabled us to unmask inherent tensions and contradictions in a new regime of performance measures such as KPIs.
Practical Implications – The paper recommends the mobilisation of artefacts, such as various forms of bottom-up discussions, to encourage interactions between organisational members and influence individual beliefs and practical understandings of the intended managerial projects.

Keywords: Performance Measurement, Practice Theory, Management Accounting, Transitional Economies and Czech Republic.

Paper type: Research paper

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1. Introduction

During the last three decades or so, business context has changed significantly especially in transitional economies[1]. Companies in transitional economies have been often driven to the adoption of contemporary management accounting tools in order to replace the centralised and uniform accounting models of the communist regime (Albu and Albu, 2012). This is not surprising given transnational accounting bodies and donor agencies, along with accounting and consultancy firms, have been selling the 'best accounting models' to transitional and emerging economies (Schiavo-Campo, 2009). We aim to study one of these 'adopted' contemporary management accounting tools and reactions of organisational participants to it in a transitional economy context. In particular, we focus on new performance measurement based on key performance indicators (KPIs) that adopted in a former cooperative society in the Czech Republic. We seek to ask the following questions: How do organisational participants respond/make sense of the "new regime" of KPIs? Does the new performance measurement model based on KPIs materialise as intended?

The performance measurement literature encompasses debates around identifying workable performance measurement tools and demonstrating how they lead to improved performance (Grafton et al., 2010). Some studies document what does and does not work in performance measurement models (Christ et al., 2016), and several posit a fairly substantive role of micro-processes and interactions in shaping performance measurement practices, implementations and changes (Munir et al., 2013). However, these studies pay relatively scant attention to examining practitioners' "lived experience" and how they make sense of performance measurement practices in a transitional/post-communist context. This is especially important when participants have gone through revolutionary changes in organisational and wider settings such as privatisation and market reforms. We believe that giving due consideration to participants' practical understanding will enable us to unmask inherent tensions and contradictions in new regime of performance measurement such as KPIs, making a crucial contribution to debate on 'performance measurement in practice'.

Why do we take our empirical illustrations from a transitional economy? First, the case (anonymised as PK) is a firm that was transformed from a disabled people's cooperative founded during the communist period into concentrated private ownership. Privatised firms in transitional economies have attracted little discussion in the performance measurement literature to date. The performance measurement practices of privatised firms, contextualised in non-western settings, often tend to be dismissed as lacking global relevance, whilst the opposite is true in the highly integrated globalised market economy, as they make a significant contribution to global GDP (Family Firm Institute, 2017). This paper fills this empirical void.

Second, the transformation from state to market capitalism has also brought in new management philosophies. Paladi and Fenies (2016) argue that new discourses, such as efficiency and performance, have produced considerable challenges and interest for both researchers and practitioners. Moreover, the race to merge with European counterparts, with a view to attracting foreign investors, has driven countries to adopt EU directives as quickly as possible, with unanticipated consequences (Appel and Orenstein, 2018).

Third, our case of a firm in the Czech Republic is of interest to the theoretical agenda of the performance measurement practice literature owing to the firm's concentration of power in

[1] Transitional economies are referred to former Soviet Bloc countries. All of these countries have undergone some form of market reforms at varying degrees. Some are now included in EU who had managed to converge quickly to Western European countries.

a few individuals. It may also be of interest to wider audience from varied contexts to learn about the diffusion of an important performance measurement mechanism and its implications for practice in diverse settings.

The paper proceeds as follows. Section 2 reviews the literature on performance measurement practices and establishes the context of our research. Practice theory and its pertinence to the study of performance measurement are briefly sketched in Section 3. Details of our research methodology are given in Section 4, followed by a presentation of the empirical findings in Section 5. Empirical and theoretical insights provided by the theory are discussed in Section 6. Section 7 discusses some theoretical implications, with concluding remarks in Section 8.

2. Performance Measurement Research and Transitional Settings

Understanding organisational participants' responses to new performance measures is an important theme to explore (Wouters and Wilderom, 2008; Groen et al., 2012; Carter and Tinker, 2006). Carter and Tinker (2006) argued that the implementation of a new performance measurement framework such as KPIs is greatly influenced by the diverse interests of organisational participants owing to evolving social and political contexts. Following this, several studies turn away from focusing purely on functionality to examine social, political and organisational aspects of performance measurement (Munir et al., 2013; Li and Tang, 2009; Henri, 2006). Some studies have examined tensions in performance measures, such as reconciling creativity and performance dimensions (Giovannoni et al., 2013), relational drifting (Andon et al., 2007), resistance (Modell, 2003), and messy interpretations of organisational actors (Sandhu et al., 2008).

Despite the large number of studies on performance measurement, few focused on how participants' responses shape performance measurement practices. Researchers have identified organisational factors such as control models, CEO's education and local of control that shape performance measures (Tuomela, 2005; Haas and Speckbacher, 2017). Woods (2012) reveals evidence of supervisors changing performance indicators when they have doubts about objective measures. However, studies have paid little attention to how organisational actors make sense (the "lived experience") of performance measures once established – how they develop a practical understanding of how they are being measured. This may have a significant bearing on how performance measurement is practised. This is particularly relevant when organisational members face overwhelming changes in organisational direction and philosophy, for instance as a result of ownership changes.

Studies of performance measurement especially in transitional economies is relatively scarce and often without solid theoretical foundations (Khan, 2016; Alawattage et al., 2017a). Most of these studies have been conducted in public sector (O'Connor et al., 2006; van Helden and Uddin, 2016) and sceptical about implementing contemporary management accounting citing reasons such as lack of accounting infrastructure, under developed capital and labour markets, unsuitable legal and professional bodies, high level of corruption and informality (Tsamenyi et al., 2017; Alawattage et al., 2017b). Some studies demonstrated how new management accounting technologies clashes with varying traditional, cultural and political contexts and led to various unintended consequences (Uddin and Hopper, 2001; Hopper et al., 2009; Wickramasinghe and Hopper, 2005; Ashraf and Uddin, 2015). In contrast, several studies found evidence of the adoption of contemporary management accounting tool such as Balanced Scorecard in the private sector (Upadhaya et al., 2014; Khan et al., 2011).

Nevertheless, rarely studies intensively examined how new regime of performance measurement models such as KPIs fare in a transitional economy context. Few studies that exist argue that new market pressures, coupled with technological changes and the presence of foreign ownership, demand market-oriented management accounting system, including strategic and advanced performance measurement and a change from a formal and hierarchical to a flexible and market-oriented structure in transitional economies (Cadez and Guilding, 2007, 2008; Vámosi, 2000; Haldma & Lääts, 2002). Some studies in transitional economies, though uncritical in nature, found the companies are protrusive to showcase the application of contemporary management accounting tools (Albu & Albu, 2012). We believe simple transfers of accounting technologies rooted in developed/capitalist economies to countries such as transitional economies (post-communist countries) need further scrutiny. This is also important because studies found the strong presence of communist legacies in management accounting practices (Moilanen, 2007). However, lack of studies to critically evaluate the micro-processes of 'adopted' contemporary management accounting technologies is notable. Thus, we focus on 'lived experience' of organisational members facing new regime of KPIs in a transitional economy to fill this gap.

Micro-processes of performance measurement have been theorised, drawing on institutional theories (Munir et al., 2013; Modell, 2001, 2003) and structuration theory (Ahrens and Chapman, 2002), to focus on institutional factors in changing performance measurement practices and accountability processes. Andon et.al. (2007) and Arnabolidi and Azzone (2010) draw on actor network theory to identify the transformational nature of performance measurement packages arising out of key actors' vested interests. Building on this, we focus on the "organisation of practice" itself, seeking thereby to unravel the "doings" of organisational participants in changing settings (the socio-material context). We believe this will be useful in revealing what it makes sense for people to do in the context of changed rules and acceptable ends (normativity). Relying on the practice theory of Theodore Schatzki (1996, 2001, 2005), we wish to develop a practical understanding of new performance measurement model based on KPIs and build up an understanding of diffusion of best management accounting practice in transitional settings. In the next section, we outline Schatzki's practice theory and consider what it has to offer for research on performance measurement practice.

3. Practice Theory Approach

Since the 1980s, contemporary social theory has taken a "practice turn" (Bourdieu, 1990; Giddens, 1991). Schatzki (1996, p. 89) articulated practice as a "temporally unfolding and spatially dispersed nexus of doings and sayings". People's actions are organised by organising factors that form the so-called "organisation of practice". The most important aspect of practice, according to Schatzki, is the "doing" or actual activity, or what he referred to as "the energisation". The "doing" of practice is central to human existence. Doing performance measurement practices, for example, will consist of measuring performance, using performance indicators as sanctions or incentives, prioritising one performance indicator over others and ignoring some measurements. Practice comprises pedagogical knowledge as a basis for understanding, standards for evaluating employees, and organisational objectives that need to be achieved, relating to both soft and hard skills. These elements act as the organisation of performance measurement practice, or "integrative practice" in Schatzki's terms. For Schatzki (1996), an integrative practice such as performance measurement is an organised set of actions (or sayings and doings) linked by pools of understanding pertaining to action, a collection of rules or instructions that regulate them, and a teleoaffective structure that orients them.

Practice theory approaches human agency through its embeddedness in practices. Agency is not the starting point for inquiry in practice analysis, because practices as entities logically precede actors. Grasping the practical intelligibility of a practice is crucial for practice researchers. Schatzki calls practical intelligibility the "state of affairs" that makes sense of what someone will do. The focus here is on linkages that make practice cohere as an entity: practical understandings, rules and teleoaffective structures that remain in the background yet are essential to defining what the practice is about and producing normativity (Schatzki, 1996, p. 89).

One essential element of practice is "practical understandings", defined as "knowing how". "Knowing how" is knowing which of the doings and sayings of which one is capable constitute the action in particular circumstances (Schatzki, 1996, p. 78). In addition, two or more people are considered to have the same understanding of a certain action when the doings and sayings performed by one person are considered by the others as intelligibly the same action. In other words, participants in a practice will have the same understanding of a particular action when they share the same knowledge and intelligibility of the doings and sayings relating to the action. Practical intelligibility – how a specific action makes sense to an actor – does not mean that actors necessarily act rationally or in a normatively correct way (Schatzki, 1996, p. 118), nor do all activities always result from actors' explicit reflections on what to do. Practical understanding is thus theorised as a tacit and routinised aspect of practice. In order to articulate performance measurement practices, we seek to establish how organisational participants (employees) make sense of performance indicators and their uses, and what they do in reproducing the same practices.

In relation to rules, which are the second element of practice organisation, Schatzki (1996) explains that rules, principles, instructions and the like are formulations when one is participating in the practice. They provide specific guidelines on particular actions. Rules guide actions, in terms of particular actions in specific situations, as well as enjoined actions. For us, the calculative aspects of performance measurement are the rules.

Teleoaffective structure is also an important element of practice. Teleoaffectivity is a mixture of teleology, meaning orientations toward ends, and affectivity, which is how things matter (Schatzki, 1996). Schatzki is careful to mention that the ends, norms and forms of feeling in a practice need not be explicitly conscious goals for the actors. They must be seen as structural signifiers that give a sense of purpose (the "teleo" element) to practices as human projects of a particular kind, and that condition actors' consent (the "affective" element) to achieving this particular kind of purpose (Kemmis et al., 2010). In this view, performance measurement practice is conditioned by the normativity of an overall sense to actions. In the situated context of PK in the Czech Republic, through engagement in practices, organisational members developed what it made sense for them to do, and it is this practical intelligibility that shaped, and was shaped by, the teleoaffective structure of the practice.

For Schatzki, practice is neither purely an outcome of deliberate decisions, nor merely the summation of individual activities, but an interwoven network of understandings, rules, engagements, goals and emotions that prepares and guides practitioners' thoughts, emotions and actions in the form of sayings and doings. Practice theory fosters an understanding of tacit and normativised aspects of practice as "dispositions to act" rather than mindless actions. The focus is on the skilful performance of social life, whereby practical understanding and learned behaviours lead individuals to become embedded in collective agencies, and thus produce normativity. Thus, it is not our aim to determine what organisational members should do, but what they are doing in a given context.

Practices bring about social order by shaping the practical intelligibility that underlies practitioners' actions. Artefacts, defined as "material objects" mobilised by and within practitioners (Schatzki, 2005, p. 61), are also important because they cause practices to "transpire" and work with them to mould the social order. Thus, Schatzki's approach to practice supports interpretations not only of the "working" of practices (i.e. practitioners' actions, interactions and understandings), but also of their "formation", which can be appreciated in terms of the origination, perpetuation and alteration of actions that constitute making sense of the performance measurement practice. Implementing KPIs involves everyone in practices. In this sense, rather than being static, practices "evolve as circumstances change, opportunities and problems arise, personnel change, new ideas arise, and so on" (Schatzki, 2005, pp. 475-476).

Schatzki's practice theory is not new to management accounting researchers (Ahrens and Chapman, 2007; Jørgensen and Messner, 2010), but this theoretical route rarely features in the field of performance measurement and in transitional context. We believe this will offer a nuanced understanding of what managers "actually do" in practice (Jorgensen and Messner, 2010) and will enable us to problematise the application and implementations of contemporary management accounting tools such as KPIs.

4. Research methods

This paper draws on qualitative data collected through face-to-face interviews, and observations and documentary analysis of a single organisation, PK. Inspired by the epistemological instruction of Schatzki's practice theory, we engaged ourselves in drawing out experience, meaning and intelligibility from a practice through actors' practical actions and engagements. We believe participant observations would have provided deeper insights into the lived experience of practitioners and thereby an even better understanding of the micro-processes of practices. The failure to do so was mainly because of a shortage of time, resources, and lack of access for becoming a participant observer. However, our approach sought to gain an initial insider perspective by digging into the agential narratives and stories of the actors' lived experiences (Schatzki, 1996).

PK was selected as a case study for several reasons. First, it represents a very common type of enterprise in the Czech Republic, where industry is largely automotive-based and the majority of firms are incorporated into car manufacturers' supply chains. Second, PK was founded under a communist regime in 1956, so might reveal significant changes from a socialist cooperative to a modern joint stock company, giving the researchers an opportunity to understand the prelude to current performance measurement practices. Third, we were given full access to all actors in the company, partly owing to links with the company's owners and the local universities from which two of the authors came. It was also very useful that the company owners were working as top-level managers, so the managers interviewed did not have to seek authorisation from the owners and were able to evaluate the extent to which some sensitive data could be disclosed, although the researchers had to sign a non-disclosure agreement.

One important source of data was documentation to understand the company's socio-material setting. Archival data were drawn primarily from various company reports, and from political and historical literature on the Czech Republic and cooperatives. These documents were collected from libraries and the internet. Documents relating to the company's organisational structure, performance reports and KPIs were accessed through the company's website and gathered during and after the interviews. We had access to the whole KPI system. This was extremely useful to examine real time information on company's performance measurement system. We have used this information formulating interview questions and discussed the output values on individual KPIs while interviewing the respondents. It was also useful to clarify any confusion regarding the KPIs.

The interviews were carried out in three rounds. The first and second round of interviews were conducted between March and November 2018. They were supplemented by numerous telephone calls, visits, observations and meetings with the company's officials for explanation and clarification until February 2019. The third round was conducted in March 2019. Prior to the interviews, the researchers explained the research objectives and told the interviewees that their answers would not be used to evaluate their job performance or attitudes. All interviews were taken place at the company's site. Selection of the interviewees was based on their affiliation to the key company departments, their willingness to participate and duration of their employment contract in PK. Interviewing the longest serving employees were useful to provide us longitudinal views of current KPIs and reflect on previous performance measurement system.

The first round of interviews was rather broad in its scope, in terms of both the people interviewed and the topics covered. We interviewed two of the company's owners. We had paid particular attention to the political context of the business environment and the specifics of cooperatives, which enabled us to identify the key actors in performance measurement practices. The second and third rounds were more focused and thus may be described as theoretical sampling (Strauss and Corbin, 1990) to probe deeper into themes identified in the first round and more generally during the many days spent at the company. During the second round, 26 interviews were conducted with six top-level managers, 11 mid-level managers and nine lower-level employees from various departments, including accounting, production and quality. During the third round of interviews we interviewed 10 top and middle managers. In total, we have conducted 38 interviews with 31 interviewees.

Separate interview guides containing semi structured but open-ended questions were used to interview different level of managers: top managers (directors), mid-level managers and employees/workers. Interview guides were influenced by the positions they held. For instance, for top level managers, interviews were focused on broader questions such as goals of the new performance measurement, development of KPIs, priorities of KPI, Performance of KPIs in achieving goals, Evaluations of KPIs and also historical context of PM and KPIs at PK. Questions for mid-level managers were mainly focused on what changed since the implementation of KPIs, discussions on financial vs non-financial KPIs, monitoring, reporting and evaluation of KPIs. We also probed around the nature of practical understanding of actual use of KPIs, changing behavior of employees in relation to KPIs. Questions were slightly different for lower level employees. We focused on changes in daily activities owing to KPIs, links between KPIs and salaries, their understanding of KPIs within the organization. We sought illustrations or examples of their activities in relation to KPIs from all interviewees. These interview questions were geared to understand KPIs in actions from all levels of employees (practitioners).

[Insert Table 1]

The interviews were carried out by two co-authors, one of whom asked the questions while the other recorded the interviews and made notes. Most interviews lasted between 45 and 60 minutes, although interviews with lower-level employees were usually shorter (20 minutes). After conducting all the interviews, those that had been recorded were translated and transcribed by professional translators. They were thoroughly reviewed by the Czech co-authors who conducted the interviews. All interviews were conducted in Czech except the third round of interviews. The third round of interviews were conducted in English.

In addition to the interviews, the researchers (two Czech co-authors) attended management board meetings, where they were able to listen to discussions about KPIs and observe managers' reactions. These provided a picture of how CEO was pushing the KPIs. Also revealed how other top managers were not as enthusiastic as CEO. Our observations complemented what were already apparent during our interviews i.e. the frustration of other managers KPIs being unrealistic and inconsequential. Our observations were crucial in developing and refining themes.

At the first stage, all relevant outputs from interviews, documentation and observations were noted, which were later organised under a particular theme (code). In this analysis, we constantly reworked our coding scheme/thematic analysis to capture nuances in the data and to theorise the process of doings, (re)actions and strategies as the theory prescribed. For instance, we initially created six key themes with 2-9 subthemes (35 in total). After much discussions we have agreed to four key themes to articulate KPIs in action: unrealistic, inconsequential, stick and carrot and contradictory. We then reflected on our theoretical framework and further revised the themes. For instance, we sought to understand how organizational members respond to the KPIs. We worked on articulating responses from interviews and agreed on three key responses after much deliberations such as subjective assessment and manipulation, common sense or doing the job as given, and superficial compliance (symbolism).

Finally, we reviewed the consistency between the data sources, the data codes/themes and the theoretical conclusions we had drawn. In order to ensure the validity of our research, we triangulated the results of our interviews with our findings from other data sources and the established literature. Internal validity was also achieved through pattern matching, which involves comparing empirical data with theoretical constructs and with previous studies. To strengthen the reliability of our data, we contacted the interviewees again to seek clarity in case of inconsistency. Practice theory, in particular, is very focused on authenticity as this is rooted in lived experience of practitioners. We conducted the interviews in native language and recorded the interviews complemented by observations and documentations to provide authentic accounts.

5. Socio-material context of Czech cooperatives

The first half of the 20th century was marked by the foundation of the new Czechoslovak Republic at the end of World War I in 1918, which was formed from three historical regions of the Austro-Hungarian monarchy (Czechia, Slovakia and Carpathian Ruthenia). Czechia had previously held a very strong economic position within the Austro-Hungarian monarchy. Its economic strength had increased during the 19th century. For instance, in the 1890s it produced two thirds of the industrial output of the Austrian part of the monarchy (Urban, 2000).

Cooperatives played a significant part in the Czechoslovak Republic's economic development, and a leading role on the world stage. The first Czech cooperative was established in 1847, shortly after the world's first cooperative was established in 1844 in Rochdale in the UK. Since then cooperatives started to develop very quickly in Czechoslovakia. The structure of these cooperatives was very heterogeneous. Most were consumer cooperatives, and the majority of members were agricultural labourers. More widespread development of cooperatives took place during the 1860s when many consumer, manufacturing and savings cooperatives were established, numbering 500 by the end of the decade. 1,326 cooperatives were operating in the country by 1921 (Vávrová, 2004). During the first Czechoslovak Republic, Czechia maintained its economic dominance, and the country was ranked as the tenth richest in 1924 and the tenth most industrially developed in the world in 1934 (Špitálský, J. & Munk, 1934).

This development was halted by the German occupation of Czechoslovakia in 1939, when all cooperatives was transferred to the Cooperatives Union and subordinated to the German military command. Following the establishment of the communist regime in 1948, all cooperatives came under the Central Bureau of Cooperatives and became part of the centrally planned communist economy. The Czechoslovak Republic's rate of economic development slowed during the communist period but remained on a level with that of other Western European countries until the 1960s. In the 1970s and 1980s, economic growth started to stagnate, leading to a fall in living standards (Holman 2000). Despite being under central command, the cooperatives remained relatively flexible and entrepreneurially active. In fact, cooperatives were only non-state type of businesses in socialist Czechoslovakia, that were (de-jure) in the "private" ownership of the cooperative members (Vávrová, 2004).

After the fall of the communist regime in 1989, the country turned to democracy and a market economy, which demanded massive economic transformation. Companies soon lost their Eastern markets and were largely unable to compete with new imported goods. Both small and large enterprises were subject to privatisation, including cooperatives. Cooperatives remain important players in the Czech economy. Most agricultural cooperatives have been privatised, most housing cooperatives have survived, consumer cooperatives have continued to compete with foreign supermarket chains (the Co-op chain), savings cooperatives are expanding and mostly provide banking services (some have been transformed into banks), and manufacturing cooperatives have experienced various transformations, with some being privatised. Czech Economy also undertook dramatic changes in structure, with decrease of heavy industry, mining and steel production, and on other hand significant increase in manufacturing industry significantly focusing on automotive industry as the part of automotive industry supply chains. These changes can also be seen in our case study.

The case company has the strong socialist heritage. The supervising authority in Czech Republic had strong control over cooperatives in relation to performance measures. Non-financial measures were the main measures partly because market prices did not exist in the centrally planned economy making financial measures often irrelevant (Holman 2000). Nevertheless, cooperatives being in quasi form of private ownership, the drive towards increasing surplus value (profit) was not very uncommon.

6. Performance measurement practices: KPIs in PK

We structure the section in three parts. First, we present the organisational context of new performance measurement. This elaborates the intended KPIs. Second, we analyse how KPIs were implemented. This enables us to reflect on how and whether KPIs materialised as intended. Third, we discuss how organisational participants make sense of the new performance regime.

6.1 Organisational Context and KPIs

PK was established in 1956 as a cooperative of people with disabilities manufacturing PVC products, mainly for the construction and electronics industries. PK gradually developed and enlarged its production programme. For instance, in 1969 it started to do injection moulding, and in 1976 it built its factory buildings on the present site. Like other cooperatives in communist Czechoslovakia, performance measurement practices in PK were driven by cooperative members. Nevertheless, surplus was calculated using the centralised national measures. As the individual members of the cooperative were in fact co-owners and employees, profits were distributed among all employees after the contribution to the state coffers. The head of production (a longstanding employee) commented that the company’s behaviour had been generally very familial.

Interviews with some employees who had worked there during the communist regime provided us with glimpses of performance measurement practices before 1989. In our case, the performance measurement system was significantly shaped by this cooperative heritage. PK had set both financial and non-financial measures for employees, connected with their individual bonuses. Some non-financial measures, such as quality and machine utilisation ratios, had survived the transformation and remained components of the present performance measurement system. This had changed following privatisation in 2003, long after the 1989 event. The company now has no particular commitment to employing disabled people, having switched from a social to a purely capitalist focus.

Details on performance indicators during the communist period were not available but we are informed that monthly and quarterly bonuses were based on performance indicators. Every quarter, all employees were evaluated to determine bonuses using a ranking system. Approximately a quarter of employees’ salaries was based on bonuses. However, PK had to pay five per cent of the total production into a central pot called the "market fund". The District Communist Committee monitored this very strictly, and bonuses could only be paid to employees after meeting the national targets. The cooperative members were fully engaged in running the cooperative, being on the board, setting up the performance measures and taking strategic decisions. A general meeting was held twice a year, and there was a mid-year general meeting where cooperative members gathered and discussed the financial results, long-term investments and other activities. Understanding and acceptance of performance measures among employees, who are also owners, had been very clear. Interviewees with employees. who have been in PK for a long time, talked about 'family atmosphere' during the cooperative period. They felt no pressure of achieving cooperative goals. This has changed soon after privatisation.

During the cooperative period, PK was producing plastic parts for automotive (20%), keyboard (60%) and electrical products such as switches (20%). Its products had been struggling since 1989, especially in the field of computer keyboards, partly owing to the rise of China as the leading electronic equipment producer. The first decade after the fall of the communist regime brought no significant changes to PK apart from a huge staff turnover, especially at the top. Between 1997 and 2002, two unsuccessful attempts were made to privatise the company, and in 2003 it was sold to the current owners. It was sold based on agreement of all former cooperative members, who felt need for change for survival. Most of the members remained in the company as employee.

After privatisation, PK began to focus on the automotive industry, with new production lines to produce plastic parts for this industry. The current owners did not make immediate changes to performance measurement. In 2006 they hired professional managers, but they were unable to change performance measurement in the way they had hoped. In 2008, the current owners (five people) took control of the management of the company and became heavily involved in running the company's affairs. One owner became CEO and, using previous IT experience, started to develop KPIs. One of the reasons, CEO chose KPIs, was because he was trained in KPIs in his MBA programme. The MBA programme became popular soon after the transition. A new performance measurement system was introduced, based on 12 first-level (primary) KPIs and supported by eight second-level (secondary) KPI indicators, plus supervisory reports known as OSOH (translated as 'personal evaluation').

[Insert Table 2 & 3]

Approximately 20 to 45 per cent of employees' salaries are dependent on fulfilling the budgeted values of the chosen KPIs (on average three KPIs for each position). The full new system took effect in 2008, preceded by gradual implementation. The KPIs are allocated to 39 performance units. Individual KPIs apply only to directors (top management), with few exceptions. All 12 primary and three out of eight secondary measures are financial, using accounting items such as contribution margin and modified profit. The remaining six secondary measures are non-financial, but these appear to be only for monitoring and reporting purposes. In addition, only four out of the 39 performance units are allocated non-financial KPIs. To complement the primary and secondary KPIs, line managers' reports are taken into consideration through personal evaluation (additional layer).

The CEO sees KPIs working as an accurate information system – a good error free information system that enables strong supervision – not just as a bonus-calculating machine. He stated:

> *There was a relatively high error rate. Once these indicator systems began to focus on those details, the error rate gradually began to decrease, the people were pushed into a corner, where there was a lower error rate and a bit better supervision.*

Our interviews with top-level managers revealed that the introduction of a performance measurement system had come as no surprise, given the automotive industry's high competitiveness, product structure and customer requirements, and of course the CEO's strong enthusiasm. Some managers thought the change had been necessary, arguing that the old system had lost its relevance and they had all felt that something needed to be done. KPIs seemed to fill the gaps in the enterprise. The CEO further rationalised the change, arguing that the new system had laid a strong foundation for better management control, profitability and ability to measure individual performance.

6.2 Implementations of KPIs and Unanticipated Consequences

Most employees, including top-level managers, had not been particularly involved in determining the detail of the KPIs. Many made comments such as "*I do not know*" or "*I have not investigated that*" regarding the KPI-setting process. One employee commented: "*our CEO, who has a very good education, explains KPI to the heads of department who happen to agree without understanding any of it. I know it looks nice, but the effect for normal people is severe.*" The functional managers are allowed some discussion of the indicators in order to adjust the KPI targets, but everything is approved by the CEO. New KPIs are suggested but often brushed aside. Consequently, departmental heads find it difficult to communicate or convince employees of their necessity. The head of sales stated: "*I think the flow of information from top downwards is very bad. … It seems to me that the 'top floor', figuratively speaking, does not always see everyday life as it really is, the production here*." One head of the department acknowledged the problem that the KPIs are not known to employees and commented:

> *Those indicators should be actually crumbled and distributed among the people, which actually happens to various extents here and there. However, I am not so foolish as to think that regular workers, and even the middle management, would be able to describe the indicator in detail.*

Even after ten years of implementation, discussions between the CEO and directors (heads of departments) are still about how to implement the system to meet the CEO's expectations. The sales director confirmed this, saying that "*There is always discussion when composing the table … and the main impulse came from the owners.*" These discussions rest on which KPIs to use, reporting, and setting boundaries and goals. The head of the purchasing department also stated: "*The directors propose indicators suitable for each department, and the CEO or the top management decide; they say yes or no.*" The CEO did not acknowledge the ongoing debate and commented: "*There is always a discussion of what is measurable, what is tolerable, and how it turns out. It is an endless process, every month there is a demand – 'Look, correct this and that, do this differently, we do not have the skills to do this and that so it hurts us that you are punishing us', etcetera.*" Employees raise concerns with their respective heads, who discuss the issue with the CEO, if relevant. The respondents confirmed this process: "*This we discuss more likely … with our boss … The boss, when some goals are set absurdly, he goes to the owners, the top management and discusses it with them*" and "*Just now we were discussing some possible change with the boss. So, it's more a question of what we are able to influence, which indicators.*"

The underlying philosophy of the new KPIs reflects how the CEO perceived the company's problems during the cooperative period. Criticising the previous performance measurement system, he justified the change: "*it turned out that the company did not know …. how to calculate product profitability. It took the company a few years to implement a product-level forecasting system.*" He also articulated the company's cash and debt problem even before the financial crisis. He commented: "*This led to all these changes, so matters of survival of the company arose, the company was highly indebted and needed to generate cash and was under pressure.*" The CEO's fundamental idea is that if the company does well financially, everything will fall into place, so the KPIs must be directly linked with financial items such as modified profit and contribution margin. This idea is shared by top-level managers. The top-level managers do not see any conflation issue in using accounting figures such as contribution margin to quantify performance measures. The financial controller said: *"Something financial is more easily measurable. You can count it more easily and it is more valid."* The director of quality stated: *"I think that is naive. The idea that something could be genuinely 'non-financial' is naive. I think that everything turns over to financial indicators in the end anyway."* This is, of course, a clear departure from PK's recent past and goes against the very basic idea of performance technologies, where non-financial indicators are measured to affect financial results. In practice, formulating a direct causal link between individual employees' performance and accounting profit such as modified profit is problematic and arbitrary. It is also seen by employees as such. The personal evaluation (line manager's report) was introduced to supplement KPIs and personalise the performance indicators.

Modified profit is a constant KPI for almost everyone in the company. Almost all employees are at least partly rewarded on the basis of final modified financial items, as shown in Table 3. Other KPIs are also affected by the financial results, as the contribution margin is used to quantify the performance measures. The idea behind this is that this indicator represents collective responsibility. They are also seen as an objective assessment and beyond manipulations by employees. The CEO and top management do seem to acknowledge that financial performance itself affects KPIs, by either inflating or deflating measures depending on the contribution margin. This is perhaps to ensure that bonuses will only be paid if the company is doing well, irrespective of employees' work performance.

However, the major problem for each performance unit is to measure relative performance within the unit. For instance, all employees within a performance unit have the same KPIs. In the new performance measurement regime, line managers' reports, known as personal evaluation, play an important role. Thirty-four out of 39 units employ personal evaluation to complement the primary and secondary KPIs. These supervisory reports are useful in differentiating employees, but in reality cause more problems than they resolve. This is partly because the way personal evaluation is executed. Top managers themselves reported that collegiality within the unit force them not to differentiate between employees who work in a close proximity or the same tasks. The personal evaluation rate begins with 100% and the supervisor/line manager reduces the rate counting the faults/mistakes made by employees – seen as a stick than a carrot. Departmental heads also find it difficult to sell non-financial indicators to employees, as explained below.

The annual process of setting KPIs starts at the beginning of the calendar year. Targets set for financial KPIs are usually based on the company's budgeted statements. Targets for non-financial KPIs are based on the previous year, but with certain expectations of continuous improvement each year. Each performance unit is assigned a specific number of two to five KPIs with relative weightings and monthly targets. At the end of the month, the actual values of the KPIs are calculated and compared with the targets. Fulfilment of the KPIs is instantly transferred into the wages for the relevant month. If the KPIs are not fulfilled, the reasons and possible solutions are analysed and discussed. The operationalisation of KPIs in PK has been subjected to severe criticisms by employees with unanticipated consequences. KPIs are frequently referred to as "unrealistic", "inconsequential", "contradictory" and "stick instead of a carrot". These aspects are discussed below.

Unrealistic

Many of our conversations with employees revealed a sense of alienation. This is partly because of the way in which the KPI targets are formulated and imposed on employees. Many opined that the targets are often unreachable, especially when markets are tough, as in 2018.

Many employees believe that targets are often set without deeper knowledge of actual circumstances. For instance, increasing the sales targets every year (one of the KPIs for salespeople) is somewhat inappropriate for a smaller supply chain in the automotive industry, partly because sales are relatively stable and involve long-term contracts. Lack of attention to externalities in setting KPIs was clear in our interviews with all levels of employee. Lower-level employees, especially, often think that targets for KPIs are set too high and without consultation. One employee commented that high targets had increased during the year: *"The goal has increased by 5% or 10% more than before, but if the goal increases by 80%, it is really not good."* This 80 per cent increase was probably a rare occasion, but the complaint was well-founded, as interviews with the employees revealed. One of the project technologists reflected: *It´s about setting real goals. This year for example the set goal had changed during the year, it went higher…. It goes to demotivate people. It is counter-productive because when people know they are not able to fulfil the goal, they rather do nothing.* Employees understand the rationale for pressures on the targets but many observe that these targets are often unreal.

Inconsequential

The KPIs are widely seen as inconsequential. Construction of the indicators was criticised mainly because employees' higher performance does not necessarily influence departmental or individual KPIs. Because most KPIs are based on bottom-line accounting items, it is unsurprising that employees are often evaluated negatively, even if they are working well. For instance, a constant KPI, "modified profit", which mainly reflects the company's overall financial performance, may not necessarily be a true reflection of what lower-level employees are doing in the factory. Some top-level managers justified this, saying that it ensures employees' overall engagement with the company, but this is not guaranteed. For instance, KPIs such as quality and machine utilisation will always improve the company's bottom line, yet most employees' bonuses are linked with modified profit. Some employees find this deeply unfair. This is coupled with the fact that conflated KPIs mean that the performance measures are often inconsequential for their bonuses.

Acknowledging this problem, some top-level managers blamed the limitations of data collection and processing, and inability to link individual employees' performance directly with KPIs. As the director of quality mentioned:

> *We are then still lacking the motive like "that person has fulfilled all their tasks and someone else made a mistake elsewhere". This indicator applies across the whole factory – the factory owner reduces the bonuses, yet this particular person has achieved all their goals and even something beyond, so they should receive some extra award. However, how could one identify such an individual among the crowd of employees? One would basically need to chop the entire factory into some very small units, encountering the issues of individual supervision and control of such units, implying the need for more group leaders or managers; and this is not really the case over here.*

This only causes serious dissatisfaction and suspicion about the validity of KPIs among employees, and indeed top-level managers, but also a sense of bewilderment. Many said "*I do not know why I am getting less bonus or salaries*". One mid-level manager from the logistics department summarised:

> *People are getting to the stage when they don't care anymore, they just give in. I'm not sure the bosses are aware of this… we used to have a working environment where we cursed and swore when we were in trouble, but we hung together and eventually worked everything out... Today, I often have a feeling that they just don't care.*

Two reasons can be surmised to explain the employees' perplexity. First, the target values for the indicators are often set at the planned level, which means that the expected output of the measured unit (department) is usually set at 100 per cent of the plan, linked to 100 per cent of bonuses. Any reduction in output will lead to a cut in bonuses, which causes significant unhappiness in the unit, especially when employees perceive contradictions between the KPIs and external influences. Second, inability to set very specific and controllable KPIs for individuals leads to bonus cuts for reasons unknown to them. For instance, lower scores within the unit bring collective punishment for everyone.

Contradictory

We observed references to contradictory indicators in many interviews. For instance, one manager said:

> *I don't remember all of them right now, but we found out that each [person] has about three indicators. …. sometimes the indicators are conflicting.*

Conflicting KPI indictors are not only at the individual level but also at the departmental level. Contradictory KPIs such as quality versus buying cheaper material, or quantity of stock versus availability of material or the purchase price of materials remain unaddressed. Logistics are measured by lower inventory; yet if the logistics department achieves lower inventory, in some cases the production departments may not have anything to produce. The head of purchasing commented:

> *Yes, because they were not allowed to hold supplies. And it affected me in the way that the production went out for those people for a week, and because it is a mounting on a specific machine, then it was not in my power to catch up under normal conditions. The production employees should not have been scored low as this was an uncontrollable factor, but under KPI calculations, they received lower scores.*

These contradictions are reflected in the overall financial indicators. One top-level manager commented on the contradictory relationship between stock of material and profit. For instance, direct material turnover encourages employees to buy lower volumes of stock, which costs the company as it misses out on material discounts and endangers production. If a department does not perceive the consequences for other departments, the strict focus on departmental indicators very often harms the results of other departments. According to some interviewees, these effects are very frequent and occur almost daily.

Stick instead of a carrot

The perception of a large number of employees is that KPIs are there to cut salaries. This is often phrased as "if you do not perform 100 per cent, you do not get the full salaries". As a sales director explained: "*It cannot be 150 per cent or 200 per cent; it can be 100 per cent maximum which is, in my opinion, not so motivational.*" The design of the system and the target values of the indicators are based mainly on 100 per cent fulfilment of the plan. It appears that if everything is going well and the employees make no mistakes, they expect the 100 per cent bonus or "full salaries". However, their 100 per cent achievement of error-free tasks may not necessarily contribute to 100 per cent of the targets, which leads to bonus cuts or reductions in salaries. Alternatively, if they achieve more than the planned output, no additional bonuses are attached. This results in low or no motivation to surpass the targets. Similarly, employees feel that they were working hard simply to secure the "full salary".

Given this distance between the KPIs and the realities of performance, questions are raised about the validity of the KPIs. This is not unacknowledged by departmental heads and top management, and has been central to discussions over the last ten years.

6.3 Making Sense of KPIs

We focus here on how organisational participants make sense of the new performance regime, given the above problems. We find that the organisational members adopt a more pragmatic approach to performance measurement, embracing KPIs' subjective assessment and manipulation, common sense or doing the job as given, and superficial compliance (symbolism), as discussed below.

Subjective assessment and manipulation

Subjective assessment of KPIs – a form of discretion – is well documented in the performance measurement literature (Woods, 2012). Similar evidence is found in our case. Only the CEO has discretionary power, and top-level managers do not intervene. Describing discretion, the CEO argued:

> *When you look at our Excel tables, from where we take the KPIs, you will usually find some notes from me on what should be bent and taken into account. Sometimes it takes a few months for the problem to be either fixed somehow or figured out or forgotten. It is not possible to take the Excel tables and say that everything is good or bad. Sometimes good and bad is not the same as bonuses and "anti-bonuses".*

Lack of discretion to set targets for line managers or heads of department perhaps paves the way for heavy reliance on subjective assessment. Discretion is also used by departmental heads using the personal evaluation and rewarding special bonus to employees.

Recollecting on the project, one manager commented that they subjectively judge employees' performance based on their experience, especially when KPIs do not really reflect the employees' task performance. For a sales director, "*when evaluating the individuals of that design team, it happens. But, of course, it is about a feeling; we do not play the numbers anymore.*" One head of department commented:

> *Sometimes an indicator is strict and somebody has a feeling they can't move with it, it is more negative, it was contra productive in rationalisation: 'I manage to save once, but next year I get punished for that, so why should I do that? All effort will be duly punished.' The work with figures was bad, and nobody worked out how to relate them correctly, how to make the information valid.*

These comments were corroborated by other heads of department. The financial controller seemed to agree with the above problems and commented: *"We are not able to rationalise (saving costs) further.*" Thus, departmental heads have almost no choice but to inject as much as subjectivity as possible into their assessments. One head commented: "*It's all a question of healthy composition. When that is set up correctly and people know they will get reward for their effort, and when they don't try then… When some KPIs are conflicting, it is a problem for the people… I have to choose either/or…*" This is tolerated at the top level. One board member went so far as to claim that KPIs may well be counter-productive and induce dysfunctional behaviour. He went on to provide illustrations of how this may transpire.

Lower-level workers expressed similar views. Perhaps a lack of flexibility or discretionary power encourages manipulation of the figures such as under reporting. Special bonuses are often paid if profits are higher, even if the KPI targets have not exactly been met. Nevertheless, this does not stop some from "playing" the numbers. For instance, sometimes employees under-report performance in one period to save for the next KPI period, in order to maximise the impact on salaries. This is not unrecognised by the top management. There is a restriction on how much bonus employees can claim. This induces some engineers to stop producing after reaching the targets and to keep some unfinished work for the next cycle of the bonus period. Estimates of semi-finished products and finished products for the period have been introduced to stop this manipulation, but the problem continues, as the CEO and other top-level managers confirmed. Two KPIs are no longer use due to attempts of manipulations. One such primary performance indicator (RAC, known as cost saving). Top managers claimed this is too expensive to monitor and open for manipulations. The same goes for another indicator ‘PPM’ (number of products with low quality per 1million of products). Managers find employees are hiding the quality problems to achieve higher score and also leads to higher costs to achieve higher quality.

Applying common sense or doing the job

There is overwhelming evidence of disinterest, resignation, lack of commitment and frustration among all levels of employee regarding the new performance measurement practices. We sought to establish how they are making sense of the changes. The main narrative coming out of our interviews with all levels of employee is that “we are using our common sense or simply doing our jobs as best as we could do and we have done before”. Mid to top level managers provided us a number of scenarios where they themselves went against their KPIs just to maintain the quality of the products. Quality of the products ultimately keep the company moving and keep their jobs as they argued. One Head of Production provided an example: *“An example is the machining of the parts for paint shop, that they have some overspray and are contaminated by the burrs of cutting, I had to spend time on cleaning and process the parts further fully knowing this will negatively affect my productivity.”* Many cannot see any substantial changes to practices arising from the KPIs. One lower-level employee who has worked there both pre and post-KPIs reflected: “*To be honest, there were definitely some changes, but I cannot say that they were significant. We’ve already got used to it, so it’s hard to judge that way back.*” The only thing that has changed for them is the salary structure. Some commented that they have found a ‘*new way of paying salaries*’.

Many believe that the KPIs have made no real impact on their work efforts, so the best thing they can do is to carry out their jobs as before. Even some top-level managers do not see KPIs as a deal breaker in bringing about changes to work in the company. One top-level manager said: “*I am not really sure it brought any changes, something maybe did. This was rather mixed with other changes which happened in that period.*” Most senior managers were unable to articulate the impact of the changes on outcomes. The head of the production department said: “*there is growing something, for example production or new technologies and so on, so the company is moving forward, but it is difficult for me to say if it is also thanks to these indicators or not*”. The common narrative for many is that they are so dependent on external markets that internal processes are often inconsequential. However, the KPIs are seen as a serious attempt to motivate employees so that externalities can be minimised. Clearly, KPIs themselves are embodied with market externalities, causing employees to give up on them.

Employees whose KPIs are particularly inconsequential are resigned to the fact that it is meaningless to make any attempt to achieve them. Thus, simply doing the job and showing no interest in the KPIs is common in the factory. One manager in logistics commented: “*I use my common sense. I simply focus, and KPIs are in the background.*” Another head commented:

> *It’s hard. I’m actually taking care of maintaining the shapes, so I do not take care so much about these details. It’s important for me to have tools that are working and just to fix them as soon as it is needed. So I cannot know here are some numbers; I just have to have my work done.*

This is not to say that employees are not involved in KPIs at all. They try to suggest alternatives for new measures or relaxed target values that will make little change to the KPIs. The only time employees seem to be concerned with them is when bonuses are affected. One manager commented: “*I make myself heard when someone touches my bonuses, I’ll admit that* *straightaway. Otherwise, I do my job; it must be done.*” These proposed adjustments are often made in order to strengthen individuals’ influence over the indicator to avoid collective punishment or reward, but to no avail.

Employees lower down the chain rarely concern themselves with the KPIs, as long as they do not hamper bonuses. Some employees do not know much about the system, nor even perceive the existence of the KPIs. Many employees do not recognise that anything has changed, so have not noticed the KPIs. Lack of engagement was very clear among all levels of employee. The heads of department clearly acknowledged that the KPIs often do not reflect practice or the efforts made by employees. This has led to the rise of symbolism, as presented below.

The rise of symbolism

The practice of KPIs is dominated by reporting the “right” indicators. This is crucial, as it determines a proportion of organisational participants’ wages. Each unit has to report its results a few days after the end of the month. Common complaints are that there is enormous pressure and lack of time to prepare these reports. This led to some creative reporting especially secondary KPIs. The secondary KPIs was designed to drive performance as interviews revealed. Nevertheless, due to the low level of focus, they turned into “symbolic” indicators. This is acknowledged by the managers, including the CEO. Some (non-financial) KPIs are always reported as 100 per cent. For instance, the number of logistics incidents has always been reported as zero; hence they achieve a perfect score of 100 per cent. The managers suspect and claim that it is almost impossible not to have any incidents. The sales manager reported: “*It* [billing] *is not an indicator that can influence someone’s bonuses. There is just given 100 per cent, and no one works with it anymore.*” Our discussions with the CEO and board members in an informal board meeting revealed that importance is given to the primary indicators, with indifference to the secondary indicators, as they fail to explain and have forgotten some of the secondary indicators in operation at PK. This is partly because the secondary indicators do not affect salaries for most performance units, but are used only to monitor progress. One head claimed: “*The second-level indicator, more like the performance standard.*” The technical director commented: “*The primary ones are used; the secondary ones are formal. Expiration of paint (as an indicator) was a problem; it was being monitored. There is no problem now – it’s strictly formal.*” Interviews with top-level managers and the CEO revealed that secondary KPIs are at a developmental stage and much discretion is involved.

Some employees, including mid-level managers, do not recognise even the primary KPIs. This may well be because of common disengagement of employees with the KPIs. It is also because of some creative reporting even in primary KPIs as acknowledged by accounting report preparers. Partly because of time pressures and partly because of the politics of wages, sometimes, they had to prepare the KPIs using estimates instead of actual results. This often creates confusion among employees, as they are sometimes unclear about why they have received lower bonuses this month than last month. Most employees have no access to the data to dismantle the indicators and understand their performance. They often go away thinking they must have done something wrong and shrug it off. In some cases, employees come back to ask about reductions in bonuses, but one manager commented that they have no choice but to accept them. Some managers blamed the information gathered for KPIs.

Given the strong mistrust, information on KPIs have little value to many employees and almost no relevance to their actual work efforts. Many believe that bad indicators do not usually mean that something needs to be improved; rather, they may have been wrongly calculated or do not reflect their work. The CEO also acknowledged the problem and claimed he KPIs must change things on the ground, otherwise there is no point in having them, because it is bad management if the KPIs do not produce change or correct errors.

7. Discussion: Practical theoretical understanding of performance measurement

We sought to provide a theoretical account of how organisational participants respond/make sense of the "new regime" of KPIs in a transitional economy. We also explain why KPIs did not materialise as intended. Close examinations of 'doings' and 'sayings' of practitioners/employees in the context of new KPIs would address our concerns. Schatzki (1996), argue these 'doings' and 'sayings' are linked by pools of understanding pertaining to action, a collection of rules or instructions that regulate them, and a teleoaffective structure that orients them. These are further discussed below.

The rules or instructions that regulate performance measurement are important to note before we engage with the discussions of practical understanding and teeloaffective structure that orients practioners/employees. Intended performance measurement rules were to execute 12 first-level (primary) KPIs and supported by eight second-level (secondary) KPI indicators, plus supervisory reports (personal evaluation). The performance measurement practices unfold concurrently, as manifested in the practitioners' comments. Most distinguish between important and developmental KPIs, which do not follow the rules of performance measurement where a differentiation is made between primary and secondary KPIs. For many, the primary KPIs set in the rules do not necessarily reflect reality on the ground, so they adjust them to reflect the mood of affected parties. In Schatzkian terminology, practitioners implement performance measurement according to "what makes sense to them to perform" (Schatzki, 2001). Thus, the practical implementation of some KPIs remains symbolic or ceremonial, in the sense that it does not substantially change work patterns. Previous research has highlighted how a single individual such as the CEO, or control models (e.g. top management commitment, employee attitudes) may determine the "effectiveness" of performance measurement (Haas and Speckbacher, 2017). This study instead takes a more complex view, in which performance measurement functioning is a "contingent outcome" of various elements. Employees reactions at PK such as symbolism, manipulations and applying common sense demonstrate that changes in the rules, i.e. KPIs, are supposed to change the activities performed by employees at different levels, although how the employees actually execute them depends strongly on their understanding and interpretation of KPIs as a practice.

The imposition of KPIs with little consultation explains why top management has difficulty reaching an adequate practical understanding. Previous studies have argued for employee participation and a developmental approach to setting up KPIs (Wouters and Wilderom, 2008; Groen et al., 2012). This is also found in our case. The CEO's sensitivity to cash generation favours the enhancement of financially dominant KPIs, but similar sensitivities are absent from employees, as transpired from the interviews. Schatzki (2001, 2005) asserts that in their efforts to implement practices, people mobilise artefacts. In the current analysis, similar artefacts, such as training courses, consultations and communications to encourage interactions between the various members involved in executing the new performance measurement, are absent. These artefacts would foster a broader understanding of what performance measurement consists of and the major duties arising from its adoption.

At PK, interactions existed, if any, only at the level of top management. The bonus part of the salary, driven by financial KPIs, can only be paid if market does well. Integrating market risk with the employees' salaries has been rejected widely by employees. Employees have often no idea now they have received less salaries. Many believe that bad indicators do not usually mean that something needs to be improved; rather, they may have been wrongly calculated or do not reflect their work. Thus, the practical understanding of performance measurement held by organisational members is at odds with the CEO's understanding KPIs. It does not steer practical understandings in any particular direction, so practical understanding develops from how practitioners cope with the new rules. In other words, the intelligibility of KPIs affects business activities only if the basis for practical intelligibility is shared by all, or at least by individuals affected by the process.

The functioning of performance measurement requires acceptance of the primary KPIs by organisational participants. It did not transpire at PK. Some employees, including mid-level managers, do not recognise even the primary KPIs. The finance office and heads of department participate in calculating and reporting the KPIs, yet enacting even the primary KPIs is problematic, and the secondary KPIs are subject to superficial compliance. Some (non-financial) KPIs are always reported as 100 per cent. The actual effects depend on how practitioners make sense of the "lived experience" of KPIs, according to extant rules and their practical understandings, aims and beliefs. The 'lived experience' at PK is one of resignation instead of embracing the KPIs reflected in the interviews. Symbolism, manipulation, subjective assessment, applying common sense and just doing the job in performance measurement practice, in a variety of ways, are derived from the subjectivities of actors constructed inter- and intra-discursively through space and tensions.

There are explicit expectations of KPIs for motivating and improving the company's performance by the CEO (Haas and Speckbacher, 2017). However, we argue, drawing on Schatzki's works and previous studies, the imposed normative principles of KPIs are shaped by practitioners' skilful agency in prioritising vested interests (Andon et.al. 2007; Arnabolidi and Azzone, 2010) and their experience of "know-how". Schatzki (2001), in particular, argue that the know-how of what to do on the job (in the absence of any particular steer) shapes the "sayings" (meanings, discourses) and "doings" (bodily actions) of practice. Practical understandings provide a window through which to look into the process by which imposed KPIs gain intelligibility and meanings, such as "complicated", "irrelevant/inconsequential", "salary cut", "collective punishment" and "CEO's pet project". The employees interviewed are aware of the impact of KPIs on their salaries, and take action accordingly if they are able to exert any influence. We need to place employees' sayings and thinking (mind) about KPIs, such as being "contradictory", "top down", "inconsequential", "having no effect on jobs", alongside their doings (bodily activities). Comments such as 'putting the KPIs in the background' and 'focus on the job' and 'get the job done' are some of those examples of bodily activities of employees. This formed the practical understanding of performance measurement at PK.

The "teleoaffective" structure enables us to see, given the participants' understanding of the new performance measurement and KPIs, what makes sense for the projects they are pursuing. For Schatzki, projects may not necessarily be conscious goals for the actors but structural signifiers that give a sense of purpose (the "teleo" element) and condition actors' consent (the "affective" element). The teleoaffective formations described here, arising from the purposive projects of actors, such as "just doing the job", "manipulation", "raising one's voice if necessary" and "symbolic/ceremonial practices", have important implications for rendering the implementation of the new performance measurement rules irrelevant. It is clear that the rise of symbolic performance measurement reporting and practices, using common sense and manipulation, is deeply inscribed in the structural blueprints of practices. Not all organisational participants are engaged in symbolism or manipulation. Some are resigned to the fact they are better off just doing their jobs and ignoring the KPIs. Some raise their voices if space allows. These are not inconsistent with previous studies which examined tensions in performance measures, (Giovannoni et al., 2013), resistance (Modell, 2003), and messy interpretations of organisational actors (Sandhu et al., 2008). Nevertheless, examining these through a practice theory lens, we would argue, all these practical actions are clearly enacted through the skilled agency of organisational members – their learned behaviour within the socio-material context of practice involving the power of the CEO, market externalities and the communist legacy.

We also find the normativised aspects of performance measurement practice are crucial to understanding the symbolism or manipulation surrounding the implementation of the KPIs. These relate to the collective development of what participants take to be normal ways of doing organisational activities. For instance, employees themselves went against their KPIs just to maintain the quality of the products. Quality of the products ultimately keep the company moving and keep their jobs as they argued. They see broader purpose of the organisation more important than the KPIs.

A practice theoretical approach shed new light to the debate of performance measurement practices in a number of ways. First, this empirical study shows that the functioning of KPIs relies on a shared interpretation of what is "proper" according to practitioners. The appropriateness of KPIs comes from practitioners' experience of what works for them. A sense that KPIs are inappropriate produces a variety of unintended consequences, including manipulation and snubbing as also demonstrated in previous studies (Andon et al., 2007; Modell, 2003). Second, the "teleoaffective" formation of employees (purposive projects of actors) is crucial to embrace new practice such as KPIs. The purposive projects of actors at PK seems to be "just doing the job", "manipulation", "and "symbolic practices", are not what new performance measurement models are expected to generate. It was intended to do the quite opposite. Third, the new KPIs did not produce intended outcomes. According to Schatzki (2005, p.61), the essential element to steer practice is to have an Artefacts. Artefacts, defined as "material objects" mobilised by and within practitioners are important because they cause practices to "transpire" and work with them to mould the social order. KPIs needed to have an Artefacts. However, there was little "orchestration" of interactions between practitioners in our case. Finally, practitioners' skilful agency and their experience of "know-how" is important in the absence of any particular steer. New performance measurement model did not go through a consultation process. Employees have never understood the justifications of KPIs but only see new KPIs as punishment. In absence of fuller engagements, practitioners do what they are used to do and resist (as much as possible) the new regime of KPIs. Common sense forms the basis of performance measurement practices.

8. Concluding remarks

Returning to the question set out earlier we articulate the contributions of the paper. They are two-fold. First, how do organisational participants respond/make sense of the "new regime" of performance measurement in a transitional economy? We have explored, following Schatzki (1996)'s instructions, rules, practical understanding, and a teleoaffective structure of new performance regime. We find rules for primary and secondary KPIs were confusing for practitioners leading to do what makes sense for them to do. Developing a 'practical understanding' of participants enabled us to understand the employees' pragmatic approach i.e. adopting a strategy of "taking in" some performance measures while tolerating other measures if necessary. For instance, employees simply focus on doing their jobs, turning a blind eye to performance measurement, subjective assessment, symbolism and manipulation by managers. We demonstrate, the intelligibility of KPIs to practitioners is critical as it enables practical understandings of performance measurement by orienting practitioners' identification of "what needs to be done". Such understandings may well differ from the aims of the instigators, but are nevertheless crucial. Practitioners' understandings of what makes sense of doings and sayings represent the difference between what is intended and what actually happens. Also, as Schatzki noted, the "teleoaffective" structure is central to 'what actually happens'. The teleoaffective formations described here, arising from the purposive projects of actors, such as "just doing the job", "manipulation", "raising one's voice if necessary" and "symbolic/ceremonial practices", have important implications for rendering the implementation of the new performance measurement rules irrelevant. Building on this, we focus on the "organisation of practice" itself, seeking thereby to unravel the "doings" of organisational participants in changing settings (the socio-material context). This paper, inspired by Schatzki, has paid attention to "organisations of practice" rather than focusing on institutional factors, agential interests and constructions of meaning (Modell, 2001, 2003; Ahrens and Chapman, 2002; Andon et al., 2007; Arnaboldi and Azzone, 2010; Munir et al., 2013), This, in turn, allowed us to unmask inherent tensions and contradictions in new regime of performance measurement such as KPIs, making a crucial contribution to debate on 'performance measurement in practice'.

Second, does the new KPIs materialise as intended? New KPIs were intended to provide error free performance information system and sought to reward good employees. We find the application of KPIs did not materialise as intended. KPIs were introduced at PK around 10 years ago. Eight secondary measures only serve the symbolic or ceremonial purpose. 12 primary KPIs are directly linked with salaries. Immediately, employees saw them as a stick instead of a carrot. Common criticisms include lack of specific individualised KPIs, collective punishment, and contradictory, inconsequential, top-down and unrealistic KPIs. Few studies that exist in transitional economies rarely discussed unintended consequences of contemporary management accounting tools (Moilanen, 2007). The paper extends extant research on the application of contemporary management accounting tools in transitional economies (Albu & Albu, 2012; Cadez and Guilding, 2007).

Research on emerging economies (non-transitional economies), on the other hand, have demonstrated how new management accounting technologies clashes with varying traditional, cultural and political contexts and led to various unintended consequences (Ashraf and Uddin, 2013; Uddin and Hopper, 2001; Hopper et al., 2009; Wickramasinghe and Hopper, 2005). Extending the existing studies on management accounting in emerging economies, this paper focuses on the micro-processes of performance measurement systems to develop an understanding of diffusion of contemporary management accounting practice. We argue that Schatzki's approach has been insightful in explaining unintended consequences and how to steer practice. According to Schatzki (2005), essential elements to steer practice are to have an artefacts, teleoaffectivity, know-how and skilful agential actions. New KPIs did not produce the "teleoaffective" formation for new KPIs among employees. New performance measurement system was not mobilised within the organisation and no or little orchestration of interactions. In absence of this mobilisation or artefacts and orchestration, practitioners' skilful agency and 'know-how' are crucial. They were also absent. Thus, practitioners (employees) have done what they needed to which is employing their common sense to interact with the KPIs leading to unintended outcomes.

Finally, the paper has some research and practical implications. First, we believe the paper would be interesting to researchers because of its explanation of performance measurement practice in a distinct empirical setting, for its application of a practice theory inspired by Schatzki's works, and for inspiring new research agendas especially in transitional economies and implications for practice. This study paves the way for research that moves beyond linear explanations of how performance measurement works and can be implemented. Successful achievement of the intended aims of performance measurement cannot be attributed to a rationally designed framework, but rather should be interpreted as an outcome of interactions and processes that engage individuals, organisations and tools. There may well be situations in which the teleoaffective structure of participants directs them to ends other than the intended aims. Second, we also see the positive impact of this study for managers who wish to bring about changes within the organisation. This study recommends the mobilisation of artefacts, such as various forms of bottom-up discussions, to encourage interactions between organisational members and influence individual beliefs and practical understandings of the intended managerial projects.

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